南海控股有限公司*
NAN HAI CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 680)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS

The board of directors (the "Board") of Nan Hai Corporation Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000 (Re-presented)
Revenue	*4(a)*	**10,010,763**	9,321,212
Cost of sales and services provided	*7*	**(5,090,450)**	(4,138,837)
Gross profit		**4,920,313**	5,182,375
Other operating income	*4(b)*	**895,867**	719,751
Selling and marketing expenses		**(1,527,174)**	(2,525,204)
Administrative expenses		**(691,069)**	(960,119)
Other operating expenses		**(2,208,442)**	(1,894,248)
Provision for impairment of goodwill	*12*	**(1,046,921)**	(55,769)
Finance costs	*6*	**(1,089,406)**	(1,368,717)
Expected credit loss ("ECL") on financial assets		**(168,301)**	(46,202)
Fair value change on financial liabilities at fair value through profit or loss ("FVTPL")		**2,569**	24,342
Share of results of associates		**(2,899)**	(18,992)
Share of results of joint ventures		**(1,582)**	249
Gain on disposal of a joint venture		**629**	–
Loss on disposal of subsidiaries		**(2,572)**	–
(Loss)/Gain on fair value change on investment properties	*11*	**(34,479)**	1,751,377
(Loss)/Profit before income tax	*7*	**(953,467)**	808,843
Income tax expense	*8*	**(1,576,264)**	(1,450,269)
Loss for the year		**(2,529,731)**	(641,426)
Loss for the year attributable to:			
Owners of the Company		**(2,281,315)**	(561,415)
Non-controlling interests		**(248,416)**	(80,011)
		(2,529,731)	(641,426)
		HK cent	*HK cent*
Loss per share for loss attributable to the owners of the Company during the year	*10*		
— Basic		**(3.32)**	(0.82)
— Diluted		**(3.32)**	(0.82)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 *HK$'000*	2019 *HK$'000*
Loss for the year	**(2,529,731)**	(641,426)
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 ("FVOCI"), net of tax	**1,387**	39,963
Fair value change of properties upon transfer of property, plant and equipment to investment properties, net of tax	**27,899**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange gain/(loss) on translation of financial statements of foreign operations	**528,268**	(226,749)
Exchange gain/(loss) on translation of financial statements of foreign associates	**243**	(4,110)
Exchange gain/(loss) on translation of financial statements of foreign joint ventures	**146**	(214)
Other comprehensive income for the year, including reclassification adjustments	**557,943**	(191,110)
Total comprehensive income for the year	**(1,971,788)**	(832,536)
Total comprehensive income attributable to:		
Owners of the Company	**(1,745,780)**	(753,658)
Non-controlling interests	**(226,008)**	(78,878)
	(1,971,788)	(832,536)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**7,994,567**	9,382,329
Investment properties	*11*	**5,161,205**	4,787,476
Interests in associates		**99,745**	102,401
Interests in joint ventures		**3,344**	28,498
Amounts due from related parties		**175,158**	165,959
Financial assets at FVOCI		**228,092**	226,705
Long term trade receivables	*13*	**–**	1,079
Deposits, prepayments and other receivables		**527,865**	587,011
Intangible assets	*12*	**5,510,353**	6,419,076
Deferred tax assets		**1,674,613**	1,338,789
Pledged and restricted bank deposits		**3,828,116**	2,647,222
		25,203,058	25,686,545
Current assets			
Inventories		**10,007,731**	11,913,722
Financial assets at FVTPL		**3,417**	6,560
Trade receivables	*13*	**429,191**	486,166
Deposits, prepayments and other receivables		**3,253,054**	3,413,220
Amounts due from associates		**37,025**	24,426
Amount due from a joint venture		**894**	836
Amounts due from related parties		**315,639**	279,749
Pledged and restricted bank deposits		**3,423,340**	8,330,343
Cash and cash equivalents		**846,539**	743,055
		18,316,830	25,198,077
Current liabilities			
Trade payables	*14*	**3,346,896**	3,132,872
Other payables and accruals		**1,966,942**	1,682,158
Contract liabilities		**4,456,125**	9,411,830
Provision for tax		**6,804,535**	4,652,025
Amount due to a director		**14,271**	12,552
Amounts due to associates		**5,575**	5,180
Amounts due to related parties		**506,739**	232,104
Other employee benefits		**24,383**	28,451
Bank and other borrowings	*15*	**8,492,053**	15,173,454
Lease liabilities		**1,321,169**	439,400
		26,938,688	34,770,026
Net current liabilities		**(8,621,858)**	(9,571,949)
Total assets less current liabilities		**16,581,200**	16,114,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current liabilities			
Long term trade payables	*14*	**–**	212
Other employee benefits		**5,771**	36,508
Bank and other borrowings	*15*	**7,270,990**	3,679,580
Lease liabilities		**4,749,913**	5,607,441
Provision for warranty		**2,444**	2,575
Financial liabilities at FVTPL		**–**	2,569
Deferred tax liabilities		**1,227,406**	1,491,382
		13,256,524	10,820,267
Net assets		**3,324,676**	5,294,329
EQUITY			
Share capital	*16*	**686,455**	686,455
Reserves		**2,183,225**	4,009,545
Equity attributable to the Company's owners		**2,869,680**	4,696,000
Non-controlling interests		**454,996**	598,329
Total equity		**3,324,676**	5,294,329

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of the Company's registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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.

As at 31 December 2020, the directors of the Company consider the ultimate holding company to be Dadi Holdings Limited, a limited liability company incorporated in Hong Kong.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The Group incurred a loss of approximately HK$2,529,731,000 (2019: HK$641,426,000) for the year ended 31 December 2020, and as of that date, had net current liabilities of approximately HK$8,621,858,000 (31 December 2019: HK$9,571,949,000). These conditions may cast significant doubt about the Group's ability to continue as a going concern.

In view of these conditions, management of the Group has prepared a cash flow forecast for the next fifteen months after the end of the reporting period and the Board is of the opinion that the Group will have sufficient resources to satisfy its future working capital and other financing requirements over the period covered by the aforesaid cash flow forecast on the basis that the Group will be able to renew or replace certain bank and other borrowings which will be due in the next twelve months. Considering that the carrying amount of the pledged assets, including certain right-of-use assets, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties, financial asset at FVOCI and pledged bank deposits amounting to approximately HK$12,673,253,000 (31 December 2019: HK$15,083,273,000) in total, has covered significant amount of the outstanding principal of the maturing bank and other borrowings, and the Group has unused credit facilities amounting to USD100,000,000 which is available till May 2022. Management considered that the Group will have sufficient funding to support its daily operation in the next twelve months.

Based on the above, the Board considers that it is appropriate to prepare these consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW/AMENDED HKFRSs

3.1 Adoption of new/amended HKFRSs — effective on 1 January 2020

In the current year, the Group has applied for the first time the following new/amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Conceptual framework for Financial Reporting 2018	

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions. Impact on the applications of these amended HKFRSs are summarised below.

(i) Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020.

(ii) Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/amended HKFRSs — effective on 1 January 2020 (Continued)

(ii) Amendment to HKFRS 16, Covid-19-Related Rent Concessions (Continued)

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

3.2 Impact of new/amended HKFRSs which are issued but not yet effective

The following new/amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 9, Financial instruments[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 16, Leases[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 Levies to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2018–2020 Cycle

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	2020	2019
	HK$'000	*HK$'000*
Sales of properties and car parks	**7,499,074**	3,257,219
Enterprise cloud services	**966,353**	957,367
Property management services	**79,483**	64,940
Sales of decoration materials and decoration services	**58,034**	43,783
Film distribution services	**1,584**	495
Cinema ticketing income	**936,928**	3,609,343
Sales of food and beverages	**103,296**	493,488
Cinema advertising income	**32,815**	273,612
Sales and leases of projection equipment	**7,604**	5,192
Digital media technology services	**75,686**	270,716
Publication of magazines and advertising income	**102,307**	89,581
Sales of personal care and fragrance products	**128,509**	238,328
Innovative catering and fitness services	**19,090**	17,148
	10,010,763	9,321,212

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

4. REVENUE AND OTHER OPERATING INCOME (Continued)

(a) Revenue (Continued)

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

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**429,191**	487,245
Contract liabilities	**4,456,125**	9,411,830

(b) Other operating income

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**179,887**	147,232
Other interest income	**36,451**	46,900
Interest income on financial assets at amortised cost	**216,338**	194,132
Gain on fair value change on financial assets at FVTPL, net	**–**	4,723
Gain on trading of financial assets at FVTPL	**–**	11,286
Exchange gain	**22,720**	–
Gain on disposal of property, plant and equipment	**–**	17,486
Rental income	**24,245**	48,913
Government grants*	**217,653**	129,418
Dividend income	**1,496**	960
Sundry income	**245,728**	312,833
Covid-19-Related rent concessions	**167,687**	–
	895,867	719,751

* Government grants have been received from the People's Republic of China (the "PRC") governmental bodies in the form of the subsidies to cinema operations and subsidies to the development of IT business in the PRC. The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities who operate cinemas and have research and development projects that meet certain criteria. For the year ended 31 December 2020, the Group applied for various government support programs introduced in response to the global pandemic. Included in profit or loss is approximately HK$44,346,000 of Hong Kong government grants obtained relating to supporting the payroll of the Group's employees. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period. Also, the Group has received approximately HK$142,400,000 from the PRC government as subsidy to its cinema operations. The Group has elected to present these government grants separately, rather than reducing the related expenses. The Group does not have any unfulfilled obligations relating to these programs.

5. 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

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 of 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.

5. SEGMENT INFORMATION (Continued)

The segment results for the years ended 31 December 2020 and 2019 are as follows:

	For the year ended 31 December 2020						
	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	966,353	7,557,108	1,157,913	102,307	147,599	79,483	10,010,763
From inter-segments	5,786	–	96,246	–	–	35,527	137,559
Reportable and all other segments revenue	972,139	7,557,108	1,254,159	102,307	147,599	115,010	10,148,322
Reportable and all other segments profit/(loss) before income tax	25,937	3,014,955	(2,842,090)	(288,259)	(716,203)	(32,183)	(837,843)
Bank interest income	474	136,818	11,713	2	86	5,487	154,580
Other interest income	–	460	–	–	–	–	460
Interest income on financial assets at amortised cost	474	137,278	11,713	2	86	5,487	155,040
Finance costs	(4,795)	(248,915)	(641,794)	(59)	(21,942)	–	(917,505)
Depreciation and amortisation	(76,207)	(54,041)	(1,241,859)	(9,324)	(50,560)	(2,242)	(1,434,233)
Loss on disposal of property, plant and equipment	(55)	(28)	(183,916)	–	–	–	(183,999)
Share of results of associates	(599)	–	(2,300)	–	–	–	(2,899)
Share of results of joint ventures	–	–	(1,582)	–	–	–	(1,582)
Provision for impairment of goodwill	–	–	(585,152)	–	(461,769)	–	(1,046,921)
Provision for impairment of trade receivables	–	–	(11,651)	–	–	–	(11,651)
Provision for impairment of other receivables	(3)	(86,922)	(63,485)	–	–	–	(150,410)
Provision for impairment of associates	(2,598)	–	–	–	–	–	(2,598)
Provision for impairment of intangible assets other than goodwill	(2,827)	–	–	–	–	–	(2,827)
Write-off of intangible assets other than goodwill	(8,657)	–	–	–	–	–	(8,657)
Income tax (expenses)/credit	(4,588)	(1,617,385)	45,053	(27)	2,705	(2,022)	(1,576,264)
Reportable and all other segments assets	728,126	26,024,188	13,685,845	117,626	619,753	291,756	41,467,294
Interests in associates	22,961	29,113	47,671	–	–	–	99,745
Interests in a joint venture	–	–	3,344	–	–	–	3,344
Additions to non-current segment assets during the year	54,777	151,361	415,691	2,835	16,691	897	642,252
Reportable and all other segments liabilities	(502,257)	(21,039,725)	(10,725,856)	(59,391)	(210,132)	(85,964)	(32,623,325)

5. SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2019 (Re-presented)						
	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	957,367	3,301,002	4,652,846	89,581	255,476	64,940	9,321,212
From inter-segments	6,200	–	32,924	–	–	40,220	79,344
Reportable and all other segments revenue	963,567	3,301,002	4,685,770	89,581	255,476	105,160	9,400,556
Reportable and all other segments (loss)/profit before income tax	(67,998)	2,762,710	(868,766)	(387,933)	(382,328)	(26,057)	1,029,628
Bank interest income	361	120,819	5,047	14	511	2,591	129,343
Other interest income	–	933	–	–	–	–	933
Interest income on financial assets at amortised cost	361	121,752	5,047	14	511	2,591	130,276
Finance costs	(4,466)	(422,035)	(756,278)	(77)	(28,677)	(1,858)	(1,213,391)
Depreciation and amortisation	(76,595)	(56,114)	(1,290,703)	(12,792)	(73,858)	(1,868)	(1,511,930)
(Loss)/Gain on disposal of property, plant and equipment	(192)	(219)	(7,602)	–	17,486	–	9,473
Share of results of associates	(5,466)	(9,228)	(4,298)	–	–	–	(18,992)
Share of results of joint ventures	–	–	249	–	–	–	249
Fair value change on financial liability at FVTPL	–	–	21,476	–	–	–	21,476
Provision for impairment of goodwill	–	–	(32,174)	–	(23,595)	–	(55,769)
Provision for impairment of trade receivables	–	–	(2,970)	–	–	–	(2,970)
Provision for impairment of intangible assets other than goodwill	(1,507)	–	–	–	–	–	(1,507)
Write-off of intangible assets other than goodwill	–	–	–	–	(38,557)	–	(38,557)
Income tax (expenses)/credit	(561)	(1,515,034)	69,495	39	2,978	(2,803)	(1,445,886)
Reportable and all other segments assets	619,960	29,502,303	15,784,639	92,331	1,261,182	312,393	47,572,808
Interests in associates	26,947	28,551	46,903	–	–	–	102,401
Interests in joint ventures	–	–	28,498	–	–	–	28,498
Additions to non-current segment assets during the year	59,171	4,129,596	894,775	7,861	34,974	2,600	5,128,977
Reportable and all other segments liabilities	(455,019)	(23,509,852)	(11,215,989)	(36,143)	(767,978)	(52,541)	(36,037,522)

5. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2020	2019
	HK$'000	*HK$'000*
Reportable segments revenue	**10,033,312**	9,295,396
All other segments revenue	**115,010**	105,160
Elimination of inter-segments revenue	**(137,559)**	(79,344)
Group revenue	**10,010,763**	9,321,212
Reportable segments results before income tax	**(805,660)**	1,055,685
All other segments results before income tax	**(32,183)**	(26,057)
Bank interest income	**25,307**	17,889
Other interest income	**35,991**	45,967
Interest income on financial assets at amortised cost	**61,298**	63,856
Finance costs	**(171,901)**	(155,326)
Depreciation and amortisation	**(26,124)**	(20,724)
Unallocated corporate income/(expenses)	**21,103**	(108,591)
(Loss)/Profit before income tax	**(953,467)**	808,843

	2020	2019
	HK$'000	*HK$'000*
Reportable segments assets	**41,175,538**	47,260,415
All other segments assets	**291,756**	312,393
Amounts due from related parties	**489,282**	442,836
Financial assets at FVOCI	**228,092**	226,705
Pledged and restricted bank deposits	**561,612**	1,909,041
Other financial and corporate assets	**773,608**	733,232
Group assets	**43,519,888**	50,884,622

	2020	2019
	HK$'000	*HK$'000*
Reportable segments liabilities	**32,537,361**	35,984,981
All other segments liabilities	**85,964**	52,541
Amount due to a director	**14,271**	12,552
Provision for tax	**171,628**	168,442
Bank and other borrowings	**7,178,130**	9,284,811
Other corporate liabilities	**207,858**	86,966
Group liabilities	**40,195,212**	45,590,293

5. SEGMENT INFORMATION (Continued)

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

	For the year ended 31 December 2020						
	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	**966,346**	**7,557,108**	**1,157,913**	**–**	**42,743**	**79,483**	**9,803,593**
Hong Kong	**7**	**–**	**–**	**102,307**	**1,491**	**–**	**103,805**
North America	**–**	**–**	**–**	**–**	**83,560**	**–**	**83,560**
Europe	**–**	**–**	**–**	**–**	**11,734**	**–**	**11,734**
Australia	**–**	**–**	**–**	**–**	**4,239**	**–**	**4,239**
Others	**–**	**–**	**–**	**–**	**3,832**	**–**	**3,832**
Total	**966,353**	**7,557,108**	**1,157,913**	**102,307**	**147,599**	**79,483**	**10,010,763**
Timing of revenue recognition							
At a point in time	**51,805**	**7,557,108**	**103,296**	**935**	**128,509**	**–**	**7,841,653**
Transferred over time	**914,548**	**–**	**1,054,617**	**101,372**	**19,090**	**79,483**	**2,169,110**
Total	**966,353**	**7,557,108**	**1,157,913**	**102,307**	**147,599**	**79,483**	**10,010,763**

	For the year ended 31 December 2019						
	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	957,349	3,301,002	4,652,845	–	35,093	64,940	9,011,229
Hong Kong	18	–	1	89,581	14,319	–	103,919
North America	–	–	–	–	145,907	–	145,907
Europe	–	–	–	–	37,334	–	37,334
Australia	–	–	–	–	9,056	–	9,056
Others	–	–	–	–	13,767	–	13,767
Total	957,367	3,301,002	4,652,846	89,581	255,476	64,940	9,321,212
Timing of revenue recognition							
At a point in time	23,047	3,292,938	498,680	882	255,476	–	4,071,023
Transferred over time	934,320	8,064	4,154,166	88,699	–	64,940	5,250,189
Total	957,367	3,301,002	4,652,846	89,581	255,476	64,940	9,321,212

5. SEGMENT INFORMATION (Continued)

Non-current assets (other than deferred tax assets, financial instruments, amounts due from related parties and pledged and restricted bank deposits) are divided into the following geographical areas:

	2020	2019
	HK$'000	*HK$'000*
Mainland China	**18,240,562**	19,716,143
Hong Kong	**35,697**	216,152
North America	**290,227**	499,793
Europe	**124,703**	147,231
Australia	**–**	31,709
Others	**117,289**	159,103
Total	**18,808,478**	20,770,131

The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities, the Group has the majority of its operations and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

During the years ended 31 December 2020 and 2019, the Group did not derive more than 10% of the Group's total revenue from any single customer.

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**1,160,918**	1,166,009
Interest on convertible and exchangeable bonds	**–**	158,807
Interest on lease liabilities	**501,902**	520,743
Interest on financing component in contracts with customers	**30,725**	182,758
Total finance costs on financial liabilities at amortised cost	**1,693,545**	2,028,317
Less: Amount capitalised to properties under development *	**(604,139)**	(659,600)
	1,089,406	1,368,717

* The finance costs above are capitalised at a rate of 6.06% to 7.13% (2019: 6.06% to 7.13%) per annum.

7. (LOSS)/PROFIT BEFORE INCOME TAX

	Note	2020 HK$'000	2019 HK$'000
(Loss)/Profit before income tax is arrived at after charging/(crediting):			
Amortisation of intangible assets other than goodwill*		**147,869**	144,271
Auditors' remuneration			
— Audit service		**12,596**	10,858
— Other service		**773**	1,269
Cost of sales of properties and car parks		**3,951,958**	1,586,526
Cost of provision of enterprise cloud services		**153,247**	164,332
Cost of provision of property management services		**84,068**	83,404
Cost of sales of decoration materials and decoration services		**44,033**	49,452
Cost of provision of film distribution services		**5,196**	982
Cost of cinema ticketing		**412,692**	1,520,063
Cost of sales of food and beverages		**30,149**	149,572
Cost of cinema advertising		**249**	5,877
Cost of sales and leases of projection equipment		**2,675**	2,909
Cost of provision of digital media technology services		**6,540**	63,557
Cost of publication of magazines and advertising		**285,401**	313,622
Cost of sales of personal care and fragrance products		**103,038**	190,719
Cost of provision of innovative catering and fitness services		**11,204**	7,822
Cost of sales and services provided		**5,090,450**	4,138,837
Depreciation of property, plant and equipment			
— Owned assets*		**731,592**	843,601
— Right-of-use assets*		**580,896**	544,782
Loss*/(Gain) on fair value change on financial assets at FVTPL			
— Listed equity investments		**6,026**	(4,835)
— Derivatives		**–**	112
Gain on fair value change on financial liabilities at FVTPL			
— Derivatives		**(2,569)**	(24,342)
Loss on disposal of property, plant and equipment*		**189,867**	8,013
Write-off of property, plant and equipment*		**14,895**	21,464
Write-off of intangible assets other than goodwill*		**8,657**	38,557
Write-off of inventories*		**68,215**	2,406
Interests on lease liabilities		**501,902**	520,743
Short-term lease expenses		**21,870**	55,456
Variable lease payments		**257**	21,489
Covid-19-Related rent concessions	*(a)*	**(167,687)**	–
Direct operating expenses arising from investment properties that generated rental income during the year		**1,413**	4,875
Direct operating expenses arising from investment properties that did not generate rental income during the year		**2,688**	623
Provision for impairment of trade receivables		**11,651**	7,122
Provision for impairment of deposits and other receivables		**156,650**	39,080
ECLs on financial assets		**168,301**	46,202
Provision for impairment of intangible assets other than goodwill*		**2,827**	1,507
Provision for impairment of property, plant and equipment*		**60,364**	15,968
Provision for impairment of goodwill		**1,046,921**	55,769
Research and development expenses*		**203,554**	96,923

* included in other operating expense

7. (LOSS)/PROFIT BEFORE INCOME TAX (Continued)

(a) As disclosed in note 3.1(ii), the Group has early adopted the amendment to HKFRS 16, Covid-19-Related Rent Concessions, and has applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the year.

8. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Charge for the year	**–**	1,000
— PRC Enterprise Income Tax ("EIT")		
Charge for the year	**794,487**	406,215
Under-provision in respect of prior years	**2,604**	1,468
— Taxation for other jurisdictions		
Charge for the year	**–**	592
Over-provision in respect of prior years	**(764)**	–
— PRC Land Appreciation Tax ("LAT")		
Charge for the year	**1,118,595**	511,443
— Withholding tax on dividend		
Charge for the year	**241,944**	–
	2,156,866	920,718
Deferred tax		
— (Credit)/Charge for the year	**(580,602)**	529,551
	1,576,264	1,450,269

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 consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2020 and 2019. No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2020.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2019: 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.

PRC LAT is levied at progressive rates from 30% to 60% (2019: 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.

9. DIVIDEND

No dividend was paid or declared during the year ended 31 December 2020 (2019: nil).

A final dividend in respect of the year ended 31 December 2018 of 0.15 HK cent per ordinary share, amounting to a total dividend of approximately HK$102,968,000 was proposed and approved at the annual general meeting of the Company held on 30 May 2019.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of approximately HK$2,281,315,000 (2019: HK$561,415,000) and on 68,645,535,794 (2019: 68,645,535,794) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2020 was the same as the basic loss per share as there was no potential dilutive ordinary share in issue during the year.

The calculation of diluted loss per share for the year ended 31 December 2019 is based on the loss for the year attributable to the owners of the Company and adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of loss of a subsidiary based on dilution of its loss per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, which is the same as the basic loss per share calculation.

Diluted loss per share for the year ended 31 December 2019 was the same as the basic loss per share as the convertible and exchangeable bonds outstanding during the year had an anti-dilutive effect on the basic loss per share.

11. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	*HK$'000*
Fair value		
At 1 January	**4,787,476**	757,669
Transfer from completed properties held for sale	**47,004**	2,302,099
Transfer from property, plant and equipment	**80,404**	–
Fair value change	**(34,479)**	1,751,377
Exchange differences	**280,800**	(23,669)
At 31 December	**5,161,205**	4,787,476

12. INTANGIBLE ASSETS

	Computer software *HK$'000*	Development cost *HK$'000*	Goodwill *HK$'000*	Licenses, brand names and franchise right *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2019						
Cost	139,602	117,637	5,634,472	1,028,187	252,350	7,172,248
Accumulated amortisation	(57,644)	(36,413)	–	(139,378)	(94,961)	(328,396)
Accumulated impairment	(184)	(8,931)	(296,505)	(17,168)	(4,332)	(327,120)
Net carrying amount	81,774	72,293	5,337,967	871,641	153,057	6,516,732
Year ended 31 December 2019						
Opening net carrying amount	81,774	72,293	5,337,967	871,641	153,057	6,516,732
Additions	76,223	144,687	–	713	5,812	227,435
Acquisition of assets	2,501	–	–	–	–	2,501
Provision for impairment	(698)	(809)	(55,769)	–	–	(57,276)
Amortisation charge for the year	(20,390)	(19,083)	–	(81,952)	(22,846)	(144,271)
Write-off	(20,404)	–	–	–	(18,153)	(38,557)
Exchange differences	(4,998)	(3,249)	(63,433)	(8,093)	(7,715)	(87,488)
Closing net carrying amount at 31 December 2019	114,008	193,839	5,218,765	782,309	110,155	6,419,076
At 31 December 2019 and 1 January 2020						
Cost	212,459	257,927	5,570,130	1,017,545	250,093	7,308,154
Accumulated amortisation	(97,580)	(54,527)	–	(218,068)	(135,606)	(505,781)
Accumulated impairment	(871)	(9,561)	(351,365)	(17,168)	(4,332)	(383,297)
Net carrying amount	114,008	193,839	5,218,765	782,309	110,155	6,419,076
Year ended 31 December 2020						
Opening net carrying amount	**114,008**	**193,839**	**5,218,765**	**782,309**	**110,155**	**6,419,076**
Additions	**32,966**	**24,203**	**–**	**4,035**	**23,204**	**84,408**
Provision for impairment	**–**	**(2,827)**	**(1,046,921)**	**–**	**–**	**(1,049,748)**
Amortisation charge for the year	**(16,787)**	**(22,155)**	**–**	**(81,509)**	**(27,418)**	**(147,869)**
Write-off	**–**	**(8,657)**	**–**	**–**	**–**	**(8,657)**
Exchange differences	**8,427**	**12,461**	**163,423**	**21,754**	**7,078**	**213,143**
Closing net carrying amount at 31 December 2020	**138,614**	**196,864**	**4,335,267**	**726,589**	**113,019**	**5,510,353**
At 31 December 2020						
Cost	**248,310**	**289,146**	**5,766,031**	**1,068,231**	**288,665**	**7,660,383**
Accumulated amortisation	**(108,770)**	**(82,115)**	**–**	**(323,384)**	**(171,039)**	**(685,308)**
Accumulated impairment	**(926)**	**(10,167)**	**(1,430,764)**	**(18,258)**	**(4,607)**	**(1,464,722)**
Net carrying amount	**138,614**	**196,864**	**4,335,267**	**726,589**	**113,019**	**5,510,353**

13. TRADE RECEIVABLES

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

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**238,491**	291,859
91–180 days	**71,909**	86,917
181–270 days	**31,240**	22,816
271–360 days	**8,634**	22,273
Over 360 days	**183,817**	151,413
Trade receivables, gross	**534,091**	575,278
Less: Provision for impairment of receivables	**(104,900)**	(88,033)
Trade receivables, net	**429,191**	487,245
Less: Long term trade receivables	**–**	(1,079)
Current portion of trade receivables	**429,191**	486,166

14. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**1,970,618**	2,124,165
91–180 days	**44,930**	84,548
181–270 days	**241,797**	736,933
271–360 days	**776,502**	90,765
Over 360 days	**313,049**	96,673
Trade payables	**3,346,896**	3,133,084
Less: Long term trade payables	**–**	(212)
Current portion of trade payables	**3,346,896**	3,132,872

15. BANK AND OTHER BORROWINGS

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Bank loans			
— Secured	*(a)*	**7,795,563**	11,181,891
— Unsecured	*(a)*	**17,388**	52,841
Other borrowings			
— Secured	*(a),(b),(c)*	**7,921,869**	7,618,302
— Unsecured	*(a)*	**28,223**	–
		15,763,043	18,853,034

At 31 December 2020, the bank and other borrowings of the Group are repayable as follows:

	2020 *HK$'000*	2019 *HK$'000*
On demand or within one year	**8,492,053**	15,173,454
In the second year	**7,154,698**	2,993,841
In the third to fifth year	**116,292**	685,739
Wholly repayable within five years	**15,763,043**	18,853,034
Less: Portion due on demand or within one year under current liabilities	**(8,492,053)**	(15,173,454)
Portion due over one year under non-current liabilities	**7,270,990**	3,679,580

At 31 December 2020, the carrying amounts of the borrowings are denominated in the following currencies:

	2020 *HK$'000*	2019 *HK$'000*
RMB	**7,318,406**	6,594,753
USD	**7,661,858**	8,389,008
HK$	**677,995**	3,848,480
TWD	**104,784**	20,793
	15,763,043	18,853,034

15. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) At 31 December 2020, bank and other borrowings amounted to HK$4,657,399,000 (2019: HK$8,227,143,000) carry interest at floating rates ranging from 2.17% to 12.22% per annum (2019: 2.70% to 8.56% per annum). The remaining balances carry interest at fixed rates ranging from 2.90% to 17.02% per annum (2019: 3.00% to 10.90% per annum). The carrying amounts of bank and other borrowings approximate their fair values.

(b) Included in other borrowings of HK$230,477,000 (2019: HK$416,076,000) is amount due to financial institutions regarding eight (2019: ten) sales and leaseback arrangements for property, plant and equipment. The transactions are classified as loan financing and corresponding property, plant and equipment of HK$396,048,000 (2019: HK$645,147,000) are pledged under these arrangements.

(c) On 25 May 2017, a direct wholly-owned subsidiary of the Company issued a three-year credit enhanced notes of US$500,000,000 (equivalent to approximately HK$3,885,350,000) at par with a coupon rate of 3.00% per annum. The effective interest rate is 3.41% per annum. During the year ended 31 December 2020, the note has been settled.

On 21 July 2017, a direct wholly-owned subsidiary of the Company issued a three-year credit enhanced notes of US$400,000,000 (equivalent to approximately HK$3,124,121,000) at par with a coupon rate of 3.15% per annum. The effective interest rate is 3.54% per annum. During the year ended 31 December 2020, the note has been settled.

On 8 May 2020, a direct wholly-owned subsidiary of the Company issued a two-year credit enhanced notes of US$500,000,000 (equivalent to approximately HK$3,877,150,000) at par with a coupon rate of 3.50% per annum. The effective interest rate is 4.19% per annum.

On 11 June 2020, a direct wholly-owned subsidiary of the Company issued a two-year credit enhanced notes of US$350,000,000 (equivalent to approximately HK$2,714,005,000) at par with a coupon rate of 2.90% per annum. The effective interest rate is 3.63% per annum.

16. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	***HK$'000***
Authorised:		
At 1 January 2019, 31 December 2019 and **31 December 2020**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and **31 December 2020**	**68,645,535,794**	**686,455**

17. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less the sum of pledged and restricted bank deposits and cash and cash equivalents as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date are as follows:

	2020	2019
	HK$'000	*HK$'000*
Current liabilities		
Bank and other borrowings	**8,492,053**	15,173,454
Non-current liabilities		
Bank and other borrowings	**7,270,990**	3,679,580
Total debt	**15,763,043**	18,853,034
Less: Pledged and restricted bank deposits	**(7,251,456)**	(10,977,565)
Cash and cash equivalents	**(846,539)**	(743,055)
Net debt	**7,665,048**	7,132,414
Total equity	**3,324,676**	5,294,329
Total equity and net debt	**10,989,724**	12,426,743
Gearing ratio	**69.75%**	57.40%

18. COMPARATIVE INFORMATION

Certain comparative figure has been represented to conform with change in presentation in current year, being provision for impairment of goodwill of approximately HK$55,769,000 reclassified from "Other operating expenses" and separately shown as "Provision for impairment of goodwill" in the consolidated income statement.

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 Digicine Oristar Technology Development (Beijing) Company 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"). In the meantime, the Group has also engaged in businesses through Dadi News Media (HK) Limited and its subsidiaries (collectively referred to as "News Media Business") as well as Dadi Innovation (HK) Limited and its subsidiaries (collectively referred to as "Innovative Business").

During the year, revenue of the Group was approximately HK$10,010.8 million (2019: HK$9,321.2 million), representing a year-on-year increase of approximately 7.4% as compared to the corresponding period of last year. Loss for the year of the Group was approximately HK$2,529.7 million (2019: HK$641.4 million). The loss was primarily due to the impact of the COVID-19 epidemic ("Epidemic") on the business of the culture and media services segment, and also, as a matter of prudence, the Group made a provision for impairment of the Group's property, plant and equipment, goodwill and other intangible assets in the culture and media services and innovative business segments of approximately HK$1,107.3 million. Such impairment was calculated in accordance with Hong Kong Accounting Standard 36 — Impairment of Assets. The provision for impairment was a non-cash item and had no impact on the operations and working capital of the Group. The net assets of the Group as at 31 December 2020 were approximately HK$3,324.7 million (2019: HK$5,294.3 million).

The Group issued credit enhanced notes in aggregate amount of US$850 million in May and June 2020, which were listed on the Hong Kong Stock Exchange. The successful issuance of these notes has improved the debt structure of the Group.

During the year, as China demonstrated its resilience and vitality in the prevention and control of the Epidemic and the recovery of the economy, market confidence was gradually restored and the industry showed gradual recovery. The Group's business will continue to improve in the long term as consumers' disposable income and appetite for cultural and personal care products increases. The Group will continue to take measures to control its costs and expenses, and make every effort to promote the recovery process and improve the performance of each segment.

Culture and Media Services

Business Review

During the year, the revenue of this business segment was approximately HK$1,157.9 million (2019: HK$4,652.8 million). Loss before income tax was approximately HK$2,842.1 million (2019: HK$868.8 million).

Culture and Media Services (Continued)

Business Review (Continued)

In 2020, in accordance with the Chinese government's directive to prevent and control the Epidemic, all cinemas nationwide were closed from late January 2020 and resumed operations gradually in July 2020. The recovery of China's film market after the resumption showed that watching movies in theatres remained one of the most important forms of entertainment for Chinese audiences. Satisfactory performance in box office has once again restored the confidence of film industry practitioners and has given confidence to the continued steady development of China's film industry in the post-epidemic period.

In 2020, the national gross box office of the film market was approximately RMB18.603 billion (excluding service charges), representing a year-on-year decrease of approximately 68.7%, while the total admission of audience was approximately 549 million, representing a year-on-year decrease of approximately 68.2%. As a result of the foregoing, during the year, the operating income of cinema operation and cinema media advertising of this business segment decreased significantly as compared to the corresponding period of 2019, and the box office revenue of the cinema business of this business segment including tax amounted to approximately RMB958 million (excluding service charges), representing a year-on-year decrease of approximately 70.8%.

During the year, box office of the cinema business of this business segment contributed to approximately 6.6% of the national box office revenue (tax included), representing a year-on-year increase of approximately 1.1%, with the admission of audiences of approximately 27.56 million, maintaining its No. 2 in ranking among cinema investment and management companies throughout China. As at 31 December 2020, this business segment had an aggregate of 449 cinemas with 2,828 screens operating in 29 provinces (autonomous regions, municipalities) and 182 cities across China.

During the period of closure, our cinemas under this business segment implemented a series of proactive measures in response to the Epidemic. We paid attention to the state's preferential policies for the industry and strived to obtain various subsidies; we also actively negotiated with landlords for better terms such as rent waivers and reductions. Internally, we fully mobilised our staff and used live streaming platforms to interact with film fans, conducting content sharing and online retail. Benefiting from the continuous improvement of the online functions of our own channels, our cinemas were able to offer a wide range of products and services to their core members through a variety of marketing and promotional activities, further enhancing member loyalty.

In addition, our business segment focused on product technology and IT system upgrade and digital transformation, upgrading the customer version of its own channel (APP and mini-programs), enhancing the full cycle operational capability for members and optimising user experience. We also continued to optimise our business and management processes and promoted online processes to improve management efficiency. As a result of the internal and external measures, the Company was able to complete and reopen its cinemas as soon as it resumed operation, and business was back on track quickly.

Culture and Media Services (Continued)

Business Review (Continued)

Upon resumption of operation, this business segment strictly complied with the relevant national regulations on epidemic prevention, while continuing to implement the OMO (Online — Merge — Offline) business model, further pursuing its "Film +" strategy and quickly implementing the OMO business model on a pilot basis. This business segment 1) cooperated with other merchants in the same area to provide more and better local services to users; 2) cooperated with major online platforms to gain new users through the traffic portals of these platforms; 3) used a variety of operation tools (APP, official accounts (公眾號), mini-programs, etc.) to reach more users, better serve users and increase user activity; 4) generated interactive sales with members through live streaming, fans communities; and 5) continued to explore the operation of non-film diversified content.

In this business segment, Dadi Media (HK) Limited and its subsidiaries (collectively referred to as "Dadi Film") under Dadi Media, continued to pursue a steady and yet progressive approach to creation and production during the Epidemic, and continued to refine the post-release work of completed projects to lay a solid foundation for the upcoming release. In terms of original project development and external project collaboration, we were actively involved in the development of original projects and in negotiating partnerships with outstanding external teams to prepare topics for our next projects.

The Epidemic has brought unprecedented challenges to the cinema industry, but in the midst of the crisis, a unique opportunity has arisen for 數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited*) and its subsidiary (collectively referred to as "Oristar") in its process of transformation. Oristar has been positioned as an internet service company for the cinema industry, and has deepened and optimized the revenue management platform of the Oristar cloud cinema (Software as a Service ("SaaS")-based cinema digitalization total solution) to provide cinemas with a closed-loop support for business including ticket sales, retail, membership management, membership marketing, cinema operation decision-making support and big data BI (business intelligence) services, and offer complete mobile solutions for consumers and operators in respect of APP, H5, mini programs, etc.

During the year, Oristar completed an "error-free" contactless online system switching for cinemas of the Group and realized the first "non-inductive" cloud-based upgrade in the domestic cinema industry. At the same time, Oristar completed the switching and transfer of information of nearly 100 external customers in respect of the revenue management platform product of the Oristar cloud, which have won positive feedback from customers, reflecting Oristar's spirit of being the first and being innovative as well as its positive industry influence. At the same time, Oristar has further optimized the capabilities of the "Oristar cloud" platform and continued to improve and innovate in terms of empowering cinema marketing, basic revenue management, and in-depth membership operations.

* *For identification purpose only*

Culture and Media Services (Continued)

Business Review (Continued)

With the continuous expansion of product capabilities and market influence, as at 31 December 2020, Oristar provided services for approximately 1,947 cinemas, covering approximately 12,500 halls in 31 provinces (autonomous regions, municipalities) across China.

On 22 December 2020, Sino-i and the Company entered into the sale and purchase agreement, pursuant to which Sino-i has conditionally agreed to purchase (or procure the purchase) and the Company has conditionally agreed to sell (or procure the sale) to Sino-i the entire equity interest of 數碼辰星科技發展(北京)有限公司(Digicine Oristar Technology Development (Beijing) Company Limited*), for the consideration of RMB488 million. Such transaction is still subject to, amongst other things, the approval of independent shareholders of Sino-i. Upon completion of the above-mentioned transaction, the financial performance and financial position of Oristar will still be consolidated into the consolidated financial statements of the Group. For details, reference shall be made to the Company's announcement dated 22 December 2020.

Prospects

In 2020, China overtook the United States as the largest box office market in the world. This demonstrates the effectiveness of China's anti-epidemic measures and the vitality and potential of the Chinese film market, even with the impact of the Epidemic. We remain optimistic about the stable development of the China's film market. On the other hand, in 2021, a number of high quality films will be presented to audiences and with the continuous development of China's film market, the themes of the films will become more diversified. The in-depth development of the Chinese comics, the comedy films, the exploration of science fiction films and crime films, and the extension of movie IPs to multiple genres will be the new trend of new films to be released in 2021, and all these factors will further drive the China's box office to record highs.

This business segment will capitalise on the team spirit and technical product reserves honed during the Epidemic to capture the momentum of stable market development. This business segment continues to explore the development and utilisation of cinema scenes, collaborate with a number of quality content providers and build a film-based consumer entertainment platform in an efficient and effective manner to meet the consumer needs in various aspects such as business model, scenes, products and services. With the view of satisfying the high standard and quality of cinema projects, Dadi Film will also actively develop distribution channels for its projects, promote concrete cooperation with internet and other channels, integrate online and offline resources, deepen the implementation of its OMO strategic plan for cinemas, provide assistance to cinemas in terms of membership operation, cost reduction and efficiency enhancement, so as to achieve more business revenue. At the same time, we will continue to optimise the business and organisational structure, reduce operating and management costs and enhance the operational efficiency and profitability.

* *For identification purpose only*

Property Development

Business Review

During the year, revenue of this business segment was approximately HK$7,557.1 million (2019: HK$3,301.0 million) and profit before income tax was approximately HK$3,015.0 million (2019: HK$2,762.7 million). The increase of revenue was mainly due to the recognition of the income of Phase 4 of "The Peninsula" during the year.

"The Peninsula" Project in Shenzhen

The "Peninsula", a flagship project of Nan Hai Development, is located in the prime triangle zone formed by Qianhai Shenzhen-Hong Kong cooperation free trade zone, Houhai financial and commercial center and Shekou free trade zone. It is bordered by Shekou Fishing Port to the west, Shekou Mountain Lookout Park to the north, Dongjiaotou Reclamation to the east, near the Western Corridor Port site, and the waterfront promenade and Shenzhen Bay to the south, enjoying a unique mountain and sea view of the Shenzhen Bay Area. The project is developed in five phases with a total gross floor area of over one million sq.m., establishing a diversified business environment including high-end housing, intelligent business, smart hotel, office sharing, creative theater and yacht club.

Phases 1 and 2 of "The Peninsula" have been sold out. The sale of Phase 3 was launched in April 2016 and almost sold out. The sale of Phase 4 was launched on 23 April 2019 with the sell through rate reaching 82% on that day. As at 31 December 2020, accumulated sales amounted to approximately RMB7,539 million. The project is currently under renovation and is scheduled for delivery in mid-2021. The Group is holding 55,800 sq.m. of the commercial portion to establish businesses including smart hotel, intelligent business and shared offices according to the idea of "world citizen style and stay with the trend". Operation is scheduled to commence in late 2021.

"Free Man Garden" Project in Guangzhou

Located at the Guangzhou airport economic development area, adjacent to Baiyun International Airport and Guangzhou North Comprehensive Passenger Transportation Hub, "Free Man Garden" project of Nan Hai Development in Guangzhou creates an eco-friendly residential area of 1.5 million square meters in Baiyun district, Guangzhou featuring new environment-friendly concepts, scarce urban green belts and excellent community operations. The project will be developed into a large integrated leisure residential area for approximately 10,000 households with a 100,000 sq.m. central green lawn, a 20,000 sq.m. clubhouse, a 2,000 sq.m. heated swimming pool, a basketball court, a yoga studio, a table tennis court, a large gymnasium, and two kindergartens and a public school with a nine-year education system. The "Free Man Garden" project comprises a total of eight phases, of which Phases 1, 2, 4 and 7 have been almost sold out. As at 31 December 2020, a total of 725 flats in Phase 5 and 6 with an aggregate area of approximately 93,257sq.m. were sold for sales amount of approximately RMB2,296 million. Phase 3 known as "Freedom Lane (自由里)" with a gross floor area of approximately 36,000 sq.m. is self-owned for providing comprehensive services

Property Development (Continued)

Business Review (Continued)

of catering, entertainment and culture and commenced operation with a grand opening held on 28 December 2019. Currently, famous brands including Dadi Cinema, McDonald's and RT-MART have opened and banks, post offices, medical stations, cultural centres and other amenities are also available.

Moreover, the Group has created a new model of operation in real estate business and developed quality projects in various ways. The "Jinghu Boulevard" Project sitting to the east of "Free Man Garden" in Guangzhou in which the Group has invested in is currently with an aboveground floor area of approximately 80,000 sq.m. and will be developed into a commercial complex integrating catering, hotel, entertainment, etc. Leveraging on the experience accumulated in the development of "The Peninsula" and "Free Man Garden" projects, the Group is actively exploring strategic cooperation in respect of a number of projects and invest in the construction of various quality projects in order to materialize a steady and sustainable development of the property development business.

During the year, Nan Hai Development also launched a series of measures to respond to the Epidemic, including operational cost control, optimization of the pace of project construction, active communication with property owners on delivery of properties and trial selling of "Free Man Garden" through livestream to ensure the Company's stable operation. At the same time, the outbreak of the Epidemic has also put forward new requirements for the development of the property service industry, and has accelerated the increase of demand for services. The rational division of internal functional areas, community ancillary facilities, the concept of health inherent in the products and high-quality services have demonstrated significant values. Through this "Epidemic War", the property service company of Nan Hai Development has comprehensively improved its service quality and capability in multiple dimensions such as emergency response, material deployment and innovative technology application, and promoted service loyalty and brand value, so as to offer quality experience.

Prospects

The Epidemic outbreak in early 2020 has a significant impact on the domestic economic development and the operation of the real estate market in China. Overall, although the economy is facing major challenges, the central policy level maintains real estate regulation and control, and holds on to the unchanged position of "houses are for living but not for speculation (房住不炒)". In order to promote the stable operation of the real estate market, the central and local governments have introduced a number of financial policies and prudent monetary policies to support the real estate industry in certain cities. In response to the impact of the Epidemic, the national macroeconomic policies have enhanced countercyclical adjustments and local policies have been more flexible. With the improving situation of the Epidemic prevention and control and the orderly progress of resumption of work and production, as well as the release of backlog of housing demand after the Epidemic eases, the real estate market in China continues to recover, especially the land markets in major cities.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Property Development (Continued)

Prospects (Continued)

With a forward-looking strategic mindset, Nan Hai Development shall actively grasp the opportunities of national strategic focus areas and urban development, continue to cultivate the core city cluster of the Greater Bay Area and actively seek development opportunities in the Yangtze River Delta region. In terms of land reserve, Nan Hai Development has been prudent and proactive in acquiring land resources through a variety of land acquisition strategies, including co-operations, acquisitions, urban renewal and strategic acquisitions, in addition to tendering and auctioning. In a highly competitive industry environment, Nan Hai Development insists on "putting products at the core and customers first" and continues to refine and improve its products and customer satisfaction. In addition to improving our products, we are actively responding to customer demand for quality, further enhancing the reputation of the Peninsula brand and laying a solid foundation for continued improvement in our industry competitiveness. In 2021, we will focus on upgrading our talent, enhancing operations and risk management, and establishing a sound foundation for sustainable development.

Enterprise Cloud Services

Business Review

This business segment provided a comprehensive digital marketing, digital business solutions and cloud computing infrastructure services to corporate clients in China. The main products/services included domain name, public cloud, mini program mall, mailbox, digital marketing, etc., covering various aspects such as infrastructure, website building tools and services, digital marketing and online transactions as required by enterprises for digital operation.

For the small and medium-sized customers, we provide standardised enterprise service tools in the form of SaaS, as well as relatively standardised and yet customised services. We have integrated the quality partners and resources in the industry to create a mature and stable product ecosystem to meet the individual needs of our customers as far as possible. For strategic clients in various industries, we provide personalised, high-end customised services across the entire industry chain through our sub-brand "CE Ultimate (中企高呈)".

Having made unremitting efforts over time, we have established a nationwide, industry-wide, omni-channel business system that enabled us to reach customers in a timely and effective manner. At the same time, we have set up more than 80 branches to form a localised service operation network across the country, providing face-to-face rapid response and localised delivery to our customers and effectively solving the problems of "the last kilometer" of corporate services.

Enterprise Cloud Services (Continued)

Business Review (Continued)

In 2020, with the gradual containment of the Epidemic, the trend towards online personal consumption and the digitalisation of business operations was evident, and the volume of export business experienced a rapid growth. In addition to the existing full network responsive portal and foreign trade portal, 中企動力科技股份有限公司 (CE Dongli Technology Company Limited, "CE Dongli") under this business segment has launched a global portal business. Through its own domestic and foreign trade SEO (Search Engine Optimization) marketing products and Google SEM (Search Engine Marketing) products, CE Dongli effectively met the online display and marketing needs of different customers in domestic and foreign trade.

The Epidemic has greatly accelerated the process of online retail, resulting in an urgent need for the shift of retail outlets which were originally offline only in all sectors to online operation. Manufacturers of different brands/merchants of origin urgently needed an online presence to communicate with consumers across the country in order to run private domain traffic. CE Dongli has strengthened the promotion of digital commerce business, providing customers with an integrated e-commerce solution to help them open up online and offline sales channels and better meet the needs of multi-scene and multi-channel operation in the digital era. Coupled with the underlying cloud computing technology support services of 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited, "Xinnet"), CE Dongli helped customers to achieve better business growth.

During the year, with CE Dongli and Xinnet being its main operating entities, this business segment was committed to the development of cloud services for corporate digitalization and smart operation by providing comprehensive IaaS (Infrastructure as a Service), SaaS application, corporate e-commerce services, "corporate digitalization transformation" total solutions and big databased business intelligence cloud services to China market. During the year, revenue of this business segment was approximately HK$966.4 million (2019: HK$957.4 million). Profit before income tax was approximately HK$25.9 million (2019: loss before income tax of HK$68.0 million). The profit was primarily attributable to 1) this business segment's various products, which effectively met the urgent need of customers to start online operations quickly under the pressure of the Epidemic, significantly boosting the number of users and enhancing sales efficiency; 2) this business segment's continuous investment in research and development of production platforms in recent years, which has improved production efficiency and reduced labour input per unit of product, thereby improving gross profit margin; and 3) the various measures taken by this business segment to reduce management and administrative expenses, enhance efficiency, reduce costs, pursue and enjoy various concessions and waivers in accordance with relevant government policies to minimise the impact of the Epidemic during the year.

Enterprise Cloud Services (Continued)

Business Review (Continued)

CE Dongli

With 20 years' service experience, CE Dongli has a SaaS product system that meets the digital needs of enterprises in China and has built up a large business and localization service network. At the same time, it has integrated leading partners from various industries to build a market for corporate services, providing enterprises in China with enterprise digital business solutions with professional technology and comprehensive services.

During the year, CE Dongli had the following key initiatives:

Firstly, self-service website building products were launched, forming a complete product spectrum for large and medium-sized customers to small and micro customers, in order to meet the different needs of customers of various scales and expand the number of potential users while enhancing user experience. Over 10,000 paid users have developed templates for website building during the year.

Secondly, in response to the trend of online enterprise marketing, the existing SEO business was integrated with the portal business and other third party products into different product combinations and solutions. During the year, the marketing products grew by approximately 22.45%, with increase of approximately 70.68% in the fourth quarter when compared to the fourth quarter of 2019.

Thirdly, with the significant growth of China's export data in 2020 and strong demand from customers for foreign trade marketing, CE Dongli re-optimized its existing foreign trade portal and Google SEM business and integrated with other third party resources to form a new solution. The launch of the new solution was highly recognized by the market, bringing a total number of customers to over 8,600.

Fourthly, with the far-reaching impact of the Epidemic on the retail industry, CE Dongli has stepped up its research and development and marketing efforts in the digital commerce business, and has a stable service capability in conducting major transactions; through cooperation with third parties, CE Dongli has achieved the integration of mobile payment, logistics and other related services, helping customers to fully integrate the information flow, capital flow and logistics of e-commerce business; during the year, the digital commerce business has established a customer operation team aimed at making customers successful, helping customers to complete the entire operation system from WeChat authentication, payment opening, shop construction (renovation) and shop marketing and promotion, which can help traditional customers to quickly establish an online and offline integrated operation system. During the year, there were a total of 1,348 new customers, representing an increase of approximately 239.43% when compared with 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Enterprise Cloud Services (Continued)

Business Review (Continued)

Xinnet

During the year, Xinnet continued to serve domestic medium, small and micro enterprises through online, direct sales and a nationwide agent channel system. In addition to business such as domain name management, public cloud IaaS, mailbox, etc., it also continues to expand the enterprise market in the area of website building and corporate application services. It continues to enrich the product line in respect of public cloud products, adding products including Redis, RabbitMQ, cloud backup and big data in order to meet the needs of users for PaaS (Platform as a Service) products. The scale of the information center continues to expand. In addition to the existing three regions of Northern China I, II, and Hong Kong, the scale of resources of the public cloud continues to increase by adding three regions in the Northern China, so as to meet the growing business needs. At the same time, in view of the weak technical capabilities and strong business needs of medium, small and micro enterprises, as the first domestic company to propose the concept of enterprise cloud service center, it reaches users with the most direct SaaS application, at the same time covering data products of basic cloud resource, which has become one of the few suppliers in China of overall cloud service product, which assists medium, small and micro enterprises to achieve digital transformation.

Prospects

The management of this business segment believes that "Epidemic prevention and control" will continue to be a major theme for the entire community in 2021. At the macro level, the domestic economy will gradually recover and return to normal growth (the International Monetary Fund estimates that China's GDP growth rate will be approximately 8% in 2021), while the export business of enterprises in China will continue to grow rapidly due to the spread of the Epidemic abroad.

We also note that the Epidemic will greatly accelerate the digital transformation of enterprises in China, which will have a profound impact on their brand building, channels, retailing, membership management and interaction. The Epidemic has significantly changed consumers' lifestyle and spending habits. The variety and frequency of online shopping will increase significantly, and there will be a shift from in-store purchases to online ordering and home delivery. The population of online consumers is rapidly expanding, online shopping is no longer the exclusive domain of young people, more elderly people will also join online shopping. The process of building brand awareness has changed dramatically, with consumers gradually moving from offline shop displays and advertising to self-selecting information, watching live streams and forming relatively closed communities. Changes in consumer behaviour and habits will affect business activities and boundaries: 1. corporate brands will pay more attention to online displays and online placement; 2. with the increasing cost of online traffic, low-cost and sustainable revenue-generating private domain traffic operation and member interaction will become an important business capability for enterprises; 3.

Enterprise Cloud Services (Continued)

Prospects (Continued)

enterprises not only need to develop their own online sales, but also need to integrate their existing offline channels and terminals to help them complete their online transformation; and 4. retail shops will place more emphasis on digital business capabilities such as online display, online promotion, online transactions and maintaining customer relationships.

In light of above changes in the macro economy, consumer habits and business needs, we will make the following strategic and operational adjustments and initiatives:

Firstly, we will transform into a "digital marketing" business. On top of our existing portal business, we will continue to optimise our existing SEO business and integrate the product capabilities of our third-party partners such as SEM and marketing automation to further develop a new product portfolio and solutions to drive this business segment's transformation from a website builder to an integrated digital marketing service provider.

Secondly, we will focus on the "digital commerce" business. We believe that building our own e-commerce portal is an important means for shops to achieve online sales and for companies to operate private traffic and to interact with consumers in the future. We will continue to push forward the development of our "digital commerce" business. By 2021, we aim to be a first-tier company in this field.

We understand that a comprehensive SaaS product and service requires solid internet technology and data platform capabilities. In the future, based on an in-depth understanding of the business environment of customers in different industries, this business segment will continue to increase its investment in data centres, cloud computing technology, automated operation and maintenance technology, big data technology and intelligent marketing technology to comprehensively enhance its core technology capabilities and further develop and optimise products and services for the digital intelligent operation and business of enterprises. In the future, we will make use of cloud computing, the middle structure of business (業務中台) and SaaS applications to develop digital marketing, data analytics and e-commerce operations services to help our traditional industry customers achieve digital transformation, better respond to changes in consumer demand and meet the challenges of the digital era.

News Media Business

Business Review

There are two business divisions under the news media business, namely "HK01" and "Duowei Media". During the year, revenue of this business segment was approximately HK$102.3 million (2019: HK$89.6 million) and loss before income tax was approximately HK$288.3 million (2019: HK$387.9 million).

Based in Hong Kong, "HK01" has more than 780 employees. It is a pioneer of advocacy media, aiming at creating an internet lifestyle platform, a brand new idea of combining internet with news media business, for Hong Kong people. During the year, this business segment continued to develop its internet news and lifestyle services business and successfully secured a leading position in the local media. According to ComScore, a world-renowned internet traffic monitoring platform, "HK01" ranked first in the News/Information — General News category in terms of total monthly visitors, ahead of other local media. At the same time, "HK01" has ranked No. 1 in terms of downloads in the news category for months, demonstrating its continued influence.

In terms of business performance, daily active users of the webpages and mobile applications of this business segment reached over 1.9 million on average, representing an increase of approximately 25% as compared to last year. The number of active users was over 2.58 million at the peak. In respect of page views, the average number of daily page views of the webpages and mobile applications reached over 38 million, more than double of last year's average. Page views approached 59 million at the peak. In addition, as at 31 December 2020, the number of members of this business segment was over 1.5 million, representing an increase of 50% as compared to the same period last year.

With high quality news reports, this business segment achieved remarkable results by winning a number of news awards, including four awards from the international Telly Awards in the USA; six awards from The 20th Consumer Rights Reporting Awards presented by the Consumer Council, the Hong Kong Journalists Association and the Hong Kong Press Photographers Association, including winning the "Most awards among the online media news organizations (歷屆獲獎最多傳媒機構)"; and 12 awards from "The Spark Awards 2020".

This business segment also continued to expand its lifestyle services platform with the launch of the "EC Easy (醫師Easy)" health information platform, the "01 Space (01空間)" events platform and the new macroeconomic "巨子ICON " mobile app in the fourth quarter of 2020, which provides investors with comprehensive economic information, analysis and commentary on financial trends and global economic situation. At the same time, we will continue to develop the "HKshopNet (一網打盡)" shopping guide platform, the "LetZ Goal (齊動)" running service platform and will also focus on developing the members' economic circle and strive to create an exclusive ecosystem for "01 Members(01會員)".

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

News Media Business (Continued)

Business Review (Continued)

Under the impact of the Epidemic, "HK01" has made rapid changes to meet the market environment, focusing its marketing strategy on online and launching a number of online and offline activities in "01 Space(01空間)". At the same time, "HK01" continued to launch a number of brand-oriented activities such as the "流動派" series and online activities such as "01最賞睇娛樂大獎". Despite the postponement or suspension of many offline activities in the market due to the Epidemic, this business segment was able to successfully organise the first "01 Gold Medal Awards(01企業金勳大獎)", with the winners announced in December 2020 and the award presentation ceremony in January 2021, to recognise Hong Kong companies that have struggled through adversity and to highlight the leading position of "HK01".

Prospects

In 2021, it will be the 5th anniversary of "HK01" and this business segment will be embarking on a series of online and offline promotion activities and will continue to develop its leading position and influence in the Hong Kong media industry while leveraging internet technology to create a lifestyle platform for Hong Kong people. In particular, "HK01" mobile app will undergo a major change in the first quarter of 2021. The updated version will enhance the application's big data to achieve accurate content delivery, which is expected to improve user experience and advertising conversion effect, and enhance advertisers' confidence and satisfaction. At the same time, the new version will include various social interaction elements, allowing users to disseminate information to the public and friends through the "HK01" platform.

The newly launched mobile apps "巨子ICON" and "EC Easy (醫師Easy)" focus on economic, financial and health news information, such mobile apps coupled with various tools and services may expand advertising revenue streams.

In 2021, despite the continued impact of the Epidemic, we will overcome the difficulties and establish "HK01" as the most influential online lifestyle platform in Hong Kong, bringing a new online and offline experience across media to Hong Kong people.

Innovative Business

Business Review

During the year, revenue of this business segment was approximately HK$147.6 million (2019: HK$255.5 million) and loss before income tax was approximately HK$716.2 million (2019: HK$382.3 million), of which approximately HK$496.1 million represented impairment of goodwill and property, plant and equipment.

Following the completion of the restructuring in 2019 to exit its traditional retail model, the focus for Crabtree & Evelyn in 2020 was on building awareness for the relaunch of the brand and expanding its customer base by taking on new customers. This was to be achieved through the use of digital platforms, social channels, partnerships and influencers or key opinion leaders. In 2020, the new customer base grew by 803% as compared to 2019 and year-on-year sales in the e-commerce channel also increased by 67% as compared to 2019, laying a good foundation for future conversion of new customers.

In October 2020, the first global exploration collection was launched from Bali, this collection included both personal care as well as artisan lifestyle products made by craftsmen in local communities in Bali with a portion of profits from selected products going back into those communities through our partnership with a local charity. Management was pleased with the sell through of the collection, it having produced several star products and valuable learnings for future exploration collections.

In September 2020, the brand relaunched into Taiwan through a leading third party sales platform, it was intended as a soft launch but delivered results beyond expectations and showed a strong demand for the brand in the market.

During the year, the effects of the Epidemic on Crabtree & Evelyn were limited due to its sales channels being predominantly online and its products remaining in demand from customers not able to travel or in a lock down situation. It was also able to adapt its supply chain to ensure that there were no significant disruptions to product availability throughout the year.

Prospects

Leveraging on the momentum in brand awareness and customer acquisition generated in 2020, Crabtree & Evelyn will continue to grow on its key metrics of sales and customer base growth. As well as its own sales platforms, the brand will further increase distribution channels through key third parties in 2021.

Following the completion of product registrations in Mainland China, the brand will launch itself domestically in the Mainland China market in 2021. A second global exploration collection from a new destination will also be launched in 2021 following the success and learnings of the first exploration collection from Bali.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2020, net assets attributable to the owners of the Company amounted to approximately HK$2,869.7 million (2019: approximately HK$4,696.0 million), including cash and bank balances of approximately HK$8,098.0 million (2019: approximately HK$11,720.6 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2020, the Group's aggregate borrowings were approximately HK$15,763.0 million (2019: approximately HK$18,853.0 million), of which approximately HK$11,105.6 million (2019: approximately HK$10,625.9 million) were bearing interest at fixed rates while approximately HK$4,657.4 million (2019: approximately HK$8,227.1 million) were at floating rates. The Group has not entered into any interest rate hedge during the year.

The gearing ratio of the Group, which is calculated as the net debt divided by the total equity plus net debt was approximately 69.75% (2019: approximately 57.40%).

As at 31 December 2020, the capital commitment of the Group was approximately HK$595.6 million (2019: approximately HK$525.9 million), of which approximately HK$18.1 million would be used for the renovation of self-owned property, approximately HK$178.9 million would be used as capital expenditures for the expansion of its cinema business and approximately HK$398.6 million would be used for property development.

As at 31 December 2020, the Group's contingent liabilities were approximately HK$21.7 million in connection with the guarantees given to secure credit facilities (2019: approximately HK$21.1 million).

As at 31 December 2020, certain right-of-use assets, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties, financial asset at FVOCI and bank deposits with a total net carrying value of approximately HK$12,673.3 million were pledged to secure the credit facilities granted to the Group (2019: approximately HK$15,083.3 million). In addition, trading securities with a carrying value of approximately HK$0.2 million (2019: approximately HK$0.2 million) and certain shares of several subsidiaries were pledged and bank accounts were charged for securing the Group's credit facilities.

The Board considers 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. Details of which shall be referred to in note 2 to the financial statements of the Group.

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 will still 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. During the year, the Group has not entered into any foreign exchange hedging instruments.

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. 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 31 December 2020, the Group had 15,899 employees (2019: 18,789 employees). The salaries of and allowances for employees for the year ended 31 December 2020 were about approximately HK$1,564.6 million (2019: HK$2,222.0 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.

FINAL DIVIDEND

The directors of the Company have resolved not to recommend the declaration of any final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL GENERAL MEETING

The annual general meeting will be held on Thursday, 27 May 2021 in Hong Kong. The notice of annual general meeting will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of shares will be effected for the purposes of determining the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 May 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020 and as of the date of this announcement.

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 year ended 31 December 2020.

AUDIT COMMITTEE

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 the auditor and the management of the Company, this results announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2020 and discussed the auditing, financial control, internal control and risk management systems.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Company's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on the preliminary results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Amber Treasure Ventures Limited (a wholly-owned subsidiary of the Company) successfully issued two tranches of credit enhanced notes due in 2022, with the amount and interest rate of US$500,000,000 (3.50% per annum) and US$350,000,000 (2.90% per annum) on 8 May 2020 and 11 June 2020, respectively. The notes are listed on the Hong Kong Stock Exchange.

As stated in the announcements of the Company dated 25 May 2017 and 21 July 2017, Amber Treasure Ventures Limited issued two tranches of credit enhanced notes due in 2020, with the amount and interest rate of US$500,000,000 (3.00% per annum) and US$400,000,000 (3.15% per annum) ("2017 Notes") respectively. The notes were listed on the Hong Kong Stock Exchange. Amber Treasure Ventures Limited has fully repaid the outstanding principal of the 2017 Notes together with the accrued interest upon its maturity on 25 May 2020 and 21 July 2020 respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year ended 31 December 2020.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Hong Kong Stock Exchange and the Company (http://www.nanhaicorp.com). The 2020 annual report of the Company containing all the relevant information required by Appendix 16 to the Listing Rules will be published on the websites of the Hong Kong Stock Exchange and the Company and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 30 March 2021

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

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