

2012

INTERIM REPORT

南海控股有限公司

二零一二年度 中期報告



南海控股

NAN HAI CORPORATION LIMITED

Stock Code: 680 股份代號: 680



CORPORATE INFORMATION

Directors

Executive

Mr. YU Pun Hoi (*Chairman*)
Ms. CHEN Dan
Ms. LIU Rong

Non-executive

Mr. WANG Gang
Mr. LAM Bing Kwan

Independent Non-executive

Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. LAU Yip Leung

Company Secretary

Mr. WATT Ka Po James

Auditor

BDO Limited
Certified Public Accountants
Hong Kong

Bermuda Legal Advisers

Appleby

Principal Place of Business in Hong Kong

Units 15–18, 36/F.,
China Merchants Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Share Registrar and Transfer Office

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

680

Principal Bankers

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

Website Address

<http://www.nanhaicorp.com>

INTERIM RESULTS

The directors of Nan Hai Corporation Limited (the “Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 together with the comparative figures for 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Re-presented)
Continuing operations			
Revenue/Turnover	4(a)	929,213	1,223,865
Cost of sales and services provided		(362,439)	(475,851)
Gross profit		566,774	748,014
Other operating income	4(b)	39,072	51,060
Selling and marketing expenses		(340,942)	(274,922)
Administrative expenses		(230,668)	(271,533)
Other operating expenses		(182,361)	(178,562)
Finance costs	5	(104,018)	(148,371)
Share of results of associates		(3,553)	(491)
Loss before income tax	6	(255,696)	(74,805)
Income tax expense	7	(5,712)	(64,760)
Loss for the period from continuing operations		(261,408)	(139,565)
Discontinued operations			
Loss for the period from discontinued operations		—	(23,791)
Loss for the period		(261,408)	(163,356)

**CONDENSED CONSOLIDATED INCOME STATEMENT —
UNAUDITED** *(continued)*

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Re-presented)
Loss for the period attributable to:			
Owners of the Company		(234,551)	(120,661)
Non-controlling interests		(26,857)	(42,695)
Loss for the period		(261,408)	(163,356)
		HK cent	HK cent
Loss per share for loss from continuing operations attributable to the owners of the Company during the period			
— Basic	8(b)	(0.342)	(0.154)
— Diluted		N/A	N/A
Loss per share for loss from discontinued operations attributable to the owners of the Company during the period			
— Basic	8(c)	—	(0.022)
— Diluted		N/A	N/A
Loss per share for loss attributable to the owners of the Company during the period			
— Basic	8(a)	(0.342)	(0.176)
— Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2012

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Loss for the period	(261,408)	(163,356)
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translation of financial statements of foreign operations	(44,575)	89,202
Total comprehensive income for the period	(305,983)	(74,154)
Total comprehensive income attributable to:		
Owners of the Company	(277,194)	(31,554)
Non-controlling interests	(28,789)	(42,600)
Total comprehensive income for the period	(305,983)	(74,154)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	1,615,976	1,511,961
Prepaid land lease payments under operating leases		28,050	28,365
Interest in associates		109,688	114,385
Available-for-sale financial assets		478	479
Deposits and other receivables		161,985	153,571
Intangible assets		323,146	332,528
Deferred tax assets		111,130	112,268
Pledged bank deposits		29,318	25,670
		2,379,771	2,279,227
Current assets			
Inventories		8,312,676	8,039,098
Financial assets at fair value through profit or loss		2,546	1,684
Trade receivables	10	36,961	41,988
Deposits, prepayments and other receivables		1,133,756	1,072,174
Prepaid tax		1,367	—
Amounts due from associates		2,070	530
Pledged bank deposits		244,336	246,822
Cash and cash equivalents		193,924	138,675
		9,927,636	9,540,971

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2012

		(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
	Notes		
Current liabilities			
Trade payables	11	610,783	465,255
Other payables and accruals		1,334,081	863,997
Deferred revenue		49,799	44,304
Provision for tax		835,972	880,107
Amount due to a director		129,768	124,309
Amounts due to shareholders		5,006	5,006
Amount due to an associate		5,502	5,502
Amount due to a former subsidiary		52,667	59,035
Bank and other borrowings, secured	12	1,465,334	1,125,110
Finance lease liabilities		123	120
Finance from a third party		2,540,668	2,543,762
		7,029,703	6,116,507
Net current assets		2,897,933	3,424,464
Total assets less current liabilities		5,277,704	5,703,691
Non-current liabilities			
Bank and other borrowings, secured	12	1,132,003	1,248,270
Finance lease liabilities		292	354
Deferred tax liabilities		263,872	267,547
		1,396,167	1,516,171
Net assets		3,881,537	4,187,520
EQUITY			
Share capital	13	686,455	686,455
Reserves		2,484,180	2,761,367
Equity attributable to the Company's owners		3,170,635	3,447,822
Non-controlling interests		710,902	739,698
Total equity		3,881,537	4,187,520

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
— UNAUDITED

For the six months ended 30 June 2012

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	33,141	(94,110)
Net cash used in investing activities	(221,717)	(264,187)
Net cash generated from financing activities	245,341	266,652
Net increase/(decrease) in cash and cash equivalents	56,765	(91,645)
Cash and cash equivalents at 1 January	138,675	397,405
Effect of foreign exchange rate changes, on cash held	(1,516)	6,325
Cash and cash equivalents at 30 June	193,924	312,085
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	193,924	312,085

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2012

	Equity attributable to the Company's owners							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2011	686,455	965,911	1,911,436	168,813	4,927	492,116	(489,467)	3,740,191	780,029	4,520,220
Loss for the period	—	—	—	—	—	—	(120,661)	(120,661)	(42,695)	(163,356)
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	89,107	—	89,107	95	89,202
Total comprehensive income for the period	—	—	—	—	—	89,107	(120,661)	(31,554)	(42,600)	(74,154)
Transfer to general reserve	—	—	—	5,345	—	—	(5,345)	—	—	—
Released on expiry/forfeiture of share options	—	—	—	—	(195)	—	195	—	—	—
Capital contribution by a non-controlling equity holder of a subsidiary	—	—	—	—	—	—	—	—	10,832	10,832
Released on acquisition of additional interest in subsidiaries	—	—	—	—	—	—	1,711	1,711	(1,711)	—
At 30 June 2011	686,455	965,911	1,911,436	174,158	4,732	581,223	(613,567)	3,710,348	746,550	4,456,898
At 1 January 2012	686,455	965,911	1,911,436	171,684	—	700,980	(988,644)	3,447,822	739,698	4,187,520
Loss for the period	—	—	—	—	—	—	(234,551)	(234,551)	(26,857)	(261,408)
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(42,643)	—	(42,643)	(1,932)	(44,575)
Total comprehensive income for the period	—	—	—	—	—	(42,643)	(234,551)	(277,194)	(28,789)	(305,983)
Transfer from general reserve	—	—	—	(2,176)	—	—	2,176	—	—	—
Released on deemed partial disposal of a subsidiary	—	—	—	—	—	—	7	7	(7)	—
At 30 June 2012	686,455	965,911	1,911,436	169,508	—	658,337	(1,221,012)	3,170,635	710,902	3,881,537

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable provisions of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

The Group’s total indebtedness to a third party financier as at 30 June 2012 was approximately HK\$2,540,668,000 of which approximately HK\$1,562,673,000 was overdue. The financier and the Group have reached a consensus in extension of repayment date of the aforesaid indebtedness, which may include the disposal of a certain percentage of the issued share capital of the investment holding entity of the Guangzhou property project for partial settlement of the indebtedness. In view of the amicably progress of discussions between the financier and the Group, the directors are optimistic to the settlement of the aforesaid indebtedness, therefore, the financial statements for the six months ended 30 June 2012 were prepared on a going-concern basis.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the board of directors (the “Board”) of the Company on 30 August 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those set out in the Group’s annual financial statements for the year ended 31 December 2011, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (the “new 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 2012.

Amendments to HKFRS 7

Disclosures — Transfers of Financial Assets

Other than as noted below, the adoption of these new/revised HKFRSs did not change the Group’s accounting policies as followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The adoption of these new HKFRSs has no material impact on the Group's results and financial position for the current and prior periods.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are not yet effective. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

3. SEGMENT INFORMATION

The executive directors have identified the Group's five product and service lines as operating segments: corporate IT application services, financial information services, distance learning education services, property development and culture and media services. 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. Subsequent to the disposal of the financial information services and distance learning education services businesses during the year ended 31 December 2011, the Group principally focuses on the provision of corporate IT application services, property development and culture and media services. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. For the purpose of presenting discontinued operations, the comparative unaudited condensed consolidated income statement and the related notes have been re-presented as if the operations had been discontinued at the beginning of the comparative period as consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2011.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

3. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2012 and 30 June 2011 are as follows:

	For the six months ended 30 June 2012 (Unaudited)								Total HK\$'000
	Continuing operations					Discontinued operations			
	Corporate IT application services	Property development	Culture and media services	All other segments	Total	Financial information services	Distance learning education services	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue									
From external customers	322,834	361	589,352	16,666	929,213	—	—	—	929,213
From other segments	—	—	—	—	—	—	—	—	—
Reportable and all other segments revenue	322,834	361	589,352	16,666	929,213	—	—	—	929,213
Reportable and all other segments loss	(99,953)	(92,321)	(33,513)	(6,194)	(231,981)	—	—	—	(231,981)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

3. SEGMENT INFORMATION *(continued)*

	For the six months ended 30 June 2011 (Unaudited) (Re-presented)								
	Continuing operations					Discontinued operations			Total
	Corporate IT application services	Property development	Culture and media services	All other segments	Total	Financial information services	Distance learning education services	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue									
From external customers	365,559	502,726	341,220	14,360	1,223,865	8,838	4,545	13,383	1,237,248
From other segments	—	—	—	—	—	—	—	—	—
Reportable and all other segments revenue	365,559	502,726	341,220	14,360	1,223,865	8,838	4,545	13,383	1,237,248
Reportable and all other segments (loss)/profit	(98,941)	102,804	(58,501)	8,220	(46,418)	(21,971)	(1,820)	(23,791)	(70,209)

The reportable segment assets as at 30 June 2012 and 31 December 2011 are as follows:

	Continuing operations					Discontinued operations			Total
	Corporate IT application services	Property development	Culture and media services	All other segments	Total	Financial information services	Distance learning education services	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	As at 30 June 2012 (unaudited)	951,819	9,299,021	1,767,395	15,883	12,034,118	—	—	—
As at 31 December 2011 (audited)	1,018,904	8,985,809	1,526,142	19,974	11,550,829	—	—	—	11,550,829

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

3. SEGMENT INFORMATION *(continued)*

The total presented for the Group's operating segment 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 (Unaudited)	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Reportable segment revenue — continuing operations	912,547	1,209,505
All other segments revenue — continuing operations	16,666	14,360
Reportable segment revenue — discontinued operations	—	13,383
Elimination of inter-segment revenue	—	—
Group revenue	929,213	1,237,248
Reportable segment results — continuing operations	(225,787)	(54,638)
All other segments results — continuing operations	(6,194)	8,220
Reportable segment results — discontinued operations	—	(23,791)
Bank interest income	3	17
Other interest income	2,323	995
Total interest income on financial assets not at fair value through profit or loss	2,326	1,012
Depreciation and amortisation	(95)	(95)
Finance costs	(3,278)	(3,114)
Share of results of associates	(3,553)	(491)
Unallocated corporate expenses	(19,115)	(25,699)
Loss before income tax (note)	(255,696)	(98,596)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

3. SEGMENT INFORMATION *(continued)*

Note:

	For the six months ended 30 June (Unaudited)	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Loss before income tax — continuing operations	(255,696)	(74,805)
Loss before income tax — discontinued operations	—	(23,791)
	(255,696)	(98,596)

4. REVENUE/TURNOVER AND OTHER OPERATING INCOME — UNAUDITED

(a) The Group's turnover represents revenue from its principal activities as set out below:

	Continuing operations		For the six months ended 30 June Discontinued operations		Total	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)	2012 HK\$'000	2011 HK\$'000 (Re-presented)	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Corporate IT application services	322,834	365,559	—	—	322,834	365,559
Financial information services	—	—	—	8,838	—	8,838
Distance learning education services	—	—	—	4,545	—	4,545
Sales of properties and car parks	361	502,726	—	—	361	502,726
Property management	16,666	14,360	—	—	16,666	14,360
Culture and media services	45,002	17,687	—	—	45,002	17,687
Cinema ticketing income	464,747	282,129	—	—	464,747	282,129
Confectionery sales	79,603	41,404	—	—	79,603	41,404
	929,213	1,223,865	—	13,383	929,213	1,237,248

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

4. REVENUE/TURNOVER AND OTHER OPERATING INCOME — UNAUDITED *(continued)*

(b) Other operating income:

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Re-presented)		(Re-presented)		(Re-presented)	
Dividend income	—	5	—	—	—	5
Bank interest income	2,684	1,281	—	4	2,684	1,285
Other interest income	6,063	3,795	—	—	6,063	3,795
Total interest income on financial assets not at fair value through profit or loss	8,747	5,076	—	4	8,747	5,080
Exchange gains	3,831	—	—	—	3,831	—
Net fair value gain on financial assets at fair value through profit or loss	—	10,602	—	—	—	10,602
Gain on disposal of non-current assets classified as held for sale	—	31,052	—	—	—	31,052
Government grants	6,560	—	—	—	6,560	—
Sundry income	19,934	4,325	—	2	19,934	4,327
	39,072	51,060	—	6	39,072	51,066

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

5. FINANCE COSTS — UNAUDITED

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)	HK\$'000 (Re-presented)	HK\$'000 (Re-presented)
Interest on bank and other borrowings wholly repayable within five years	78,713	45,727	—	—	78,713	45,727
Finance costs on finance from third parties wholly repayable within five years	88,403	208,160	—	—	88,403	208,160
Interest on other payables	3,277	51	—	—	3,277	51
Interest on finance leases	11	16	—	—	11	16
Total financial costs on financial liabilities not at fair value through profit or loss	170,404	253,954	—	—	170,404	253,954
Less: Amounts directly attributable to properties under development capitalised	(66,386)	(105,583)	—	—	(66,386)	(105,583)
	104,018	148,371	—	—	104,018	148,371

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

6. LOSS BEFORE INCOME TAX — UNAUDITED

	For the six months ended 30 June			
	Continuing operations		Discontinued operations	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Re-presented)		(Re-presented)	
Loss before income tax is arrived at after charging/(crediting):				
Amortisation of intangible assets other than goodwill	18,297	32,908	—	—
Gross depreciation of property, plant and equipment — owned assets	75,490	71,846	—	300
Less: Amounts capitalised in intangible assets	—	(41)	—	—
Net depreciation of property, plant and equipment — owned assets	75,490	71,805	—	300
Depreciation of property, plant and equipment — leased assets	91	42	—	—
Operating lease charges on prepaid land lease	169	165	—	—
Loss on disposal of property, plant and equipment	337	181	—	42
Net fair value loss/(gain) on financial assets at fair value through profit or loss	578	(10,602)	—	—
Gain on disposal of non-current assets classified as held for sale	—	(31,052)	—	—
Write-off of property, plant and equipment	4,461	—	—	—

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

7. INCOME TAX EXPENSE — UNAUDITED

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)		(Re-presented)		(Re-presented)
The tax expense comprises:						
Current tax charge for the period						
— Hong Kong Profits Tax	4,797	4,365	—	—	4,797	4,365
— PRC Enterprise Income Tax ("EIT")	915	52,718	—	—	915	52,718
— PRC Land Appreciation Tax ("LAT")	—	7,677	—	—	—	7,677
	5,712	64,760	—	—	5,712	64,760

For the six months ended 30 June 2012, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profits for the period.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2011: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2011: 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.

Certain subsidiaries of the Group are wholly-owned foreign enterprise, and in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, they are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (six months ended 30 June 2011: 15%).

No provision for United States ("US") federal income tax and state income tax was made as the subsidiaries of the Group did not derive any assessable profits in US for the six months ended 30 June 2011.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

8. LOSS PER SHARE — UNAUDITED

(a) From continuing and discontinued operations

The calculation of basic loss per share from continuing and discontinued operations is based on the loss attributable to the owners of the Company for the period of HK\$234,551,000 (six months ended 30 June 2011: HK\$120,661,000) and on 68,645,535,794 (six months ended 30 June 2011: 68,645,535,794) ordinary shares in issue during the period.

(b) From continuing operations

The basic loss per share from continuing operations attributable to the owners of the Company is calculated based on the following data:

Loss figures are calculated as follows:

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
		(Re-presented)
Loss for the period from continuing operations	(261,408)	(139,565)
Less: Loss for the period from continuing operations attributable to non-controlling interests	26,857	33,914
Loss for the period from continuing operations attributable to owners of the Company	(234,551)	(105,651)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

8. LOSS PER SHARE — UNAUDITED *(continued)*

(c) From discontinued operations

The basic loss per share from discontinued operations attributable to the owners of the Company is calculated based on the following data:

Loss figures are calculated as follows:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Loss for the period from discontinued operations	—	(23,791)
Less: Loss for the period from discontinued operations attributable to non-controlling interests	—	8,781
Loss for the period from discontinued operations attributable to owners of the Company	—	(15,010)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

- (d) Diluted per share amount for the six months ended 30 June 2012 is not presented as there were no potentially dilutive ordinary shares in issue during the period.

The share options had no dilutive effect on the loss per share for the six months ended 30 June 2011, as the exercise price of the options outstanding during the period exceeds the average market price of ordinary shares.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

9. PROPERTY, PLANT AND EQUIPMENT — UNAUDITED

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of approximately HK\$200,230,000 (six months ended 30 June 2011: HK\$368,644,000).

During the six months ended 30 June 2012, property, plant and equipment with net book value of approximately HK\$4,461,000 (six months ended 30 June 2011: Nil) were written off by the Group.

Property, plant and equipment with net book value of approximately HK\$913,000 were disposed of by the Group during the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$1,327,000), resulting in a net loss on disposal of approximately HK\$337,000 (six months ended 30 June 2011: HK\$223,000).

10. TRADE RECEIVABLES

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

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
0-90 days	19,031	18,986
91-180 days	8,897	18,964
181-270 days	6,699	3,698
271-360 days	3,030	4,019
Over 360 days	9,714	6,837
Trade receivables, gross	47,371	52,504
Less: Provision for impairment of receivables	(10,410)	(10,516)
Trade receivables, net	36,961	41,988

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

11. TRADE PAYABLES

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

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
0-90 days	377,253	170,935
91-180 days	12,555	60,670
181-270 days	4,526	4,919
271-360 days	18,972	8,235
Over 360 days	197,477	220,496
	610,783	465,255

12. BANK AND OTHER BORROWINGS, SECURED

At 30 June 2012, the bank and other borrowings were repayable as follows:

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
Within one year	1,465,334	1,125,110
In the second year	709,858	753,088
In the third to fifth years	422,145	495,182
Wholly repayable within five years	2,597,337	2,373,380
Less: Portion due within one year under current liabilities	(1,465,334)	(1,125,110)
Portion due over one year under non-current liabilities	1,132,003	1,248,270

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2011, 31 December 2011 (audited) and 30 June 2012 (unaudited)	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2011, 31 December 2011 (audited), and 30 June 2012 (unaudited)	68,645,535,794	686,455

14. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
An associate (note a)	15,159	14,768
Third parties (note b)	65,012	65,091
	80,171	79,859

Notes:

- (a) There have been no material developments in respect of pending litigation with the loan borrowed by an associate since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2011. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.
- (b) Up to the reporting date, information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness") disclosed in the Group's annual audited financial statements for the year ended 31 December 2011 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

15. CAPITAL COMMITMENTS

At 30 June 2012, the Group had outstanding capital commitments as follows:

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
Contracted but not provided for in respect of:		
— construction in progress	192,865	116,007
— property, plant and equipment	212,636	187,651
	405,501	303,658

16. CREDIT FACILITIES

At 30 June 2012 (unaudited) and 31 December 2011 (audited), the Group's credit facilities were secured by the following:

- (a) charge over interest in leasehold land with a net carrying value of approximately HK\$14,706,000 (31 December 2011: HK\$15,021,000);
- (b) charge over construction in progress with a net carrying value of approximately HK\$390,237,000 (31 December 2011: HK\$360,455,000);
- (c) charge over certain properties under development and completed properties held for sale with a total carrying value of approximately HK\$2,199,240,000 (31 December 2011: HK\$1,587,491,000);
- (d) personal guarantee given by a director;
- (e) charge over financial assets at fair value through profit or loss with a net carrying value of approximately HK\$193,000 (31 December 2011: HK\$235,000);

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

16. CREDIT FACILITIES *(continued)*

- (f) pledge of 11,162,999,000 (31 December 2011: 11,162,999,000) shares in Sino-i Technology Limited ("Sino-i"), a listed subsidiary of the Company, held by the Company indirectly in favour of certain securities brokers and a financial institution, the total of which represents approximately 89.19% (31 December 2011: 89.19%) of total interest of the Company in Sino-i. The market value of such listed shares as at 30 June 2012 was approximately HK\$290,238,000 (31 December 2011: HK\$435,357,000);
- (g) pledge of certain bank deposits of approximately HK\$273,654,000 (31 December 2011: HK\$272,492,000), of which approximately HK\$244,320,000 (31 December 2011: HK\$246,822,000) were for standby letters of credit issued by a financial institution for a total amounts of US\$30,150,000 (31 December 2011: US\$30,150,000);
- (h) charge over certain intangible assets with net carrying value of approximately HK\$28,631,000 (31 December 2011: HK\$19,971,000);
- (i) pledge of certain property, plant and equipment with net carrying value of approximately HK\$324,541,000 (31 December 2011: HK\$298,593,000);
- (j) charge over certain trade receivables with net carrying value of approximately HK\$8,112,000 (31 December 2011: Nil); and
- (k) share mortgage (which is effectively secured by certain land included in property under development held by the Group), bank accounts charges and assignment of shareholders' loan of three wholly-owned subsidiaries of the Company, corporate guarantee given by the Company and a wholly-owned subsidiary and a subordination deed from a wholly-owned subsidiary.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2012

17. RELATED PARTY TRANSACTIONS — UNAUDITED

Directors' fees and remuneration were as follows:

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Directors' fees	589	500
Basic salaries, housing, other allowances and benefits in kind	1,030	1,428
Pension scheme contributions	128	111
	1,747	2,039

Except as disclosed above and elsewhere in these condensed consolidated interim financial statements, there was no material related party transaction carried out during the period (six months ended 30 June 2011: Nil).

18. LITIGATIONS

There have been no material changes and developments in respect of pending litigations of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2011, save and except that the High People's Court issued its judgement dated 17 April 2012 under the case (2008) 粵高法民四初字第1號 ("Case") in favour of the defendants, Liu Wan Development (BVI) Company Limited, Liu Wan Investment Company Limited and 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited), subsidiaries of the Company. As per the judgement, the pleadings of the plaintiff 深圳市益田房地產集團股份有限公司 (Shenzhen Yitian Real Estate Group Company Limited) ("Yitian") were all turned down and dismissed by the High People's Court, and Yitian has to bear the costs of approximately RMB2,024,000. Yitian then filed its appeal to the Supreme People's Court on 29 May 2012, and the defendants of the Case filed their defences on 25 June 2012.

19. COMPARATIVE FIGURES

The comparative figures of depreciation of property, plant and equipment for owned assets and leased assets have been reclassified to consistent with 2011 annual report presentation.

The comparative figures of interest on bank and other borrowings wholly repayable within five years and interest on finance leases have been reclassified to consistent with 2011 annual report presentation.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group was continuously engaged in property development, culture and media business, and also committed to corporate IT application services through its listed subsidiary, Sino-i.

During the period, turnover of the Group was approximately HK\$929.2 million (six months ended 30 June 2011: HK\$1,237.2 million, comprising HK\$1,223.8 million from continuing operations and HK\$13.4 million from discontinued operations), and net loss attributable to the owners of the Company was approximately HK\$234.6 million (six months ended 30 June 2011: HK\$120.7 million). The net assets attributable to the owners of the Company were approximately HK\$3,170.6 million (31 December 2011: HK\$3,447.8 million), representing a value of approximately HK\$0.046 per share.

Property Development Sector

During the period, turnover of this division was approximately HK\$0.4 million (six months ended 30 June 2011: HK\$502.7 million) and net loss before income tax was approximately HK\$92.3 million (six months ended 30 June 2011: net profit before income tax of HK\$102.8 million).

During the period, Phase 1 of "Free Man Garden" in Guangzhou, seven residential blocks, a community centre and a kindergarten have been topped-out, while the pre-sale condition of the remaining four residential blocks is about to fulfill. Approximately 30,000 sq.m. of the project were initially launched for sale in May 2012, and approximately 27,000 sq.m. were successfully sold, accounting for 90.0% of the area initially launched for sale, with sales proceeds amounting to approximately RMB220 million. It is expected that Phase 1 with a residential area of approximately 180,000 sq.m. will be fully launched for sale in the second half of this year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Culture and Media Sector

During the period, turnover of this division was approximately HK\$589.4 million (six months ended 30 June 2011: HK\$341.2 million), and net loss before income tax was approximately HK\$33.5 million (six months ended 30 June 2011: HK\$58.5 million). The Group's 132 digital cinemas in operation contributed an operating income of approximately HK\$544.4 million (six months ended 30 June 2011: HK\$323.5 million), increased 68.3% as compared with the corresponding period last year.

During the period, the Group continues to focus on the commitment to and development of its businesses in culture and media sector through its subsidiary, Dadi Cinema Investment Limited ("Dadi Cinema"). In the first half of this year, this film operation sector having cinema construction as its core business achieved considerable results, which could be demonstrated by the increase of HK\$220.9 million in income as compared with the corresponding period last year. Meanwhile, such investment projects introduced at the end of last year and in the first half of this year grew rapidly and entered into its maturity stage during the period, and thus contributed stable income for Dadi Cinema.

As of 30 June 2012, 132 digital cinemas of 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) ("Dadi Cinema Construction"), a wholly-owned subsidiary of Dadi Cinema, and its subsidiaries were constructed and commenced operation, having 586 screens and providing 94,060 seats. Meanwhile, additional 33 cinemas with 173 screens and 25,950 seats are under construction, showing an accelerating pace of investment growth. During the period, the box office of Dadi digital cinemas amounted to RMB378.7 million, representing a growth of 60.1% as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Corporate IT Application Services Sector

During the period, turnover of Sino-i Group was approximately HK\$322.8 million (six months ended 30 June 2011: HK\$378.9 million, comprising HK\$365.5 million from continuing operations and HK\$13.4 million from discontinued operations), and income from principal business decreased by 14.8% as compared with the corresponding period last year, mainly because of the corresponding decrease in operating income from those disposed loss-making businesses in last year end. A net loss attributable to the owners of Sino-i was approximately HK\$69.2 million (six months ended 30 June 2011: HK\$82.6 million), decreased by 16.2% as compared to the corresponding period last year.

Sino-i Group's continuing business is corporate IT application services business. Extensive reorganization commenced by the end of the second half of last year in view of sales efficiency of its branches, including the closing of certain branches which recorded recurring operating losses or failed to meet specific targets, and establishment of new branches in areas having market potential. However, these new branches are still in their early stage, and need more time for marketing development, thus their contribution towards the Group's business growth has yet been seen in the first half of this year. The reorganization in the view of sales efficiency of branches resulted in a decrease of 12.0% in operating income of the business as compared to the corresponding period last year. Meanwhile, as new branches have successfully explored the market, and each of the divisions of the business has carried out a series of personnel streamlining and integration since the fourth quarter of last year, the operating income and results of such business are expected to improve and make certain contribution to the Group's profit.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2012, the net assets attributable to the owners of the Company amounted to approximately HK\$3,170.6 million (31 December 2011: HK\$3,447.8 million), including cash and bank balances of approximately HK\$467.6 million (31 December 2011: HK\$411.2 million) which were denominated mainly in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2012, the Group's aggregate borrowings were approximately HK\$5,138.4 million (31 December 2011: HK\$4,917.6 million), of which approximately HK\$2,840.6 million (31 December 2011: HK\$3,154.9 million) were bearing interest at fixed rates while approximately HK\$2,297.8 million (31 December 2011: HK\$1,762.7 million) were at floating rates. As at 30 June 2012, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 51.8% as at 31 December 2011 to 54.6% as at 30 June 2012.

The capital commitment of the Group as at 30 June 2012 was approximately HK\$405.5 million, of which approximately HK\$192.9 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK\$212.6 million would be used as capital expenditure for expanding cinema business.

The Group's contingent liabilities as at 30 June 2012 were approximately HK\$80.2 million in connection with the guarantees given to secure credit facilities.

As at 30 June 2012, certain interests in leasehold land, construction in progress, properties under development and completed properties held for sale, bank deposits, intangible assets and property, plant & equipment and trade receivable with a total carrying value of approximately HK\$3,239.1 million were pledged to secure credit facilities granted to the Group. In addition, trading securities having carrying value of approximately HK\$0.2 million and certain shares of several subsidiaries were pledged; bank accounts were charged and shareholders' loan of three subsidiaries was assigned for securing the Group's credit facilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The ever-growing economy of China is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the period under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may make appropriate foreign exchange hedging arrangements when necessary.

EMPLOYEE

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc. Employees are eligible to be granted share option 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 2012, the Group had approximately 12,062 employees (30 June 2011: 12,301 employees). The salaries of and allowances for employees for the six months ended 30 June 2012 were approximately HK\$431.1 million (six months ended 30 June 2011: HK\$432.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECT

For the property development segment, in the first half in 2012, the Chinese government continued and further enhanced the austerity measures adopted last year, as a result of which the operating environment of property development business remained difficult. However, signs of rigid demand in domestic self-consumption have already emerged. The Group therefore holds an optimistic view towards the prospect of property market in the second half of this year. The initial batch of Phase 1 of "Free Man Garden" in Guangzhou launched for sale in the first half of this year has got progressive feedback from the market. In light of this, the Group will fully devote to the sale of such project in the second half of this year and will develop the next phase in due course.

Since Dadi Cinema Construction, acting as a core element of various businesses, is still in continual and sizeable investment stage, the overall growth of revenue of Dadi Cinema has been affected. The management of Dadi Cinema will optimize its organizational structure in the second half of this year so as to further improve its management and operational efficiency.

Sino-i will continuously endeavour to expand its corporate IT application services business; step up the marketing efforts for its self-developed products; speed up the development of newly established branch operations; strengthen its overall business development ability; enhance performance contribution; facilitate the integration of internal resources; and improve operation efficiency, aiming at reducing the operating loss substantially during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi ("Mr. Yu")	—	34,945,726,203 (Note 1)	69,326,400 (Note 2)	35,015,052,603	51.01%
Chen Dan	32,000,000	—	—	32,000,000	0.05%
Wang Gang	8,500,000	—	—	8,500,000	0.01%

Notes:

- Out of these 34,945,726,203 shares, 31,203,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., a company indirectly held as to 60% by Mr. Yu.
- These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i. Sino-i is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2012, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi	—	12,515,795,316 <i>(Note 1)</i>	44,000,000 <i>(Note 2)</i>	12,559,795,316	63.07%

Notes:

- These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Save as disclosed above, as at 30 June 2012, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

Under the ordinary resolution passed at the annual general meeting on 28 May 2012, the Board of the Company adopted a new share option scheme (the “New Scheme”) and simultaneously terminated the share option scheme adopted on 29 August 2002. Under the New Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

During the six months ended 30 June 2012, no share options have been granted under any share option scheme by the Company.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS

As at 30 June 2012, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	Notes
Kung Ai Ming	Family and Corporate interest	35,015,052,603	51.01%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	3
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	3
Righteous International Limited	Corporate interest	3,742,493,498	5.45%	3
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2 & 3

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS *(continued)*

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	Notes
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	3
CITIC Group Corporation	Corporate interest	8,635,691,472	12.58%	2
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	4
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	4
Lee Tat Man	Beneficial interest Security interest	60,900,000 7,700,000,000	0.09% 11.22%	

Notes:

- Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.
- CITIC Group Corporation was indirectly interested in 8,635,691,472 shares, of which interests are held by its wholly-owned subsidiary, Staverley Assets Limited, and its 40% owned company, Macro Resources Ltd.
- Rosewood Assets Ltd., Phippen Limited, Righteous International Limited and First Best Assets Limited are companies wholly owned by Mr. Yu and Macro Resources Ltd. is held as to 60% by Righteous International Limited. Their interests in shares are disclosed as the corporate interests of Mr. Yu above. Interest held by Macro Resources Ltd. was included as the interest of Righteous International Limited.
- Empire Gate Industrial Limited is wholly owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Save as disclosed above, as at 30 June 2012, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Qin Tian Xiang, a non-executive director of the Company, was died on 30 March 2012.

Mr. Wang Gang ("Mr. Wang") has been re-designated from an executive director to a non-executive director of the Company and Sino-i, and resigned all his positions in the Company, Sino-i and all their subsidiaries with effect from 28 May 2012.

Mr. Wang is entitled to receive a director's emoluments of HK\$120,000 per annum with reference to his duties and responsibilities within the Company, and is not entitled to receive any bonus payments, whether fixed or discretionary in nature, subject to review by the Board of the Company from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

CORPORATE GOVERNANCE

In the opinion of the Board of the Company, the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012, except for the deviations mentioned below:

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual.

CORPORATE GOVERNANCE *(continued)*

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board of the Company believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws. As such, the Board of the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 2012.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung. 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 2012, and discussed the financial control, internal control and risk management systems.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 30 August 2012

www.nanhaicorp.com

