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

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS

The board of directors (the "Board") of Nan Hai Corporation Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 together with the comparative figures for 2020 as follows:

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Revenue	*5(a)*	**4,071,564**	6,094,908
Cost of sales and services provided		**(1,912,307)**	(2,969,073)
Gross profit		**2,159,257**	3,125,835
Other operating income	*5(b)*	**335,391**	348,309
Selling and marketing expenses		**(989,028)**	(641,457)
Administrative expenses		**(378,483)**	(312,941)
Other operating expenses		**(892,063)**	(1,150,755)
Provision for impairment of goodwill		**–**	(926,988)
Finance costs		**(512,041)**	(576,201)
Fair value change on financial liabilities at fair value through profit or loss ("FVTPL")		**–**	2,569
Expected credit losses ("ECLs") on financial assets		**(22,147)**	(125,137)
Share of results of associates		**(183)**	(3,715)
Share of results of joint ventures		**3,825**	(2,283)
Gain/(Loss) on fair value change on investment properties		**39,460**	(18,363)
Loss before income tax	*6*	**(256,012)**	(281,127)
Income tax expense	*7*	**(314,928)**	(1,219,676)
Loss for the period		**(570,940)**	(1,500,803)
Loss for the period attributable to:			
Owners of the Company		**(530,256)**	(1,310,581)
Non-controlling interests		**(40,684)**	(190,222)
		(570,940)	(1,500,803)
		HK cent	*HK cent*
Loss per share for loss attributable to the owners of the Company during the period			
— Basic	*9(a)*	**(0.77)**	(1.91)
— Diluted	*9(b)*	**(0.77)**	(1.91)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(570,940)**	(1,500,803)
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	**20,242**	(13,677)
Items that may be reclassified subsequently to profit or loss:		
Exchange gain/(loss) on translation of financial statements of foreign operations	**11,350**	(258,420)
Exchange gain/(loss) on translation of financial statements of foreign associates	**5,152**	(7,267)
Exchange gain/(loss) on translation of financial statements of foreign joint ventures	**34**	(84)
Other comprehensive income for the period, including reclassification adjustments	**36,778**	(279,448)
Total comprehensive income for the period	**(534,162)**	(1,780,251)
Total comprehensive income attributable to:		
Owners of the Company	**(492,037)**	(1,588,506)
Non-controlling interests	**(42,125)**	(191,745)
	(534,162)	(1,780,251)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	**30 June 2021** *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**7,495,199**	7,994,567
Investment properties		**5,246,196**	5,161,205
Interests in associates		**108,722**	99,745
Interests in joint ventures		**3,195**	3,344
Amounts due from related parties		**179,627**	175,158
Financial assets at FVOCI		**248,334**	228,092
Deposits, prepayments and other receivables		**481,035**	527,865
Intangible assets		**5,434,724**	5,510,353
Deferred tax assets		**1,678,149**	1,674,613
Pledged and restricted bank deposits		**1,293,216**	3,828,116
		22,168,397	25,203,058
Current assets			
Inventories		**9,654,783**	10,007,731
Financial assets at FVTPL		**3,334**	3,417
Trade receivables	*10*	**391,707**	429,191
Deposits, prepayments and other receivables		**2,909,535**	3,253,054
Amounts due from associates		**46,344**	37,025
Amount due from a joint venture		**898**	894
Amounts due from related parties		**330,837**	315,639
Pledged and restricted bank deposits		**4,465,033**	3,423,340
Cash and cash equivalents		**722,347**	846,539
		18,524,818	18,316,830

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2021

	Notes	**30 June 2021 *HK$'000* (Unaudited)**	31 December 2020 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Current liabilities			
Trade payables	*11*	**2,819,228**	3,346,896
Other payables and accruals		**2,110,621**	1,966,942
Contract liabilities	*5(a)*	**4,218,717**	4,456,125
Provision for tax		**6,876,958**	6,804,535
Amount due to a director		**3,305**	14,271
Amounts due to associates		**5,588**	5,575
Amounts due to related parties		**815,451**	506,739
Other employee benefits		**27,598**	24,383
Bank and other borrowings		**13,125,512**	8,492,053
Lease liabilities		**820,188**	1,321,169
		30,823,166	26,938,688
Net current liabilities		**(12,298,348)**	(8,621,858)
Total assets less current liabilities		**9,870,049**	16,581,200
Non-current liabilities			
Other employee benefits		**2,984**	5,771
Bank and other borrowings		**1,253,864**	7,270,990
Lease liabilities		**4,720,857**	4,749,913
Provision for warranty		**2,469**	2,444
Deferred tax liabilities		**1,098,294**	1,227,406
		7,078,468	13,256,524
Net assets		**2,791,581**	3,324,676
EQUITY			
Share capital	*12*	**686,455**	686,455
Reserves		**1,692,255**	2,183,225
Equity attributable to the Company's owners		**2,378,710**	2,869,680
Non-controlling interests		**412,871**	454,996
Total equity		**2,791,581**	3,324,676

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 30 June 2021, 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

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved and authorised for issue by the Board on 26 August 2021.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2020 annual consolidated financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2021. Details of changes in accounting policies, and their effect on these condensed consolidated interim financial statements, are set out in note 3.

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

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual consolidated financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and should be read in conjunction with the 2020 annual consolidated financial statements.

2. BASIS OF PREPARATION (Continued)

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK$12,298,348,000 as at 30 June 2021 (31 December 2020: HK$8,621,858,000). The Board considers that the Group will have sufficient resources to satisfy its future working capital and other financing requirements in the next twelve months based on that the Group is in the progress of renewing or replacing certain bank and other borrowings which will be due in the next twelve months, and that with certain right-of-use assets, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties, financial assets at FVOCI and pledged bank deposits amounting to approximately HK$11,691,653,000 (31 December 2020: HK$12,673,253,000) in total being pledged for existing credit facilities, the Board considers that the Group will be able to renew or replace the existing facilities upon expiry.

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

3. CHANGES IN HKFRSs

The Group has applied the same accounting policies in these condensed consolidated interim financial statements as in its 2020 annual consolidated financial statements, except that it has adopted the following amendments to HKFRSs:

(a) Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 ("2021 amendment")

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in the reporting period. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 5(b)).

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

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications; and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these condensed consolidated interim financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Other than the 2021 amendment as described above, the Group has not early adopted any new or amended HKFRSs that have been issued but are not yet effective in the condensed consolidated interim financial statements.

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major products and service lines.

The Group has identified the following five reportable segments:

(a) Enterprise cloud services

(b) Property development

(c) Culture and media services

(d) News media business

(e) Innovative business

Information about other business activities and operating segments that are not reportable are combined and disclosed in "all other segments". All other segments included trading of securities and property management.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

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

The segment results for the six months ended 30 June 2021 and 2020 are as follows:

	For the six months ended 30 June 2021 (Unaudited)						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Revenue							
From external customers	442,741	1,670,666	1,772,791	75,371	55,707	54,288	4,071,564
From inter-segments	2,467	–	107,764	–	–	11,958	122,189
Reportable and all other segments revenue	445,208	1,670,666	1,880,555	75,371	55,707	66,246	4,193,753
Reportable and all other segments (loss)/profit before income tax	(77,381)	510,222	(272,233)	(140,372)	(110,048)	(13,679)	(103,491)

4. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2020 (Unaudited)						
	Enterprise cloud services	Property development	Culture and media services	News media business	Innovative business	All other segments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
From external customers	412,507	5,385,996	158,058	40,722	58,037	39,588	6,094,908
From inter-segments	2,324	–	–	–	–	13,884	16,208
Reportable and all other segments revenue	414,831	5,385,996	158,058	40,722	58,037	53,472	6,111,116
Reportable and all other segments (loss)/profit before income tax	(3,638)	2,497,540	(1,973,073)	(171,780)	(499,011)	(12,108)	(162,070)

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

	For the six months ended 30 June 2021 (Unaudited)						
	Enterprise cloud services	**Property development**	**Culture and media services**	**News media business**	**Innovative business**	**All other segments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Primary geographical markets							
Mainland China	**442,735**	**1,670,666**	**1,772,791**	**–**	**24,465**	**54,288**	**3,964,945**
Hong Kong	**6**	**–**	**–**	**75,371**	**1,591**	**–**	**76,968**
North America	**–**	**–**	**–**	**–**	**19,920**	**–**	**19,920**
Europe	**–**	**–**	**–**	**–**	**6,337**	**–**	**6,337**
Australia	**–**	**–**	**–**	**–**	**1,472**	**–**	**1,472**
Others	**–**	**–**	**–**	**–**	**1,922**	**–**	**1,922**
Total	**442,741**	**1,670,666**	**1,772,791**	**75,371**	**55,707**	**54,288**	**4,071,564**
Timing of revenue recognition							
At a point in time	**13,692**	**1,670,666**	**167,377**	**252**	**47,277**	**–**	**1,899,264**
Transferred over time	**429,049**	**–**	**1,605,414**	**75,119**	**8,430**	**54,288**	**2,172,300**
Total	**442,741**	**1,670,666**	**1,772,791**	**75,371**	**55,707**	**54,288**	**4,071,564**

4. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2020 (Unaudited)						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Primary geographical markets							
Mainland China	412,500	5,385,996	158,058	–	12,779	39,588	6,008,921
Hong Kong	7	–	–	40,722	1,025	–	41,754
North America	–	–	–	–	39,793	–	39,793
Europe	–	–	–	–	2,590	–	2,590
Australia	–	–	–	–	1,050	–	1,050
Others	–	–	–	–	800	–	800
Total	412,507	5,385,996	158,058	40,722	58,037	39,588	6,094,908
Timing of revenue recognition							
At a point in time	15,572	5,385,996	17,053	220	50,888	–	5,469,729
Transferred over time	396,935	–	141,005	40,502	7,149	39,588	625,179
Total	412,507	5,385,996	158,058	40,722	58,037	39,588	6,094,908

The reportable segment assets and liabilities as at 30 June 2021 and 31 December 2020 are as follows:

	As at 30 June 2021 (Unaudited)						
	Enterprise cloud services ***HK$'000***	**Property development** ***HK$'000***	**Culture and media services** ***HK$'000***	**News media business** ***HK$'000***	**Innovative business** ***HK$'000***	**All other segments** ***HK$'000***	**Total** ***HK$'000***
Reportable and all other segments assets	**995,407**	**23,906,952**	**13,175,883**	**157,960**	**591,073**	**208,152**	**39,035,427**
Reportable and all other segments liabilities	**(628,867)**	**(19,544,871)**	**(10,968,946)**	**(87,708)**	**(134,146)**	**(116,344)**	**(31,480,882)**

	As at 31 December 2020 (Audited)						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Reportable and all other segments assets	728,126	26,024,188	13,685,845	117,626	619,753	291,756	41,467,294
Reportable and all other segments liabilities	(502,257)	(21,039,725)	(10,725,856)	(59,391)	(210,132)	(85,964)	(32,623,325)

4. SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segments revenue	**4,127,507**	6,057,644
All other segments revenue	**66,246**	53,472
Elimination of inter-segment revenue	**(122,189)**	(16,208)
Group revenue	**4,071,564**	6,094,908
Reportable segments results before income tax	**(89,812)**	(149,962)
All other segments results before income tax	**(13,679)**	(12,108)
Bank interest income	**1,793**	15,391
Other interest income	**23,567**	21,972
Interest income on financial assets at amortised cost	**25,360**	37,363
Finance costs	**(81,039)**	(129,268)
Depreciation and amortisation	**(16,486)**	(9,837)
Unallocated corporate expenses	**(80,356)**	(17,315)
Loss before income tax	**(256,012)**	(281,127)

5. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of properties and car parks	**1,642,960**	5,380,693
Sales of decoration materials and decoration services	**27,706**	5,303
Enterprise cloud services	**442,741**	412,507
Property management services	**54,288**	39,588
Film distribution services	**–**	787
Cinema ticketing income	**1,431,132**	99,036
Sales of food and beverages	**167,377**	17,053
Cinema advertising income	**39,575**	24,880
Sales and leases of projection equipment	**11,615**	1,377
Digital media technology services	**123,092**	14,925
Publication of magazines and advertising income	**75,371**	40,722
Sales of personal care and fragrance products	**47,277**	50,888
Innovative catering and fitness services	**8,430**	7,149
	4,071,564	6,094,908

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

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

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**391,707**	429,191
Contract liabilities	**4,218,717**	4,456,125

The contract liabilities mainly relate to the advance consideration received from customers. Approximately HK$2,220,410,000 of the contract liabilities as at 31 December 2020 has been recognised as revenue for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$5,790,121,000) from performance obligations satisfied in the current period due to the changes in the estimate stage of completion of certain contract obligations.

5. REVENUE AND OTHER OPERATING INCOME (Continued)

(b) Other operating income

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**54,688**	90,803
Other interest income	**23,567**	22,422
Interest income on financial assets at amortised cost	**78,255**	113,225
Government grants	**79,546**	62,287
Exchange gain, net	**1,994**	52,799
Rental income	**24,337**	12,046
Dividend income	**2**	3,968
Sundry income	**72,377**	98,982
Covid-19-Related rent concessions *(note)*	**78,880**	5,002
	335,391	348,309

Note: As disclosed in note 3, the Group has early adopted the 2021 amendment, and has applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the period.

6. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill*	**65,393**	69,027
Depreciation of property, plant and equipment		
— Owned assets*	**357,199**	374,600
— Right-of-use assets*	**281,456**	277,059
Costs of sales and services provided	**1,912,307**	2,969,073
Loss on fair value change on financial assets at FVTPL, net		
— Listed equity investments*	**89**	3,534
Gain on fair value change on financial liabilities at FVTPL		
— Derivatives	**–**	(2,569)
Write-off of property, plant and equipment*	**3,373**	23,377
Write-off of inventories*	**–**	37,859
Write-off of intangible assets other than goodwill*	**187**	–
Interest on lease liabilities	**243,077**	246,783
Short-term leases expenses	**13,711**	12,356
Variable lease payments	**3,208**	251
Provision for impairment of trade receivables	**7,502**	11,812
Provision for impairment of deposits and other receivables	**14,645**	113,325
ECLs on financial assets	**22,147**	125,137
Provision for impairment of intangible assets other than goodwill*	**–**	2,921

6. LOSS BEFORE INCOME TAX (Continued)

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision for impairment of property, plant and equipment*	**16**	193,715
Provision for impairment of goodwill	**–**	926,988
Loss on disposal of property, plant and equipment*	**12,640**	9,555
Research and development expenses*	**141,924**	82,563

* included in other operating expenses

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Over-provision in respect of prior years	**(1,966)**	–
— The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
Charge for the period	**105,476**	661,858
Over-provision in respect of prior years	**(53,601)**	(4,054)
— Taxation for other jurisdictions		
Over-provision in respect of prior years	**–**	(203)
— PRC Land Appreciation Tax ("LAT")		
Charge for the period	**296,900**	789,026
— Withholding tax on dividend		
Charge for the period	**90,517**	86,147
	437,326	1,532,774
Deferred tax		
— Credit for the period	**(122,398)**	(313,098)
	314,928	1,219,676

7. INCOME TAX EXPENSE (Continued)

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 Board considered the amount involved upon implementation of the two-tiered profits tax rates is insignificant to the condensed consolidated interim financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2021 and 2020. 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 six months ended 30 June 2021 and 2020.

For the six months ended 30 June 2021, PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2020: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

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

For the six months ended 30 June 2021, PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2020: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

8. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. LOSS PER SHARE

(a) The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company of approximately HK$530,256,000 (six months ended 30 June 2020: HK$1,310,581,000) and on 68,645,535,794 (six months ended 30 June 2020: 68,645,535,794) ordinary shares in issue during the period.

(b) Diluted loss per share for the six months ended 30 June 2021 and 2020 was the same as the basic loss per share as there was no potential dilutive ordinary share in issue during the periods.

10. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. Based on the invoice dates, the ageing analysis of the trade receivables is as follows:

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
0–90 days	**205,698**	238,491
91–180 days	**43,835**	71,909
181–270 days	**31,756**	31,240
271–360 days	**18,651**	8,634
Over 360 days	**203,047**	183,817
Trade receivables, gross	**502,987**	534,091
Less: Provision for impairment of trade receivables	**(111,280)**	(104,900)
Trade receivables, net	**391,707**	429,191

11. TRADE PAYABLES

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

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
0–90 days	**1,329,676**	1,970,618
91–180 days	**468,382**	44,930
181–270 days	**526,772**	241,797
271–360 days	**10,441**	776,502
Over 360 days	**483,957**	313,049
Trade payables	**2,819,228**	3,346,896

12. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	***HK$'000***
Authorised:		
At 1 January 2020, 31 December 2020 (audited) and **30 June 2021 (unaudited)**	**500,000,000,000**	**5,000,000**
Issued and full paid:		
At 1 January 2020, 31 December 2020 (audited) and **30 June 2021 (unaudited)**	**68,645,535,794**	**686,455**

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 數碼辰星科技發展(北京)有限公司 (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 together with its subsidiaries (collectively referred to as "News Media Business") and Dadi Innovation (HK) Limited together with its subsidiaries (collectively referred to as "Innovative Business").

During the reporting period, revenue of the Group was approximately HK$4,071.6 million (for the six months ended 30 June 2020: HK$6,094.9 million). Loss for the period was approximately HK$570.9 million (for the six months ended 30 June 2020: HK$1,500.8 million). For the six months ended 30 June 2020, the Group recorded a larger loss due to the impact of the unexpected COVID-19 epidemic ("Epidemic") and its continuing impact on the macro economy, and the Group made provision for impairment of property, plant and equipment and goodwill in the culture and media services and innovative business segments of approximately HK$1,120.7 million as a matter of prudence. For the six months ended 30 June 2021, the Group benefited from the continuous improvement of the Epidemic prevention and control situation in China, and the film market has gradually recovered. However, the negative impact brought by the Epidemic has not been fully eliminated in the short term, and has also affected the revenue of the Group's culture and media services segment to a certain extent. In addition, the property development segment was affected by the cyclical nature of property development and the revenue was lower year-on-year. As a result, the Group recorded a loss for the six months ended 30 June 2021, but the loss was reduced when compared with the same period last year.

Culture and Media Services

Business Review

During the reporting period, revenue of this business segment was approximately HK$1,772.8 million (for the six months ended 30 June 2020: HK$158.1 million). Loss before income tax was approximately HK$272.2 million (for the six months ended 30 June 2020: HK$1,973.1 million).

* *For identification purpose only*

Culture and Media Services (Continued)

Business Review (Continued)

Due to the improving prevention and control measures against the Epidemic in China during the reporting period, the film market has been gradually recovering. During the reporting period, the national gross box office of the film market amounted to approximately RMB25,031 million (excluding service charges), continuing to lead the global market. The box office over major festivals achieved remarkable results. In particular, the box office over Lunar New Year festival broke many records in film history. The market share of domestic films reached a record high, with domestic comedy films and drama films delivering outstanding performance. During the reporting period, the total admission of audience was approximately 682 million, representing a significant year-on-year increase as compared to the corresponding period of 2020.

However, the negative impact arising from the Epidemic has not been fully eliminated in the short term and has affected the revenue of this business segment to a certain extent. In addition, affected by the Epidemic overseas, the decrease in supply of imported films has exerted a certain impact on the market. Since 29 May 2021, due to the Epidemic in Guangzhou, the cinemas of the Group in Guangzhou, Foshan, Zhanjiang, Dongguan and Shenzhen were temporarily closed. As at 30 June 2021, 37 cinemas under this business segment remained closed.

During the reporting period, box office revenue (tax included) of the cinema business of this business segment amounted to approximately RMB1,232 million (excluding service charges), accounting for approximately 4.9% of the national box office revenue (tax included), with the admission of audience of approximately 33.40 million, maintaining its No. 2 in ranking among cinema investment and management companies throughout China. As at 30 June 2021, this business segment had an aggregate of 466 cinemas with 2,950 screens operating in 29 provinces (autonomous regions, municipalities) and 181 cities across China.

During the reporting period, this business segment continued to implement measures to penetrate the market. On the one hand, the Group has strengthened its cooperation with external platforms and continued to offer a wide range of products and services to the members through diversified marketing and promotional activities. On the other hand, leveraging on optimization of and output from user management strategies, effective data analysis and tools, our first-tier cinemas managed to expand the member base, produce conversion effect, enhance member loyalty and thus further increase the value of the entire life cycle of members. Meanwhile, this business segment has been actively developing a fan community to enhance the engagement of the members and the brand influence. Under the influence of such strategies, the number of members and their engagement under this business segment has steadily increased.

Culture and Media Services (Continued)

Business Review (Continued)

In addition, IT system construction and digital transformation of this business segment has achieved steady progress. Firstly, this business segment has improved the business modeling platform focusing on "delegation, management and services" to flexibly rationalize the business processes and organizational structure according to the changes in business, thereby sharpening the competitive edge. Secondly, based on normal upgrade of our own channel (App and mini-programs), we have constructed a business platform to support resource integration and management of the local business district by our first-tier cinemas. Thirdly, we have improved our data decision-making model to provide managers at all levels with a more reasonable basis for film scheduling and pricing, thereby increasing data value.

This business segment continued to implement the OMO (Online Merge Offline) business model in the post-Epidemic era to improve user experience, maintain user value and integrate the economy and culture into our business processes and customer experience. This business segment 1) further cooperated with various merchants in the business districts to provide local one-stop services to improve customer experience and loyalty; 2) has been seeking cooperation with platforms outside the film industry such as Pinduoduo (拼多多) in addition to traditional ticketing channels, so as to achieve a win-win situation and gain more users for this business segment; 3) used a variety of operation tools such as fan community, official accounts (公眾號), Douyin (抖音) and Kuaishou (快手) accounts and live streaming to share and exchange information with users; and 4) continued to seek cooperation with teenagers' favorite Internet celebrities and brands to diversify the contents and products of our cinemas, thereby shifting from a service venue to a trendy hotspot.

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 reporting period, 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 negotiating partnerships with outstanding external teams to prepare topics for our next projects. At the same time, we have reserved suitable projects for different distribution channels, especially online platforms, and have been well-prepared for future cooperation.

Culture and Media Services (Continued)

Business Review (Continued)

In 2020, the domestic and global cinema industry has been unprecedentedly hit by the Epidemic. The shortcomings of traditional cinema business philosophy of solely relying on films have been fully exposed by the Epidemic. It is necessary for the cinema operators to make breakthroughs in operational diversification, achieving self-sufficiency and enhancing business efficiency. As a leading service provider in the cinema industry, 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") withstood the pressure brought by the Epidemic together with our partners, and identified the problems and shortcomings of our cinema operation from a macro perspective in a positive manner. In early 2021, we have established our cinema industry platform strategies. Based on the "Oristar cloud" platform + open platform, and equipped with terminal applications to meet different operational needs of cinemas, Oristar has become a solution provider for the cinema industry.

Under such new platform strategies, Oristar made significant adjustments in terms of production, research and planning and deployment of research and development personnel during the reporting period. Firstly, we have strengthened the standardization of our service system to maintain a stable and safe business operating environment for our existing customers. Secondly, we have established an after-sales service team to grasp more business opportunities from our major customers and provided differentiated solutions to meet all business needs of our customers. Meanwhile, we have also increased investment in research and development, upgraded the cinema revenue management system of "Oristar cloud" to play the supporting role in the industry, and gradually improved the development of open platform interfaces in line with the needs of our major customers.

During the reporting period, we have upgraded the Software as a Service ("SaaS")-based platform of "Oristar cloud" in terms of ticketing, retail, membership management, marketing and data modeling, and upgraded the products offered to over 500 cinemas of our major customers. In addition to enhancing the services provided for our major customers, Oristar has also significantly strengthened its standardization construction for small and medium-sized cinemas. As compared to the fourth quarter of 2020, the response efficiency of Oristar's service team increased by more than 50% and consultation and troubleshooting time decreased by more than 70%. As at 30 June 2021, Oristar provided services for over 2,100 cinemas in 31 provinces (autonomous regions, municipalities), representing an increase of approximately 11% as compared to the corresponding period last year.

* *For identification purpose only*

Culture and Media Services (Continued)

Business Review (Continued)

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 was completed on 26 July 2021. Upon completion, 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 joint announcements of the Company and Sino-i dated 22 December 2020, 4 June 2021 and 26 July 2021, announcements of Sino-i dated 24 February 2021, 11 May 2021 and 20 July 2021, and circular of Sino-i dated 28 June 2021.

Prospects

At the second half of 2021, various commercial films, animated films and mainstream films are scheduled to be released in summer and October. It is expected that the film market in China will deliver surprising results.

In the second half of 2021, the cinemas under this business segment will continue to focus on membership marketing and explore non-ticketing revenue to capture the momentum of stable market development. This business segment will also continue to explore the development and utilization of cinema scenes, collaborate with a number of quality content providers and build a film-based consumer entertainment platform in an efficient 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 progressively promote the release and post-screening commercial operation of existing films, conduct in-depth research on self-developed themes and external cooperation projects, and promote the launch of new core projects.

Property Development

Business Review

During the reporting period, revenue of this business segment was approximately HK$1,670.7 million (for the six months ended 30 June 2020: HK$5,386.0 million) and profit before income tax was approximately HK$510.2 million (for the six months ended 30 June 2020: HK$2,497.5 million). The decrease in revenue was mainly due to the cyclical nature of the property development market.

* *For identification purpose only*

Property Development (Continued)

Business Review (Continued)

"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, shared offices, 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 30 June 2021, accumulated sales amounted to approximately RMB7,539 million. The project is currently under decoration and is scheduled for delivery by batches from 29 July to 31 August 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 2022 due to the Epidemic.

"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, basketball court, yoga studio, table tennis court, 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 30 June 2021, a total of 833 flats in Phases 5 and 6 with an aggregate area of approximately 106,810 sq.m. were sold for approximately RMB2,641 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 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 been opened and banks, post offices, medical stations, cultural centres and other amenities are also available.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Property Development (Continued)

Business Review (Continued)

Moreover, the Group has created a new model of operation in real estate business. Leveraging on the experience accumulated in the development of "The Peninsula" and "Free Man Garden" projects, the Group will develop quality projects in various ways in order to materialize a steady and sustainable development of the property development business.

The "Jinghu Boulevard" Project sitting to the east of "Free Man Garden" in Guangzhou in which the Group has invested in, with an aboveground floor area of approximately 80,000 sq.m., will be developed into a commercial complex integrating catering, hotel and entertainment.

During the reporting period, due to the escalation of the Epidemic in Guangdong Province and intensive policy adjustments in the real estate industry, Nan Hai Development launched a series of measures to respond to the Epidemic and policy adjustments, including focusing on marketing and promotions based on the characteristics of the projects, operational cost control, optimization of the project construction progress and active communication with property owners on delivery of properties to ensure stable operation. At the same time, the normalization of the Epidemic has also put forward new requirements for the functional design of products and property services, and has accelerated our research on product functions and service upgrade. The rational division of internal functional areas, community ancillary facilities, the concept of health inherent in the products and high-quality services has demonstrated significant values. Amid the normalization of the Epidemic, the property service company under Nan Hai Development has comprehensively improved its service quality and capability in all aspects such as emergency response, material deployment and innovative technology application, and promoted service loyalty and brand value, so as to offer quality experience.

Prospects

During the reporting period, the normalization of the Epidemic and the promulgation of certain policies such as "centralized land supply" in the real estate industry and "concentration management system for real estate loans provided by financial institutions in the banking sector", formed a long-term regulatory mechanism and exerted a great impact on the real estate market. Although the economy and real estate market are 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)". By improving and implementing the supply policy, the financial regulatory over real estate market will continue to strengthen. The central government has recently issued a prudent monetary policy to ensure the stable operation of the market. With the improving prevention and control measures against the Epidemic in China, and promising economic development in the second quarter, it is expected that the real estate market in China will develop steadily and continue to improve.

Property Development (Continued)

Prospects (Continued)

Focusing on the Guangdong-Hong Kong-Macao Greater Bay Area and implementing the new urbanization plan, key resources such as population and land will accelerate to gather in urban clusters and core cities. Due to various factors such as regional development progress, market cycles, changes in external environment and different degrees of supply and demand support, there is still room for growth in this regional market. Capitalizing on the current design of this region, coupled with central government supporting policies, mature industry development and strong population attraction, it is expected that structural opportunities for this region will be created.

In the second half of 2021, this business segment will focus on the construction of the decoration work of Phase 4 of "The Peninsula" and the progress of sales collection of "Free Man Garden" Project. Under the current circumstances, Nan Hai Development will develop its existing projects to set a benchmark in the city; strengthen its research and analysis on market cycle, adjust its marketing timing according to market development, and analyze customer demand data to launch precise marketing campaigns; strengthen customer base research and create branding according to the changes in population; and improve the operation and management to achieve sustainable, stable and quality development.

Enterprise Cloud Services

Business Review

By virtue of the comprehensive digital marketing, total solutions for digital business and cloud computing infrastructure services offered for corporate clients in China, this segment has assisted the clients to continue the development of digitalization and smart operation with our leading professional capability in the industry. The Group has not only provided standardized enterprise service tools to clients through SaaS services, but also established flexible and scalable product capabilities for the specific needs of enterprises, and collaborated with excellent strategic partners in the industry to establish a service ecosystem covering the entire industry chain. Having made unremitting efforts over time, we possess a multi-dimensional business system involving all industries and all channels. We have also established a nationwide localized service network, so as to effectively address the problems of "the last kilometer" from SaaS software to corporate clients.

Enterprise Cloud Services (Continued)

Business Review (Continued)

With the rapid development of mobile internet and social media, the enterprises' demand for multi-end and responsive promotion of portal products is increasing. In addition to the existing portal products, 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 "global portal" covering domestic and foreign trade to support our clients to flexibly commence its online business and complete digitalization transformation with lower cost. The new product has met the demands of different clients for portal products in respect of multi-end content display, search engine marketing and social media marketing, as well as domestic and international market promotion. In recent years, the e-commerce area has shown a diversified development trend. Affected by the Epidemic, social e-commerce, community e-commerce and new retail have become the most pressing demands of enterprises. Under our OMO business model, CE Dongli has further invested in the digital commerce business, providing its clients with integrated e-commerce solutions featuring online and offline sales channels for clients to better meet the operation needs of multiple scenarios and channels 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 its clients to achieve better business growth.

During the reporting period, with key subsidiaries CE Dongli and Xinnet as its main business entities, efforts were continuously made in the development of cloud services for corporate digitalization and smart operation by providing comprehensive Infrastructure as a Service ("IaaS"), SaaS application, corporate e-commerce services, "corporate digitalization transformation" total solutions and big database business intelligence cloud service to China market. During the reporting period, revenue of this business segment was approximately HK$442.7 million (for the six months ended 30 June 2020: HK$412.5 million), and loss before income tax was approximately HK$77.4 million (for the six months ended 30 June 2020: HK$3.6 million). The loss for the six months ended 30 June 2021 is mainly due to: 1) this business segment has further increased its investment in digital commerce business under the OMO strategy. This business segment has not only continued to make investment in research and development, it has, in order to satisfy the operational needs of the customers, also set up a new professional localized customer success team to provide integrated e-commerce service solutions for the customers which enable the customers to create online and offline sales channels successfully and achieve digital transformation, the aforesaid has resulted in an increase in the related expenses; and 2) although the new digital commerce business and digital marketing promotion business has brought significant cash inflow during the period, the revenue recognised in accordance with satisfaction of performance obligation did not reflect the growth of the business for the current reporting period simultaneously.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Enterprise Cloud Services (Continued)

Business Review (Continued)

CE Dongli

With 21 years' service experience, CE Dongli has successfully developed a SaaS product system that meets the demand for management digitalization for enterprises in China. It has established a market for corporate services in which top players of various industries were involved as cooperative partners, and established an extensive network for business and localized services, providing enterprises in China with corporate digitalization and operation solutions.

During the reporting period, the digital marketing products of CE Dongli, including high-end customized products, global portal and self-service website building products, formed 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. In the digital commerce area, CE Dongli has served thousands of corporate clients by providing SaaS services through its major products such as B2B e-commerce portals, B2C mobile malls and online malls. During the reporting period, CE Dongli continued to commit to research and development of digital commerce products and established a B2C e-commerce system to support major transactions and marketing scenarios in a relatively short period of time. Based on the preliminary results achieved from the e-commerce ecosystem, CE Dongli has integrated marketing, supply chain, distribution and payment, and helped its customers to achieve the comprehensive integration of the information flow, capital flow and logistics of e-commerce business. CE Dongli has also connected its e-commerce products to mainstream social media platforms in the industry, so as to support its customers in establishing flexible and diverse access channels. During the reporting period, the digital commerce business has not only established an operation team to strive for success for its customers, but also helped its customers to set up a one-stop fully managed operation service system and helped its traditional customers to rapidly establish integrated online and offline sales channels. Meanwhile, CE Dongli has strengthened the live streaming and distribution functions in line with the e-commerce development. CE Dongli's "Ten Thousand Shops (萬店奔流)" services has become a benchmark for localization services in the industry by helping customers to consolidate their marketing and promotion capabilities and online and offline OMO capabilities.

In respect of the development of new products, CE Dongli has gradually formed a Platform as a Service ("PaaS") platform supported by the supporting structure of business to meet different business needs of the customers in an efficient and effective manner. Such platform managed to promptly come up with flexible and feasible products and industry solutions according to the needs of different industries and customers of different stages, thereby significantly improving the delivery efficiency of products. Supported by such strong supporting structure, the cloud ecosystem of CE Dongli has been developing rapidly. As a preferred platform for enterprise service partners, the cloud market of CE Dongli has integrated various upstream and downstream high-quality service partners and provided our customers with convenient one-stop digital transformation services.

Enterprise Cloud Services (Continued)

Business Review (Continued)

Xinnet

During the reporting period, Xinnet continued to serve domestic medium, small and micro enterprises through online, direct sales and a nationwide agent channel system. Apart from business such as domain name management, mailbox and normal online services offered to our members and agents, the domain name business of various key customers, including Tencent, JD, Huawei and Sina, has been gradually introduced and integrated into Xinnet as wholesales business. In addition to business such as domain name management, public cloud IaaS and mailbox, it offered website building products and Search Engine Optimization ("SEO") products for its users, expanding the application service scope of Xinnet. It has also continued to expand the enterprise market in the area of corporate application services. By enriching the product lines in respect of public cloud products and adding new products including Redis, RabbitMQ, cloud backup and big data, it has met the needs of users for PaaS products.

Prospects

In recent years, enterprises in China have been undergoing a process of digital transformation, and the Epidemic will accelerate this process significantly. We believe that as a result of the Epidemic, there will be continuous and significant changes in the lifestyle and consumption habits of consumers. The variety and frequency of online shopping will increase significantly. Orders from stores in the community can be placed online with the option of pick-up at the store and home delivery, thereby expanding its service range and consumer groups. With the smart mobile devices becoming increasingly popular, online shopping will no longer be the privilege of the younger generation, and more elderly will join online shopping. As such, enterprises and retail stores will pay more attention to digital operation capabilities such as online display, online promotion, online transactions and customer relationship maintenance. Enterprises will have increasing needs of portal products that are more convenient, smart, multi-channel and multi-scenario. Therefore, we will continue to improve our products including self-service website building, full network responsive portal and foreign trade portal, and provide our clients with more timely and efficient services.

Enterprise Cloud Services (Continued)

Prospects (Continued)

Faced with the diversified consumption needs and online consumption habits of consumers, traditional retail enterprises are eager to transfer the existing loyal customers from offline to online, and to form an integrated online and offline business model. We noticed that in the process of online digital transformation of traditional retail enterprises, they faced practical difficulties such as professional incompetence, limited capital investment and lack of operating experience. We will strive to develop and strengthen our localized service capability in order to provide clients with faster, more professional and comprehensive operation services. We are aware that perfect SaaS products and efficient services require the support of new Internet technologies and platforms. Going forward, with an in-depth understanding of the business needs of clients in various industries, this business segment will assist in the digital transformation for clients in traditional industries based on cloud computing, the supporting structure of business and SaaS tools, as well as better prepare for the challenges in the digital era and respond to the changes in consumer demands. Furthermore, this business segment will increase its investment in data center, cloud computing technology, automatic operation and maintenance technology, big data technology as well as smart marketing technology, generally enhancing its core competence of technology to further develop and optimize its products and services for enterprises' digital intelligent business.

News Media Business

Business Review

There are two business divisions under the news media business, namely "HK01" and "Duowei Media". During the reporting period, revenue of this business segment was approximately HK$75.4 million (for the six months ended 30 June 2020: HK$40.7 million). Loss before income tax was approximately HK$140.4 million (for the six months ended 30 June 2020: HK$171.8 million).

Based in Hong Kong, this business segment has around 650 employees. It aims at creating an internet lifestyle platform combining news media business with daily life experiences and becoming a "Media+" company to serve Hong Kong people.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

News Media Business (Continued)

Business Review (Continued)

During the reporting period, “HK01” celebrated its 5th anniversary and continued to rank first in a number of areas in terms of business data. During the reporting period, active users of the webpages and mobile applications of this business segment reached over 1.75 million on average. In respect of page views, the average number of daily page views of the webpages and mobile applications approached over 39 million, representing an increase of 5% as compared to the corresponding period of 2020. Page views of “HK01” exceeded 57 million at the peak, representing an increase of over 10 million as compared to the corresponding period last year. As at 30 June 2021, the number of members of this business segment was over 1.7 million, representing an increase of over 30% as compared to the corresponding period of 2020. According to ComScore, a world-renowned internet traffic monitoring platform, since October 2020, “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 first in terms of downloads in the news category for 35 consecutive months, demonstrating its continued influence in the society.

In March 2021, “HK01” launched an upgraded version of its mobile application, featuring better interactive and social functions for users to express and share their opinions in real time. Users were also allowed to create shortcuts to news and services, add customized channels and quickly switch between news and lifestyle services platforms to enhance their personalized experience. At the same time, with the increased application of big data, it managed to help its advertisers to reach their target customers more easily and enhance customer confidence and satisfaction.

Amid such volatile epidemic situation in Hong Kong, the performance of advertising business under “HK01” remained satisfactory during the reporting period. Online advertising business recorded a significant growth since the second quarter of the year. As for offline events, in the first quarter of the year, “HK01” successfully organized “01 Gold Medal Awards (01企業金勳大獎)”, the first corporate award ceremony, and the second “Economic Summit 2020 (經濟高峰論壇2020)” with the participation of certain well-known enterprises in Hong Kong. As such, the advertising revenue showed a growth of over 80% as compared to the corresponding period last year.

Certain lifestyle services platforms continued to hold diversified online events to create business value, including the world-class themed park ticketing promotion organized by our events platform “01 Space (01空間)”; co-host various virtual run by our running mileage recording platform “LetZ Goal (齊動)”; charity concert co-hosted with record companies, and crossover events organized with various world-class charitable organizations by our charity donation platform “01 Heart (01心意)”. Furthermore, by cooperating with certain renowned enterprises, we commenced our membership “voucher” business for “01 Members (01會員)”.

News Media Business (Continued)

Business Review (Continued)

With an aim to promote "HK01" as the most popular media in Hong Kong in terms of page views, "HK01" held various brand-oriented online activities, such as the "流動派" online events, a brand new series of webpages and offline advertisements and interviews with management featuring famous companies, so as to recognize the achievements of "HK01". "HK01" has also organized the "5th Anniversary Ceremony" in April this year. With high quality news reports, this business segment achieved encouraging results by winning a number of news awards, including 3 Business Journalism Awards of the Hang Seng University of Hong Kong and 4 photography awards from Focus at the Frontline.

Prospects

In the second half of the year, this business segment will enhance the lifestyle brand image of "HK01" in line with its lifestyle service development. In respect of media, "HK01" will continue to strengthen its three major contents, namely "economy", "health" and "education", and place new large-scale online and offline advertisements. In respect of lifestyle services, "HKshopNet (一網打盡)", our shopping guide platform, will be officially renamed as "01mall (01網購)" and integrated with "eatojoy (e肚仔)", our takeaway order platform, so as to increase the synergy effect. "EC Easy (醫師Easy)", our health information platform, has officially launched its doctor appointment function in July 2021. "01 Space (01空間)", our events platform, will cooperate with a number of major exhibition organizations in Hong Kong, such as carrying out ticketing promotion for Hong Kong Book Fair, one of the largest exhibitions in Hong Kong organized by the Hong Kong Trade Development Council.

As for advertisement business, it is expected that our online advertising business will record a double-digit growth with the Epidemic being contained in the second half of 2021. Meanwhile, various offline business-oriented activities will be launched, including the third "Economic Summit (經濟高峰論壇)", the first-ever seminar and award ceremony in relation to the Greater Bay Area and fintech, as well as the Parenting Award (親子品牌大獎). Leveraging on our strengths of "Media+", "HK01" will continue to create more business value through its media influence and lifestyle services, and provide Hong Kong people with diversified services.

Innovative Business

Business Review

During the reporting period, revenue of this business segment was approximately HK$55.7 million (for the six months ended 30 June 2020: HK$58.0 million) and loss before income tax was approximately HK$110.0 million (for the six months ended 30 June 2020: HK$499.0 million).

During the reporting period, Crabtree & Evelyn has continued to pursue in the digital marketing + social media story telling strategy. In the western market (particularly US and UK), e-commerce sales grew by 60% as compared to the corresponding period of 2020. The number of subscribed customers in the western markets grew by 50% to over 60,000 subscribed customers since the brand's relaunch. As the Evelyn Rose Face Moisturizer launched by Crabtree & Evelyn in March 2021 achieved remarkable results, we continued to implement our product strategy of offering more products other than hand and body care products and enhancing their functions and efficacy.

During the reporting period, the Asia markets have achieved a very strong growth. The sales of Crabtree & Evelyn products recorded a growth of over 130% in Greater China, Singapore and Malaysia as compared to the corresponding period of 2020. During the reporting period, Crabtree & Evelyn sold its products through more channels, such as MOMO in Taiwan and Shopee in Malaysia, all showing signs of strong brand recognition in these Asia markets. Crabtree & Evelyn used new media channels to stimulate growth of sales in Mainland China.

Prospects

With the prolonged impact of the Epidemic, the digital market has become increasingly competitive with higher online traffic cost. Various brands launched their own online DTC (direct to consumer) channels. Crabtree & Evelyn will continue to optimize its traffic and customer acquisition activities, in the meantime start ramping up efforts on customer retention to drive repeat sales. It will also launch a global loyalty program in the fourth quarter of 2021. Adhering to its brand's exploration theme, Crabtree & Evelyn will also introduce certain products under its Greece series in the second half of 2021. Capitalizing on its experience accumulated in the first half of 2021, Crabtree & Evelyn will continue to drive the growth of its business in China with a combination of channel partnership and e-commerce live streaming.

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2021, net assets attributable to the owners of the Company amounted to approximately HK$2,378.7 million (31 December 2020: HK$2,869.7 million), including cash and bank balances of approximately HK$6,480.6 million (31 December 2020: HK$8,098.0 million) which were mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 30 June 2021, the Group's aggregate borrowings were approximately HK$14,379.4 million (31 December 2020: HK$15,763.0 million), of which approximately HK$9,968.6 million (31 December 2020: HK$11,105.6 million) were bearing interest at fixed rates while approximately HK$4,410.8 million (31 December 2020: HK$4,657.4 million) were at floating rates. The Group has not taken any interest rate hedge currently.

As at 30 June 2021, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt was approximately 73.89% (31 December 2020: 69.75%).

As at 30 June 2021, the capital commitment of the Group was approximately HK$577.8 million (31 December 2020: HK$595.6 million), of which approximately HK$17.8 million would be used for the renovation of the owned properties, approximately HK$153.6 million would be used as capital expenditures for the expansion of its cinema business, approximately HK$406.4 million would be used for property development.

As at 30 June 2021, the Group's contingent liabilities were approximately HK$22.1 million in connection with the guarantees given to secure credit facilities (31 December 2020: HK$21.7 million).

As at 30 June 2021, certain right-of-use assets, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties, financial assets at FVOCI and bank deposits with a total net carrying value of approximately HK$11,691.7 million (31 December 2020: HK$12,673.3 million) were pledged to secure the credit facilities granted to the Group. In addition, trading securities with a carrying value of approximately HK$300,000 (31 December 2020: HK$200,000) and certain shares of several subsidiaries were pledged and bank accounts were charged for securing the Group's credit facilities.

Exposure to Fluctuation in Exchange Rates

The Group operated mainly in the PRC, and its operating expenses and revenue were primarily denominated and settled in Renminbi. The Group adopted Hong Kong dollars as its reporting currency, and the reported assets, liabilities and results may be affected by Renminbi exchange rate. As the Group's borrowings were primarily denominated in US dollars and Renminbi, it was exposed to foreign exchange risk. The Group will keep reviewing and monitoring the fluctuation in exchange rates between relevant currencies and consider using foreign exchange hedging instruments from time to time to minimize the risk exposure arising from changes in exchange rates. The Group will also proactively choose the type of currency for assets and liabilities based on its prejudgment of currency trend under practicable circumstances. During the reporting period, the Group has not entered into any foreign exchange hedging instruments.

Employee and Remuneration Policy

The Group employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave, etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 30 June 2021, the Group had approximately 15,442 employees (30 June 2020: 11,979 employees). The total salaries of and allowances for employees for the six months ended 30 June 2021 were approximately HK$1,005.5 million (for the six months ended 30 June 2020: HK$772.8 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As stated in the announcements of the Company dated 28 April 2020, 29 April 2020 and 8 May 2020, Amber Treasure Ventures Limited, a wholly-owned subsidiary of the Company issued a credit enhanced notes due in 2022 with an amount of US$500,000,000 bearing an interest rate of 3.50% per annum (the "Note"). Such Note is listed on the Hong Kong Stock Exchange. Amber Treasure Ventures Limited has redeemed an aggregate principal amount of U.S.$150,000,000 on 25 June 2021 (the "Optional Redemption Date") at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest on the Optional Redemption Date.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021, except for the deviation stated below:

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting of the Company held on 27 May 2021 as he was away on a business trip.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all the independent non-executive directors of the Company, namely Mr. Lau Yip Leung, Mr. Xiao Sui Ning and Mr. Ho Yeung Nang. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, the unaudited interim results for the six months ended 30 June 2021, and discussed the financial control, internal control and risk management systems.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.nanhaicorp.com). The 2021 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 26 August 2021

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

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