南海控股
NAN HAI CORPORATION LIMITED
Stock Code：680　股份代號：680

2013 INTERIM REPORT

南海控股有限公司
二零一三年度　中期報告

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

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

26/F., Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Registrar

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
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 2013 together with the comparative figures for 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013	2012
		HK$'000	HK$'000
Revenue/Turnover	6(a)	**1,191,999**	929,213
Cost of sales and services provided		**(415,002)**	(362,439)
Gross profit		**776,997**	566,774
Other operating income	6(b)	**63,620**	39,072
Selling and marketing expenses		**(460,315)**	(340,942)
Administrative expenses		**(225,662)**	(230,668)
Other operating expenses		**(173,215)**	(182,361)
Finance costs	7	**(178,820)**	(104,018)
Share of results of associates		**(4,791)**	(3,553)
Loss before income tax	8	**(202,186)**	(255,696)
Income tax expense	9	**(18,587)**	(5,712)
Loss for the period		**(220,773)**	(261,408)
Loss for the period attributable to:			
Owners of the Company		**(215,769)**	(234,551)
Non-controlling interests		**(5,004)**	(26,857)
Loss for the period		**(220,773)**	(261,408)
		HK cent	HK cent
Loss per share for loss attributable to the owners of the Company during the period			
— Basic	10(a)	**(0.314)**	(0.342)
— Diluted	10(b)	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Loss for the period	**(220,773)**	(261,408)
Other comprehensive income, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**82,542**	(44,575)
Total comprehensive income for the period	**(138,231)**	(305,983)
Total comprehensive income attributable to:		
Owners of the Company	**(137,941)**	(277,194)
Non-controlling interests	**(290)**	(28,789)
Total comprehensive income for the period	**(138,231)**	(305,983)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**2,014,679**	1,795,921
Prepaid land lease payments under operating leases		**28,159**	28,213
Interest in associates		**107,044**	110,047
Available-for-sale financial assets		**324**	324
Deposits and other receivables		**452,278**	436,709
Intangible assets		**151,348**	310,004
Deferred tax assets		**110,408**	108,609
Pledged and restricted bank deposits		**30,345**	32,960
		2,894,585	2,822,787
Current assets			
Inventories		**5,713,080**	8,611,770
Financial assets at fair value through profit or loss		**6,851**	1,226
Trade receivables	12	**86,347**	52,278
Deposits, prepayments and other receivables		**1,248,202**	1,019,074
Prepaid tax		**–**	6,306
Amount due from an associate		**530**	530
Pledged and restricted bank deposits		**724,171**	956,067
Time deposits maturing over three months		**–**	41,667
Cash and cash equivalents		**211,165**	187,116
		7,990,346	10,876,034
Assets of a disposal group classified as held for sale	13	**3,876,058**	–
		11,866,404	10,876,034

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2013

	Notes	**(Unaudited) 30 June 2013 HK$'000**	(Audited) 31 December 2012 HK$'000
Current liabilities			
Trade payables	14	**289,964**	496,806
Other payables and accruals		**1,030,590**	1,184,836
Deferred revenue		**69,433**	45,664
Provision for tax		**968,337**	948,854
Amount due to a director		**61,676**	94,563
Amounts due to shareholders		**5,006**	5,006
Amount due to an associate		**5,501**	5,501
Amount due to a former subsidiary		**15,285**	49,085
Bank and other borrowings, secured	15	**2,891,024**	2,682,088
Finance lease liabilities		**135**	126
Finance from a connected party		**1,323,034**	1,681,952
		6,659,985	7,194,481
Liabilities directly associated with the assets classified as held for sale	13	**3,520,099**	–
		10,180,084	7,194,481
Net current assets		**1,686,320**	3,681,553
Total assets less current liabilities		**4,580,905**	6,504,340
Non-current liabilities			
Bank and other borrowings, secured	15	**845,132**	1,306,001
Finance lease liabilities		**158**	228
Finance from a connected party		**–**	1,077,446
Deferred tax liabilities		**22,255**	269,074
		867,545	2,652,749
Net assets		**3,713,360**	3,851,591

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2013

	Notes	**(Unaudited) 30 June 2013 HK$'000**	(Audited) 31 December 2012 HK$'000
EQUITY			
Share capital	16	**686,455**	686,455
Reserves		**2,312,113**	2,450,054
Equity attributable to the Company's owners		**2,998,568**	3,136,509
Non-controlling interests		**714,792**	715,082
Total equity		**3,713,360**	3,851,591

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Net cash generated from operating activities	**322,124**	33,141
Net cash used in investing activities	**(379,354)**	(221,717)
Net cash generated from financing activities	**112,098**	245,341
Net increase in cash and cash equivalents	**54,868**	56,765
Cash and cash equivalents at 1 January	**187,116**	138,675
Effect of foreign exchange rate changes, on cash held	**5,281**	(1,516)
Cash and cash equivalents at 30 June	**247,265**	193,924
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**211,165**	193,924
Cash at banks and in hand included in assets of a disposal group classified as held for sale	**36,100**	–
	247,265	193,924

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2013

	Equity attributable to the Company's owners									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to assets of a disposal group classified as held for sale HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 to 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
At 1 January 2013	**686,455**	**965,911**	**1,911,436**	**172,918**	**735,723**	**(1,335,934)**	**–**	**3,136,509**	**715,082**	**3,851,591**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(215,769)**	**–**	**(215,769)**	**(5,004)**	**(220,773)**
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**77,828**	**–**	**–**	**77,828**	**4,714**	**82,542**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**77,828**	**(215,769)**	**–**	**(137,941)**	**(290)**	**(138,231)**
Transfer for disposal group	**–**	**–**	**–**	**–**	**(158,307)**	**–**	**158,307**	**–**	**–**	**–**
At 30 June 2013	**686,455**	**965,911**	**1,911,436**	**172,918**	**655,244**	**(1,551,703)**	**158,307**	**2,998,568**	**714,792**	**3,713,360**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is 26/F., Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal businesses of the Group are property development, culture and media services and corporate IT application services.

These condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

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 2013.

2. 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 (the "Listing Rules"). 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 2012.

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

For the six months ended 30 June 2013

3. 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 2012, 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 2013.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

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 2012.

Amendments to HKFRS 1 (Revised) Presentation of Items of Other Comprehensive Income

The amendments to HKFRS 1 (Revised) require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

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

For the six months ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. Accordingly, this new accounting policy does not have any material impact on the financial position and the financial result of the Group.

HKFRS 13 Fair Value Measurement

The adoption of HKFRS 13 did not result in a change in the accounting policy relating to fair value measurement. HKFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. In accordance with HKFRS 13, some of the disclosures for financial instruments required for annual financial statements are included in note 22 to these unaudited condensed consolidated financial statements.

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.

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

For the six months ended 30 June 2013

4. ESTIMATES

The preparation of interim financial statement requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5. SEGMENT INFORMATION

The Group identified 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 product and service lines.

The Group has identified the following reportable segments:

(a) Corporate IT application services

(b) Property development

(c) 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.

Each of these operating segments is managed separately as each of the product and services lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

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

For the six months ended 30 June 2013

5. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2013 and 30 June 2012 are as follows:

	For the six months ended 30 June 2013 (Unaudited)				
	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue					
From external customers	**317,364**	**47,618**	**815,623**	**11,394**	**1,191,999**
From other segments	**–**	**–**	**–**	**–**	**–**
Reportable and all other segments revenue	**317,364**	**47,618**	**815,623**	**11,394**	**1,191,999**
Reportable and all other segments (loss)/profit	**(40,197)**	**(136,095)**	**11,086**	**(5,808)**	**(171,014)**

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

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

For the six months ended 30 June 2013

5. SEGMENT INFORMATION *(continued)*

The reportable segment assets as at 30 June 2013 and 31 December 2012 are as follows:

	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
As at 30 June 2013 (unaudited)	**1,044,028**	**10,086,711**	**3,235,969**	**21,112**	**14,387,820**
As at 31 December 2012 (audited)	1,081,290	9,889,939	2,454,242	20,480	13,445,951

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

For the six months ended 30 June 2013

5. 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)	
	2013	2012
	HK$'000	HK$'000
Reportable segment revenue	**1,180,605**	912,547
All other segments revenue	**11,394**	16,666
Elimination of inter-segment revenue	**–**	–
Group revenue	**1,191,999**	929,213
Reportable segment results	**(165,206)**	(225,787)
All other segments results	**(5,808)**	(6,194)
Bank interest income	**9**	3
Other interest income	**1,625**	2,323
Total interest income on financial assets not at fair value through profit or loss	**1,634**	2,326
Depreciation and amortisation	**(130)**	(95)
Finance costs	**(1,216)**	(3,278)
Share of results of associates	**(4,791)**	(3,553)
Unallocated corporate expenses	**(26,669)**	(19,115)
Loss before income tax	**(202,186)**	(255,696)

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

For the six months ended 30 June 2013

6. REVENUE/TURNOVER AND OTHER OPERATING INCOME — UNAUDITED

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

	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Corporate IT application services	**317,364**	322,834
Sales of properties and car parks	**47,618**	361
Property management	**11,394**	16,666
Culture and media services	**36,430**	45,002
Cinema ticketing income	**689,869**	464,747
Confectionery sales	**89,324**	79,603
	1,191,999	929,213

(b) Other operating income:

	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Bank interest income	**9,295**	2,684
Other interest income	**4,763**	6,063
Total interest income on financial assets not at fair value through profit or loss	**14,058**	8,747
Exchange gains	**1,061**	3,831
Government grants	**24,338**	6,560
Sundry income	**24,163**	19,934
	63,620	39,072

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

For the six months ended 30 June 2013

7. FINANCE COSTS — UNAUDITED

	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Interest on bank and other borrowings wholly repayable within five years	**161,773**	78,713
Finance costs on finance from a connected party wholly repayable within five years	**161,682**	88,403
Interest on other payables	**–**	3,277
Interest on finance leases	**7**	11
Total financial costs on financial liabilities not at fair value through profit or loss	**323,462**	170,404
Less: Amounts directly attributable to properties under development capitalised	**(144,642)**	(66,386)
	178,820	104,018

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

For the six months ended 30 June 2013

8. LOSS BEFORE INCOME TAX — UNAUDITED

	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Loss before income tax is arrived at after charging:		
Amortisation of intangible assets other than goodwill	**22,987**	18,297
Depreciation of property, plant and equipment — owned assets	**92,224**	75,490
Depreciation of property, plant and equipment — leased assets	**72**	91
Operating lease charges on prepaid land lease	**279**	169
Loss on disposal of property, plant and equipment	**–**	337
Net fair value loss on financial assets at fair value through profit or loss	**349**	578
Write-off of property, plant and equipment	**1,765**	4,461

9. INCOME TAX EXPENSE — UNAUDITED

	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
The tax expense comprises:		
Current tax charge for the period		
— Hong Kong Profits Tax	**4,858**	4,797
— People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	**13,729**	915
	18,587	5,712

For the six months ended 30 June 2013, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits for the period.

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

For the six months ended 30 June 2013

9. INCOME TAX EXPENSE — UNAUDITED *(continued)*

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2012: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

PRC Land Appreciation Tax is levied at progressive rates from 30% to 60% (six months ended 30 June 2012: 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 in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and 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 2012: 15%).

10. LOSS PER SHARE — UNAUDITED

(a) The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company for the period of HK$215,769,000 (six months ended 30 June 2012: HK$234,551,000) and on 68,645,535,794 (six months ended 30 June 2012: 68,645,535,794) ordinary shares in issue during the period.

(b) Diluted loss per share for the six months ended 30 June 2013 and 30 June 2012 was not presented as there was no potentially dilutive ordinary shares in issue during the periods.

11. PROPERTY, PLANT AND EQUIPMENT — UNAUDITED

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with a cost of HK$286,267,000 (six months ended 30 June 2012: HK$200,230,000).

During the six months ended 30 June 2013, property, plant and equipment with net book value of HK$1,765,000 (six months ended 30 June 2012: HK$4,461,000) were written off by the Group.

The Group did not dispose property, plant and equipment during the six months ended 30 June 2013 (six months ended 30 June 2012: HK$913,000).

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

For the six months ended 30 June 2013

12. 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 2013 HK$'000	(Audited) 31 December 2012 HK$'000
0–90 days	**65,329**	27,276
91–180 days	**14,855**	10,859
181–270 days	**4,409**	7,057
271–360 days	**4,868**	3,921
Over 360 days	**1,845**	13,764
Trade receivables, gross	**91,306**	62,877
Less: Provision for impairment of receivables	**(4,959)**	(10,599)
Trade receivables, net	**86,347**	52,278

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

For the six months ended 30 June 2013

13. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

On 28 June 2013, Nan Hai Development Limited ("NHD"), a subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") with CITIC Real Estate (Hong Kong) Development Limited ("CITIC") for the disposal of 27% equity interest of Listar Properties Limited ("Listar"), a subsidiary of NHD. When aggregated with the disposal of the 30% equity interest of Listar to Baitak Asian Shenzhen Peninsula Co., Ltd. ("Baitak") completed on 31 December 2012, a further disposal of 27% equity interest of Listar to CITIC will result in a loss of control of the subsidiary. After the disposal, the Group retains 43% of the equity interest in Listar and its subsidiaries (collectively referred to as the "Listar Group"), taking the form of an investment in an associate. The assets and liabilities related to Listar Group have therefore been presented as held for sale. The transaction is expected to be completed within one year.

	(Unaudited) 30 June 2013 HK$'000
Property, plant and equipment	**4,580**
Intangible assets	**143,111**
Inventories	**3,289,627**
Deposits, prepayments and other receivables	**204,631**
Prepaid tax	**19,928**
Pledged and restricted bank deposits	**178,081**
Cash and cash equivalents	**36,100**
Assets of a disposal group classified as held for sale	**3,876,058**
Trade payables	**180,564**
Other payables and accruals	**1,022,091**
Bank and other borrowings, secured	**741,813**
Finance from a connected party	**1,328,449**
Deferred tax liabilities	**247,182**
Liabilities directly associated with the assets classified as held for sale	**3,520,099**

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

For the six months ended 30 June 2013

14. TRADE PAYABLES

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

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
0–90 days	**58,547**	275,995
91–180 days	**37,999**	7,540
181–270 days	**279**	1,573
271–360 days	**2,935**	2,924
Over 360 days	**190,204**	208,774
	289,964	496,806

15. BANK AND OTHER BORROWINGS, SECURED

At 30 June 2013, the bank and other borrowings were repayable as follows:

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
Within one year	**2,891,024**	2,682,088
In the second year	**538,584**	1,035,192
In the third to fifth years	**306,548**	270,809
Wholly repayable within five years	**3,736,156**	3,988,089
Less: Portion due within one year under current liabilities	**(2,891,024)**	(2,682,088)
Portion due over one year under non-current liabilities	**845,132**	1,306,001

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

For the six months ended 30 June 2013

15. BANK AND OTHER BORROWINGS, SECURED *(continued)*

Movements in borrowings is analysed as follows:

	Six months ended 30 June 2013 HK$'000
Opening amount as at 1 January 2013	**3,988,089**
Proceeds of borrowings	**2,176,327**
Borrowings classified as held for sale	**(741,813)**
Repayments of borrowings	**(1,792,979)**
Interest accrued on amortised costs	**55,472**
Exchange difference	**51,060**
Closing amount as at 30 June 2013	**3,736,156**

	Six months ended 30 June 2012 HK$'000
Opening amount as at 1 January 2012	2,373,380
Proceeds of borrowings	787,613
Repayments of borrowings	(542,213)
Exchange difference	(21,443)
Closing amount as at 30 June 2012	2,597,337

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

For the six months ended 30 June 2013

16. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2012, 31 December 2012 (audited) and **30 June 2013 (unaudited)**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2012, 31 December 2012 (audited) and **30 June 2013 (unaudited)**	**68,645,535,794**	**686,455**

17. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
An associate (note a)	**15,945**	15,555
Third parties (note b)	**56,852**	62,629
	72,797	78,184

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 2012. 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 2012 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 2013

18. CAPITAL COMMITMENTS

At 30 June 2013, the Group had outstanding capital commitments as follows:

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
Contracted but not provided for in respect of:		
— construction in progress	**120,077**	151,486
— property, plant and equipment	**396,386**	281,688
	516,463	433,174

19. CREDIT FACILITIES

At 30 June 2013 (unaudited) and 31 December 2012 (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$28,159,000 (31 December 2012: HK$14,788,000);

(b) charge over certain buildings and construction in progress with a net carrying value of approximately HK$449,596,000 (31 December 2012: HK$424,828,000);

(c) charge over certain properties under development and completed properties held for sale with a total carrying value of approximately HK$2,960,988,000 (31 December 2012: HK$3,277,379,000), among which HK$1,617,022,000 (31 December 2012: HK$Nil) has been classified as assets of a disposal group classified as held for sale;

(d) personal guarantee given by directors (31 December 2012: a director);

(e) charge over financial assets at fair value through profit or loss with a net carrying value of approximately HK$164,000 (31 December 2012: HK$241,000);

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

For the six months ended 30 June 2013

19. CREDIT FACILITIES *(continued)*

(f) pledge of 11,162,999,000 (31 December 2012: 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 2012: 89.19%) of total interest of the Company in Sino-i. The market value of such listed shares as at 30 June 2013 was approximately HK$279,075,000 (31 December 2012: HK$323,727,000);

(g) pledge of certain bank deposits of approximately HK$743,502,000 (31 December 2012: HK$920,926,000) within which approximately HK$624,605,000 (31 December 2012: HK$619,403,000) were for standby letters of credit issued by a bank for a total amounts of US$75,150,000 (31 December 2012: US$75,150,000);

(h) charge over certain intangible assets with net carrying value of approximately HK$34,055,000 (31 December 2012: HK$Nil);

(i) charge over certain property, plant and equipment, other than buildings and construction in progress disclosed in note 19(b), with net carrying value of approximately HK$292,738,000 (31 December 2012: HK$309,302,000);

(j) charge over certain trade receivables with net carrying value of approximately HK$13,833,000 (31 December 2012: HK$16,016,000); and

(k) pledge of various share mortgage of certain subsidiaries, bank accounts charges, assignment of shareholders' loan of certain subsidiaries of the Company, guarantees given by the Company and certain subsidiaries.

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

For the six months ended 30 June 2013

20. RELATED PARTY TRANSACTIONS — UNAUDITED

Directors' fees and remuneration were as follows:

	For the six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Directors' fees	**576**	589
Basic salaries, housing, other allowances and benefits in kind	**1,048**	1,030
Pension scheme contributions	**104**	128
	1,728	1,747

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 2012: Nil).

21. LITIGATIONS

There have been no material changes and developments in respect of pending litigations of the Group since the disclosure of the Group's annual financial statements for the year ended 31 December 2012, save and except that the Group has obtained a final judgment from the court in Shenzhen in May 2013, regarding the confirmation of the judgment from the trial of first instance in respect of the reversing decision of the governing authority on disapproval of application for revision of the design plans of Phase 3 of "The Peninsula" in Shenzhen for the purpose of increment of portion of coastal premises with panoramic view, which commend higher selling prices.

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

For the six months ended 30 June 2013

22. FAIR VALUE MEASUREMENTS

The fair value of available-for-sale financial assets with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities of the Group measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 30 June 2013				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	564	–	–	564
Unlisted mutual fund held for trading	–	6,287	–	6,287
Total fair values	564	6,611	–	7,175

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

For the six months ended 30 June 2013

22. FAIR VALUE MEASUREMENTS *(continued)*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2012				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	977	–	–	977
Unlisted mutual fund held for trading	–	249	–	249
Total fair values	977	573	–	1,550

There have been no transfers between level 1 and 2 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

23. EVENTS AFTER THE REPORTING PERIOD

As announced by the Company on 3 July 2013, NHD, as a vendor; the Company as a guarantor; and CITIC as a purchaser entered into a conditional sale and purchase agreement on 28 June 2013 in respect of sale and purchase of 27% of the issued share capital of Listar and 27% of the shareholders' loan due and owing by Listar to its shareholders ("Transaction") at a total consideration of RMB607,000,000 which is to be settled by way of cash. The completion of the transaction is conditional on fulfillment of such conditions as approval by the shareholders of the Company in a special general meeting which is expected to be convened in about mid-October 2013. By taking into account of the disposal of 30% issued share capital of Listar and 30% of the shareholder's loan due and owing by Listar to its shareholder on 31 December 2012, Listar will no longer be a subsidiary of the Company, but remain as an associated company upon completion of the Transaction.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2013 (30 June 2012: 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 business through its listed subsidiary, Sino-i.

During the period, turnover of the Group was approximately HK$1,192.0 million (six months ended 30 June 2012: HK$929.2 million, an increase of approximately 28.3% as compared with the corresponding period last year. Net loss attributable to the owners of the Company was approximately HK$215.8 million (six months ended 30 June 2012: HK$234.6 million), a decrease of approximately 8.0% as compared with the corresponding period last year. The net assets attributable to the owners of the Company were approximately HK$2,998.6 million (31 December 2012: HK$3,136.5 million), representing a value of approximately HK$0.044 per share.

Property Development Division

During the period, turnover of this division was approximately HK$47.6 million (six months ended 30 June 2012: HK$0.4 million) and net loss before income tax was approximately HK$136.1 million (six months ended 30 June 2012: HK$92.3 million), an increase in loss of approximately 47.5% as compared with the corresponding period last year. The increase in loss was due to the payment of due loan interest by the Group during the period. Furthermore, sales proceeds of Phase 1 of "Free Man Garden" in Guangzhou have yet recognized as the turnover for the period until the residential units are delivered to the purchasers, which are expected to be taken place in about the end of 2013, as per the accounting standard.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development Division *(continued)*

During the period, sales proceeds of Phase 2 of "The Peninsula" in Shenzhen were approximately HK$47.6 million, which were mainly from the sales of remaining units. Shops for lease in Phases 1 and 2 were all rented out. Sales of shop units in Phase 2 commenced and achieved positive result as certain purchasers had paid deposits. With regard to the administrative proceedings of the planning modification in Phase 3 of "The Peninsula", 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited), the project company of the Group, was ruled in favor of in the final trial. The project company has been working aggressively on the project planning modification and the preparation for commencement of construction. The construction is scheduled to be commenced in the first quarter of 2014.

Pre-sale permits were obtained for 1,504 units out of 1,507 units in 11 residential blocks of Phase 1 of "Free Man Garden" in Guangzhou. As at 30 June 2013, a total of 1,392 units were launched for sale and of 1,081 units were sold (as at 31 December 2012: 960 units were launched with 746 units sold), and approximately 140,000 sq.m. were sold in total. The five new regulations ("New Five Regulations") for tightening the control of property market were launched in February 2013 by the Chinese government. During the period, 廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.), the project company of the Group, got over the limitation in purchase of property under the New Five Regulations and the adverse effect of refund of deposit to the purchasers brought by the limitation in purchase by successfully selling out 335 units which contributed the sales proceeds of approximately RMB439.0 million (approximately HK$556.1 million). However, according to the requirements of accounting standard, the sales proceeds were not recognized as the turnover for the period (sales proceeds will be recognised as turnover upon completion of delivery procedures of the properties), thus the property development division remains in a loss making situation. In addition, construction of Phase 2 is expected to be commenced in the second half of 2013.

The Group entered into a sales and purchase agreement on 28 June 2013 in respect of the disposal of 27% shares in Listar, a subsidiary of the Company, to a subsidiary of CITIC Group at the consideration of RMB607 million. The entire proceeds will be fully used for settlement of the payment obligation under the Murabaha-Tawarruq Agreement entered into between the Group and Baitak on 3 August 2009 as amended and supplemented by the agreements executed on 22 July 2011 and 26 October 2012. An announcement in respect of the aforesaid transaction was published on 3 July 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Culture and Media Division

During the period, the momentum of the Chinese film industry remained strong, showing continuing upward trend. According to statistics released by the State Administration of Radio, Film and Television on 11 July 2013, gross box office receipts nationwide amounted to RMB10.994 billion for the first half of 2013, representing a growth of 36% over the corresponding period in 2012, breaking a new record.

During the period, turnover of this division was approximately HK$815.6 million (six months ended 30 June 2012: HK$589.4 million), an increase of approximately 38.4% as compared with the corresponding period last year, and net profit before income tax was approximately HK$11.1 million (six months ended 30 June 2012: net loss before income tax was HK$33.5 million). The Group's 169 cinemas in operation contributed an operating income of approximately HK$779.2 million (six months ended 30 June 2012: HK$544.4 million), increased 43.1% as compared with the corresponding period last year.

The Group continues to focus on the commitment to and development of its businesses in culture and media division through its subsidiary, Dadi Cinema Investment Limited ("Dadi Cinema"). In addition to expanding its presence in the second and third tier cities in China, Dadi Cinema aims at those first tier cities with room for development and certain potential towns as well. During the period, Dadi Cinema's business strategies were to continue to enhance cooperation relationships with those large domestic property developers and local renowned enterprises, for the purpose of establishing a close business alliance. As to the branding strategies, Dadi Cinema continued to optimize the "Dadi Digital Cinema" brand on one hand and started to create a high end "Free Man" brand on the other hand. One or two cinemas under the new high end brand will be in operation in 2013. With respect to internal management, budget and planning management were comprehensively enhanced, and the "Dadi Management College", an in-house training unit, had been setup to cultivate more professionals in line with the rapid business development. Though Dadi Cinema recorded a substantial year-to-year growth in turnover, it strived to increase revenue from value added business other than box office receipts and sales of commodities. With a recently established advertisement sales system, the business is expected to start making contribution in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Culture and Media Division *(continued)*

As of 30 June 2013, 169 cinemas under 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited), a wholly-owned subsidiary of Dadi Cinema, and its subsidiaries were constructed and commenced operation, having 783 screens and providing 120,473 seats. Meanwhile, additional 58 cinemas with 327 screens and 47,598 seats are under construction, which are scheduled to be completed and put into operation in the year.

Corporate IT Application Services Division

During the period, turnover of this division was approximately HK$317.4 million (six months ended 30 June 2012: HK$322.8 million), a mild decrease by comparing with the corresponding period last year, and net loss before income tax was approximately HK$40.2 million (six months ended 30 June 2012: HK$100.0 million), a significant improvement about 59.8% as compared with the corresponding period last year. The Sino-i Group's key subsidiary namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") was the core operation arm of its corporate IT application services business, therefore, changes in turnover and net profit of the Sino-i Group were mainly attributed to CE Dongli's performance.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Corporate IT Application Services Division *(continued)*

The Sino-i Group's turnover did not record growth as compared with the corresponding period last year was due to two main reasons:

1. CE Dongli's major target customer group — SMEs, in particular, those manufacturing enterprises which account for the largest proportion of the Sino-i Group's business, still tended to adopt cautious approach in IT investments. In the absence of growth momentum in market demand and CE Dongli's existing products facing to intensified market competition, a mild drop in sales revenue as compared with the corresponding period last year was recorded.

2. CE Dongli's new products — mobile platform was still in its incubation period, its contribution to the Sino-i Group's results was not readily reflected. Furthermore, in order to achieve the objective of being a leader in the industry, CE Dongli decided certain strategies and investments in various new business segments such as e-commerce and cloud computing. However, the new products were still in an early development stage, which require for massive resources investment continuously and are expected to be launched to the market next year.

Significant decrease in net loss of the Sino-i Group as compared with the corresponding period last year was mainly attributed to the remarkable improvement achieved by CE Dongli in operating efficiency and cost control.

Firstly, after implementation of the initiatives to reform last year, CE Dongli reorganized and redeveloped sales model of its branches and organization structure. CE Dongli continued to streamline district management functions and optimize marketing system in the headquarters. Resulting from the optimization and streamlining of both the sales departments and sales forces, costs of sales and services were lowered. Secondly, CE Dongli initiated measures to save various administrative costs in the first half of the year, the administrative costs of CE Dongli's headquarters and sales branches dropped significantly as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Corporate IT Application Services Division *(continued)*

Furthermore, CE Dongli enhanced and reorganized its business and customer service management functions, and launched new business management system. These reforming measures on operation and technology platforms greatly enhanced the Sino-i Group's operating efficiency and lowered the costs of services and operating expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2013, the net assets attributable to the owners of the Company amounted to approximately HK$2,998.6 million (31 December 2012: HK$3,136.5 million), including cash and bank balances of approximately HK$1,179.9 million (31 December 2012: HK$1,217.8 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2013, the Group's aggregate borrowings were approximately HK$7,129.7 million (31 December 2012: HK$6,747.8 million), of which approximately HK$4,310.4 million (31 December 2012: HK$4,096.6 million) were bearing interest at fixed rates while approximately HK$2,819.3 million (31 December 2012: HK$2,651.2 million) were at floating rates. As at 30 June 2013, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 58.95% as at 31 December 2012 to 61.57% as at 30 June 2013.

The capital commitment of the Group as at 30 June 2013 was approximately HK$516.5 million, of which approximately HK$120.1 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK$396.4 million would be used as capital expenditure for expanding cinema business.

The Group's contingent liabilities as at 30 June 2013 were approximately HK$72.8 million in connection with the guarantees given to secure credit facilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

(continued)

As at 30 June 2013, certain interests in leasehold land, construction in progress, buildings, properties under development and completed properties held for sale, bank deposits and property, plant and equipment, intangible assets and trade receivable with a total net carrying value of approximately HK$4,522.9 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 certain subsidiaries was assigned for securing the Group's credit facilities.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were primarily denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The continued growth in the 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 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 2013, the Group had approximately 11,156 employees (30 June 2012: 12,062 employees). The salaries of and allowances for employees for the six months ended 30 June 2013 were approximately HK$368.2 million (six months ended 30 June 2012: HK$431.1 million).

PROSPECT

With regard to the property development segment, the Chinese government continued the austerity measures and released "New Five Regulations" in the first half of 2013, however, the market still recorded growth in both price and sales volume during the period, which was reflected in the sales performance of Phase 1 of "Free Man Garden" in Guangzhou. In light of this, the Group will spend more resources to promote the sales of Phase 1 of "Free Man Garden", aiming at selling out all units in the year. The Group will also speed up the construction works, striving for completion of construction and inspection of Phase 1 during the year, and then completion of delivery procedures. At the same time, the Group intends to duly start the construction of Phase 2 in the second half of the year.

In the second half of the year, the Group will comprehensively commence preparation for the construction of Phase 3 of "The Peninsula" in Shenzhen. Buildings with a total gross floor area of approximately 190,000 sq.m. will be erected on the site of Phase 3. After altering the project planning and design, there will be more units in Phase 3 commanding sea view of Shenzhen Bay. In addition to setting benchmark for residential properties, the Group strives to turn the project into an international costal humanity community in the South China Sea, and realize profit maximization.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECT *(continued)*

Cinema and its related businesses, being operated in the core brand of Dadi Cinema, is still at a stage that requires ongoing massive investment. Profitability and contribution of the operating cinemas will be driven up by the rapid growth of the movie industry. In the second half of the year, Dadi Cinema will maintain its rapid growth in terms of number of cinemas and screens. Though the Group's film distribution business is still at the development stage, a professional and experienced film distribution and promotion team has been developed. The team is able to distribute films cross the nation on its own, and is expected to distribute over 10 movies in the year, including a comedy which was jointly invested and produced by the Group. The comedy is casted by Xu Zheng and will be shown in late August.

Sino-i will continue to focus on developing its corporate IT application services business. In the second half of 2013, Sino-i will continue to invest in e-commerce business sector and put in relatively large efforts in the research and development of new products and the construction of operating infrastructure, in particular, the research and development for mobile business products and the construction of operating infrastructure for cloud computing technology in order to enhance its core competitiveness in the long term. Secondly, Sino-i will enhance its overall business development capability by putting in more efforts in the sales of its self-developed products in order to improve its results. In the meantime, Sino-i will further facilitate the integration of internal resources and improve its operating efficiencies so as to consolidate its achievement in narrowing down the losses in the first half of this year and strive to achieve turnaround for the whole year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, 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 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

	Number of shares of HK$0.01 each				
Name of Director	Personal interest	Corporate interest	Family interest	Total interest	Approximate percentage holding
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:

1. 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 indirectly 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.

2. 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 2013, 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

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

Notes:

1. 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.

2. 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 2013, 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 as 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

On 28 May 2012, the Company adopted a share option scheme (the "Scheme"). Under the 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 2013, no share options have been granted under the Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2013, 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
Dadi Holdings Limited	Corporate interest	34,945,726,203	50.90%	4
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	4
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	4
Righteous International Limited	Corporate interest	3,742,493,498	5.45%	4
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2 & 4
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	4
CITIC Group Corporation	Corporate interest	18,735,691,472	27.29%	2 & 3
CITIC Limited	Corporate interest	10,100,000,000	14.71%	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*
CITIC Capital Holdings Limited	Corporate interest	10,100,000,000	14.71%	3
CITIC Capital Credit Limited	Security interest	10,100,000,000	14.71%	3
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	5
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	5
Lee Tat Man	Beneficial interest	60,900,000	0.09%	
	Security interest	7,700,000,000	11.22%	

Notes:

1. 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.

2. 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.

3. CITIC Group Corporation, CITIC Limited and CITIC Capital Holdings Limited were each taken to be interested in those security interests of 10,100,000,000 shares in which CITIC Capital Credit Limited held an interest.

4. Rosewood Assets Ltd., Pippen Limited, Righteous International Limited and First Best Assets Limited are companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company 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.

5. 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 2013, 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 DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Huang Yaowen ("Mr. Huang") has tendered his resignation as an independent non-executive director of the Company with effect from 1 July 2013 as he would like to devote more time to his own business. Upon his resignation, he also ceased to be the chairman of audit committee and remuneration committee, and the member of nomination committee of the Company.

Following the resignation of Mr. Huang, the number of independent non-executive directors and the members of the audit committee of the Company has fallen below the minimum number required under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. In addition, the Company has not met the composition requirement that the majority of independent non-executive director of the remuneration committee under Rule 3.25 of the Listing Rules.

The Board of the Company will identify a suitable candidate to fill the vacancy as soon as possible within three months from the date of resignation of Mr. Huang.

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 2013.

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 2013, 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.

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.

CORPORATE GOVERNANCE *(continued)*

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.

Code Provision A.5.1 stipulated that nomination committee comprises a majority of independent non-executive directors.

Following the resignation of Mr. Huang, the number of independent non-executive directors of the nomination committee of the Company has fallen below a majority. The Board of the Company will identify a suitable candidate to fill the vacancy as soon as possible within three months from the date of resignation of Mr. Huang.

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 2013.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely 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 2013, and discussed the financial control, internal control and risk management systems.

By order of the Board
Nan Hai Corporation Limited
Yu Pun Hoi
Chairman

Hong Kong, 30 August 2013

www.nanhaicorp.com