南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The board of directors (the "Board") of Nan Hai Corporation Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 together with the comparative figures for 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
			(Re-presented)
Revenue	*5(a)*	**2,143,176**	1,923,446
Cost of sales and services provided		**(813,440)**	(721,416)
Gross profit		**1,329,736**	1,202,030
Other operating income	*5(b)*	**188,156**	140,522
Gain on disposal of an associate classified as non-current assets held for sale		**–**	165,554
Gain on disposal of an associate		**–**	1,446
Selling and marketing expenses		**(835,940)**	(748,122)
Administrative expenses		**(249,761)**	(202,180)
Other operating expenses		**(296,881)**	(274,521)
Finance costs		**(110,954)**	(211,832)
Fair value change on financial liability at fair value through profit or loss		**1,048**	(2,292)
Share of results of associates		**(8,307)**	(58,619)
Share of results of a joint venture		**–**	(179)
Gain on fair value change on investment properties		**32,986**	–
Profit before income tax	*6*	**50,083**	11,807
Income tax expense	*7*	**(40,488)**	(5,457)
Profit for the period		**9,595**	6,350

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED (Continued)
For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
			(Re-presented)
Profit for the period attributable to:			
Owners of the Company		**6,410**	4,060
Non-controlling interests		**3,185**	2,290
		9,595	6,350
		HK cent	*HK cent*
Earnings per share for profit attributable to the owners of the Company during the period			
— Basic	*9(a)*	**0.009**	0.006
— Diluted	*9(b)*	**0.009**	0.006

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Profit for the period	**9,595**	6,350
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	**(60,864)**	(8,621)
Exchange differences reclassified on disposal of an associate classified as non-current assets held for sale, net of tax	**–**	(10,299)
Total comprehensive income for the period	**(51,269)**	(12,570)
Total comprehensive income attributable to:		
Owners of the Company	**(51,423)**	(12,688)
Non-controlling interests	**154**	118
	(51,269)	(12,570)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	(Unaudited) 30 June 2016 HK$'000	(Audited) 31 December 2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,570,441**	3,165,728
Investment properties		**232,659**	179,372
Prepaid land lease payments under operating leases		**24,743**	25,521
Interests in associates		**505,628**	534,299
Interest in a joint venture		**2,177**	2,160
Loan receivable from an associate		**392,725**	369,848
Amounts due from related parties		**2,957**	5,026
Available-for-sale financial assets		**324**	324
Held-to-maturity investment		**116,891**	155,205
Deposits, prepayments and other receivables		**220,438**	213,674
Intangible assets		**382,000**	223,817
Deferred tax assets		**109,033**	108,258
Pledged and restricted bank deposits		**169,233**	195,276
		5,729,249	5,178,508
Current assets			
Inventories		**8,090,852**	7,188,276
Financial assets at fair value through profit or loss		**1,412**	1,433
Trade receivables	*10*	**267,072**	332,110
Deposits, prepayments and other receivables		**3,038,734**	2,208,451
Amount due from an associate		**530**	530
Amounts due from related parties		**37,917**	30,707
Pledged and restricted bank deposits		**3,935,762**	1,725,537
Time deposits maturing over three months		**–**	12
Cash and cash equivalents		**2,772,288**	803,694
		18,144,567	12,290,750

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2016

	Notes	(Unaudited) 30 June 2016 HK$'000	(Audited) 31 December 2015 HK$'000
Current liabilities			
Trade payables	11	**658,907**	570,538
Other payables and accruals		**856,033**	1,189,056
Receipt in advance and deferred revenue		**5,079,394**	496,089
Provision for tax		**479,928**	639,065
Amount due to a director		**37,889**	14,273
Amount due to a shareholder		**–**	1
Amounts due to associates		**186,797**	197,982
Amounts due to related parties		**86,494**	103,988
Bank and other borrowings, secured		**4,222,017**	5,059,078
Finance lease liabilities		**33,326**	13,509
Financial liability at fair value through profit or loss		**120,541**	121,589
		11,761,326	8,405,168
Net current assets		**6,383,241**	3,885,582
Total assets less current liabilities		**12,112,490**	9,064,090
Non-current liabilities			
Bank and other borrowings, secured		**6,863,231**	4,968,005
Convertible and exchangeable bonds	12	**1,007,099**	–
Finance lease liabilities		**61,928**	29,593
Provision for warranty		**5,099**	5,401
Long term trade payables	11	**74,270**	68,087
Deferred tax liabilities		**89,074**	76,439
		8,100,701	5,147,525
Net assets		**4,011,789**	3,916,565
EQUITY			
Share capital	13	**686,455**	686,455
Reserves		**2,668,338**	2,555,847
Equity attributable to the Company's owners		**3,354,793**	3,242,302
Non-controlling interests		**656,996**	674,263
Total equity		**4,011,789**	3,916,565

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2016

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 HM 12, Bermuda and its principal place of business in Hong Kong is 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on the Main Board The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Group is principally engaged in culture and media services, property development, corporate IT application services and new media.

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 and authorized for issue by the Board on 25 August 2016.

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 Hong Kong 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 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for investment properties and 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 2015.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standard ("HKFRS") that are first effective or available for early adoption for the current period of the Group. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group for current and pervious accounting periods.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting periods.

4. 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

(d) New media

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, property management and innovative business.

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.

The segment results for the six months ended 30 June 2016 and 30 June 2015 are as follows:

	For the six months ended 30 June 2016 (Unaudited)					
	Corporate IT application services *HK$'000*	**Property development** *HK$'000*	**Culture and media services** *HK$'000*	**New media** *HK$'000*	**All other segments** *HK$'000*	**Total** *HK$'000*
Revenue						
From external customers	403,459	570	1,708,891	4,440	25,816	2,143,176
From other segments	–	–	–	2,861	1,766	4,627
Reportable and all other segments revenue	403,459	570	1,708,891	7,301	27,582	2,147,803
Reportable and all other segments (loss)/profit before income tax	(21,403)	14,260	193,047	(81,595)	(7,415)	96,894

4. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2015 (Unaudited)				
	Corporate IT application services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000* (Re-presented)	All other segments *HK$'000*	Total *HK$'000* (Re-presented)
Revenue					
From external customers	395,449	105,199	1,401,889	20,909	1,923,446
From other segments	–	–	–	1,107	1,107
Reportable and all other segments revenue	395,449	105,199	1,401,889	22,016	1,924,553
Reportable and all other segments (loss)/profit before income tax	(20,537)	(101,786)	46,497	(2,919)	(78,745)

The reportable segment assets and liabilities as at 30 June 2016 and 31 December 2015 are as follows:

	As at 30 June 2016 (Unaudited)					
	Corporate IT application services ***HK$'000***	**Property development** ***HK$'000***	**Culture and media services** ***HK$'000***	**New media** ***HK$'000***	**All other segments** ***HK$'000***	**Total** ***HK$'000***
Reportable and all other segments assets	**1,076,597**	**12,596,749**	**6,313,484**	**136,664**	**639,333**	**20,762,827**
Reportable and all other segments liabilities	**(525,150)**	**(9,658,587)**	**(4,967,977)**	**(25,344)**	**(40,186)**	**(15,217,244)**

	As at 31 December 2015 (Audited)				
	Corporate IT application services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Reportable and all other segments assets	1,122,300	9,913,978	4,681,308	664,353	16,381,939
Reportable and all other segments liabilities	(560,869)	(4,170,921)	(3,840,259)	(30,175)	(8,602,224)

4. 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:

	(Unaudited) For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Reportable segment revenue	**2,120,221**	1,902,537
All other segments revenue	**27,582**	22,016
Elimination of inter-segment revenue	**(4,627)**	(1,107)
Group revenue	**2,143,176**	1,923,446
Reportable segment profit/(loss) before income tax	**104,309**	(75,826)
All other segments loss before income tax	**(7,415)**	(2,919)
Bank interest income	**13,234**	14,189
Other interest income	**2,923**	1,915
Interest income on financial assets not at fair value through profit or loss	**16,157**	16,104
Depreciation and amortisation	**(1,877)**	(546)
Finance costs	**(14,602)**	(49,363)
Share of results of associates	**–**	(3,053)
Gain on disposal of an associate classified as non-current assets held for sale	**–**	165,554
Gain on disposal of an associate	**–**	1,446
Unallocated corporate expenses	**(46,489)**	(39,590)
Profit before income tax	**50,083**	11,807

5. REVENUE AND OTHER OPERATING INCOME — UNAUDITED

(a) This represents revenue from its principal activities as set out below:

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Sales of properties and car parks	**570**	105,199
Corporate IT application services	**403,459**	395,449
Property management services	**25,816**	20,909
Culture and media services	**6,014**	19,558
Cinema ticketing income	**1,410,949**	1,202,763
Confectionery sales	**196,802**	177,683
Publication of magazines and advertising income	**4,440**	–
Sales of projection equipment	**23,979**	–
Online ticketing sales services	**71,147**	1,885
	2,143,176	1,923,446

(b) Other operating income:

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Bank interest income	**31,370**	35,847
Other interest income	**28,759**	20,809
Interest income on financial assets not at fair value through profit or loss	**60,129**	56,656
Exchange gain	**2,518**	1,083
Rental income	**7,256**	6,718
Government grants	**17,589**	23,477
Cinema advertising income	**48,865**	19,156
Sundry income	**51,799**	33,432
	188,156	140,522

6. PROFIT BEFORE INCOME TAX — UNAUDITED

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets other than goodwill	**7,689**	5,352
Depreciation of property, plant and equipment — owned assets	**224,804**	206,684
Depreciation of property, plant and equipment — leased assets	**2,766**	332
Operating lease charges on prepaid land lease	**263**	276
Write-off of property, plant and equipment	**4,113**	3,501

7. INCOME TAX EXPENSE — UNAUDITED

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Tax charge for the period	**5,724**	5,500
— The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
Tax charge for the period	**30,571**	2,985
Over-provision in prior years	**–**	(1,803)
	36,295	6,682
Deferred tax		
— Charge/(Credit) for the period	**4,193**	(1,225)
	40,488	5,457

For the six months ended 30 June 2016, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits for the period.

For the six months ended 30 June 2016, PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2015: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

8. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

9. EARNINGS PER SHARE — UNAUDITED

(a) The calculation of basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK$6,410,000 (six months ended 30 June 2015: HK$4,060,000) and on 68,645,535,794 (six months ended 30 June 2015: 68,645,535,794) ordinary shares in issue during the periods.

(b) Diluted earnings per share for the six months ended 30 June 2016 and 30 June 2015 was the same as basic earnings per share as there was no potential dilutive ordinary share in issue during the periods.

10. TRADE RECEIVABLES

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

	(Unaudited) 30 June 2016 *HK$'000*	(Audited) 31 December 2015 *HK$'000*
0–90 days	**184,677**	299,137
91–180 days	**21,609**	13,148
181–270 days	**46,087**	10,298
271–360 days	**7,669**	4,854
Over 360 days	**27,976**	26,313
Trade receivables, gross	**288,018**	353,750
Less: Provision for impairment of receivables	**(20,946)**	(21,640)
Trade receivables, net	**267,072**	332,110

11. TRADE PAYABLES

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

	(Unaudited) **30 June** **2016** ***HK$'000***	(Audited) 31 December 2015 *HK$'000*
0–90 days	**451,063**	363,988
91–180 days	**78,884**	37,549
181–270 days	**62,892**	72,375
271–360 days	**33,750**	40,092
Over 360 days	**106,588**	124,621
Trade payables	**733,177**	638,625
Less: Non-current portion of trade payables	**(74,270)**	(68,087)
Current portion of trade payables	**658,907**	570,538

12. CONVERTIBLE AND EXCHANGEABLE BONDS — UNAUDITED

An indirect wholly-owned subsidiary of the Company (the "Issuer"), issued 1.95% convertible and exchangeable bonds with a principal amount of approximately HK$1,168,907,000 on 15 June 2016 ("Issue Date"). The bonds are denominated in Renminbi and are secured by the certain shares of an indirect wholly-owned subsidiary of the Company. The bonds mature two years from the Issue date ("Maturity Date") at their principal amount or can be converted into new issuer shares representing approximately 4.76% of the enlarged issued share capital of the Issuer or exchanged into 100% of a subsidiary direct wholly-owned by the Issuer. From the conversion or exchange date ("Equity Date") up to two years and 90 days following the Equity Date, the bondholder has an option ("Put Option") to request the Company to purchase all of the shares at a price that will yield an internal rate of return of 5.50% per annum on the subscription amount after the occurrence of certain events. Prior to the third anniversary of the Issue Date and following the Maturity Date, unless otherwise redeemed by the bondholder pursuant to the terms of the bonds, the Company is only obliged to repay the bonds when requested by the bondholder and shall be obliged to continue to pay interest during the period between the Maturity Date and the Equity Date or when the bonds are redeemed pursuant to the terms of the bonds.

The fair values of the liability component and the equity conversion component were determined at the issuance of the convertible and exchangeable bonds. The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity net of deferred income taxes. After taking into account of a valuation by an independent professional valuer, the Company's directors are of the view that there is no commercial value for the Put Option.

12. CONVERTIBLE AND EXCHANGEABLE BONDS — UNAUDITED (Continued)

The convertible and exchangeable bonds recognised in the statement of financial position is calculated as follows:

	30 June 2016
	HK$'000
Face value of convertible and exchangeable bonds issued on Issue Date	**1,168,907**
Equity component	**(167,504)**
Liability component on initial recognition at Issue Date	**1,001,403**
Interest expense	**5,782**
Exchange difference	**(86)**
Liability component at 30 June	**1,007,099**

13. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	***HK$'000***
Authorised:		
At 1 January 2015, 31 December 2015 (audited) and **30 June 2016 (unaudited)**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2015, 31 December 2015 (audited) and **30 June 2016 (unaudited)**	**68,645,535,794**	**686,455**

14. BUSINESS COMBINATIONS

During the six months ended 30 June 2016, the Group acquired equity interest of two companies owned by independent third party.

The Group's business combinations are detailed as follows:

(i) For the six months ended 30 June 2016, the Group completed the acquisition of 100% equity interest in 重慶嘉裕影視傳媒有限公司 ("Jiayu") on 1 January 2016 (the "Acquisition Date"). Jiayu is a company incorporated in the PRC and is principally engaged in cinema operation. The Group will expand its presence in Chongqing through this acquisition.

14. BUSINESS COMBINATIONS (Continued)

(i) (Continued)

The fair values of the identifiable assets and liabilities of Jiayu as at the Acquisition Date were as follows:

	(Unaudited) Fair value *HK$'000*
Property, plant and equipment	**28,790**
Intangible assets	**14,902**
Trade receivables *(note (c))*	**1,980**
Amount due from a related party	**839**
Deposits, prepayments and other receivables *(note (c))*	**34,937**
Cash and cash equivalents	**7,733**
Inventories	**58**
Trade payables	**(10,946)**
Other payables and accruals	**(18,838)**
Amount due to a related party	**(4,038)**
Receipts in advance and deferred revenue	**(10,080)**
Deferred tax liabilities	**(3,793)**
Provision for tax	**(635)**
Total identifiable net assets at fair value	**40,909**
Goodwill *(note (b))*	**41,815**
Fair value of consideration *(note (a))*	**82,724**
Total consideration	**(82,724)**
Purchase consideration payables	**8,627**
Purchase consideration settled in cash	**(74,097)**
Add: Cash and cash equivalents in subsidiary acquired	**7,733**
Net cash outflows	**(66,364)**

Notes:

(a) Pursuant to the sale and purchase agreement, the consideration for the acquisition is a cash of RMB68,992,000 (equivalent to approximately HK$82,724,000).

(b) The goodwill arising from the acquisition of Jiayu represents the synergetic effect by enabling the Group to expand its cinema coverage in a more efficient and cost-effective manner by taking the advantages of Jiayu's existing customer network in Chongqing.

(c) None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(d) The Group incurred transaction cost of HK$237,000 for the acquisition which have been expensed and recognised as administrative expense in the profit or loss for the six months ended 30 June 2016.

(e) Jiayu contributed revenue of HK$20,456,000 and net profit of HK$4,551,000 to the Group since the Acquisition Date to 30 June 2016.

14. BUSINESS COMBINATIONS (Continued)

(ii) For the six months ended 30 June 2016, the Group completed the acquisition of 100% equity interest in 重慶雄都影院投資有限公司 ("Xiongdu") on 29 February 2016 (the "Acquisition Date"). Xiongdu is a company incorporated in the PRC and is principally engaged in cinema operation. The Group will further expand its presence in Chongqing through this acquisition.

The fair values of the identifiable assets and liabilities of Xiongdu as at the Acquisition Date were as follows:

	(Unaudited) **Fair value** ***HK$'000***
Property, plant and equipment	**23,382**
Intangible assets	**8,988**
Trade receivables *(note (c))*	**1,978**
Deposits, prepayments and other receivables *(note (c))*	**5,952**
Cash and cash equivalents	**2,076**
Inventories	**218**
Trade payables	**(5,776)**
Other payables and accruals	**(20,955)**
Receipts in advance and deferred revenue	**(6,026)**
Deferred tax liabilities	**(2,505)**
Total identifiable net assets at fair value	**7,332**
Goodwill *(note (b))*	**76,131**
Fair value of consideration *(note (a))*	**83,463**
Total consideration	**(83,463)**
Purchase consideration payables	**8,704**
Purchase consideration settled in cash	**(74,759)**
Add: Cash and cash equivalents in subsidiary acquired	**2,076**
Net cash outflows	**(72,683)**

Notes:

(a) Pursuant to the sale and purchase agreement, the consideration for the acquisition is a cash of RMB69,608,000 (equivalent to approximately HK$83,463,000).

(b) The goodwill arising from the acquisition of Xiongdu represents the synergetic effect by enabling the Group to further expand its cinema coverage in a more efficient and cost-effective manner by taking the advantages of Xiongdu's existing customer network in Chongqing.

(c) None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(d) The Group incurred transaction cost of HK$131,000 for the acquisition which have been expensed and recognised as administrative expense in the profit or loss for the six months ended 30 June 2016.

(e) Xiongdu contributed revenue of HK$4,679,000 and net loss of HK$2,922,000 to the Group since the Acquisition Date to 30 June 2016. Had the acquisition occurred on 1 January 2016, consolidated revenue and consolidated profit for the six months ended 30 June 2016 would have been HK$2,149,874,000 and HK$10,100,000 respectively.

14. BUSINESS COMBINATIONS (Continued)

During the six months ended 30 June 2015, the Group acquired equity interest of a company owned by an independent third party, which are detailed as follows:

The Group entered into a sale and purchase agreement in respect of the acquisition of 100% equity interest in 數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited) ("Oristar"), which is a company incorporated in the PRC, on 25 May 2015. Oristar is principally engaged in sales of movie projection equipment and provision of digital media technology services. The acquisition was completed on 1 June 2015 (the "Acquisition Date").

The fair values of the identifiable assets and liabilities of Oristar as at the Acquisition Date were as follows:

	(Audited) Fair value *HK$'000*
Property, plant and equipment	4,395
Intangible assets	51,297
Long term trade receivables	57,891
Inventories	27,885
Trade receivables *(note (c))*	23,813
Deposits, prepayments and other receivables *(note (c))*	10,590
Cash and cash equivalents	4,595
Trade payables	(66,781)
Other payables and accruals	(62,555)
Long term trade payables	(41,420)
Bank and other borrowings	(5,896)
Deferred tax liabilities	(10,547)
Provision for warranty	(5,208)
Total identifiable net liabilities at fair value	(11,941)
Goodwill *(note (b))*	11,941
Fair value of consideration *(note (a))*	–
Purchase consideration settled in cash	–
Add: Cash and cash equivalents in subsidiary acquired	4,595
Net cash inflows	4,595

Notes:

(a) Pursuant to the sale and purchase agreement, the consideration for the acquisition is RMB1 (equivalent to HK$1) which was satisfied by cash.

(b) The goodwill arising from the acquisition of Oristar represents the synergetic effect by enabling the Group to have its source of movie projector for the cinema segment in a more efficient and cost-effective manner by taking the advantages of Oristar's trading business and services related to the movie projector market in the PRC.

14. BUSINESS COMBINATIONS (Continued)

(Continued)

(c) The fair value and the gross amount of trade receivables and other receivables amounted to HK$23,813,000 and HK$10,590,000 respectively. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(d) The Group incurred transaction cost of HK$62,000 for the acquisition which have been expensed and recognised as administrative expense in the profit or loss for the six months ended 30 June 2015.

(e) Oristar contributed revenue of HK$1,885,000 and net loss of HK$2,283,000 to the Group since the Acquisition Date to 30 June 2015. Had the acquisition occurred on 1 January 2015, consolidated revenue and consolidated loss for the six months ended 30 June 2015 would have been HK$1,971,877,000 and HK$6,788,000 respectively.

15. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current period.

(a) A change that has been made to the comparative figures in the condensed consolidated income statement for the six months ended 30 June 2015, to be consistent with the presentation in the current period's condensed consolidated income statement, is that the branch-related expenditures of approximately HK$2,277,000 is reclassified from "Administrative expenses" to "Selling and marketing expenses".

(b) A change that has been made to the comparative figures in the condensed consolidated income statement for the six month ended 30 June 2015, to be consistent with the presentation in the current period's condensed consolidated income statement, is that the cinema advertising income of approximately HK$19,156,000 is reclassified from "Revenue" to "Other operating income".

16. EVENT AFTER THE REPORTING PERIOD

On 9 August 2016, the Group entered into a sale and purchase agreement to acquire 27% of the total issued share capital of Listar Properties Limited ("Listar") and the shareholder loan at a consideration being RMB575,951,000 equivalent to approximately HK$669,710,000, which shall be settled by way of cash. Listar is an investment holding company which through its subsidiaries engages in property development. After the completion of the transaction, Listar will become a subsidiary of the Group. Details of the aforesaid transaction are more particularly disclosed in the Company's announcement dated 9 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to operate in three main businesses, namely culture and media services, property development and corporate IT application services, through Dadi Media (HK) Limited and its subsidiaries, Dadi Cinema Investment Limited and its subsidiaries, Oristar Technology (HK) Limited and its subsidiaries (hereinafter collectively referred to as "Dadi Media"), Nan Hai Development Limited and its subsidiaries (hereinafter collectively referred to as "Nan Hai Development") and Sino-i Technology Limited, a company listed on the main board of Hong Kong Stock Exchange (stock code: 0250), and its subsidiaries (hereinafter collectively referred to as "Sino-i"), and has made some achievements. It also continues to tap into such new business sectors as "new media" and "innovative business", which commenced last year, through Dadi News Media (HK) Limited and its subsidiaries (hereinafter collectively referred to as "Dadi News Media") and Dadi Innovation (HK) Limited and its subsidiaries (hereinafter collectively referred to as "Dadi Innovation").

During the period, turnover of the Group was approximately HK$2,143.2 million (for the six months ended 30 June 2015: HK$1,923.4 million), representing an increase of approximately 11.4% as compared with the corresponding period last year. Net profit attributable to the owners of the Company was approximately HK$6.4 million (for the six months ended 30 June 2015: HK$4.1 million). The net assets attributable to the owners of the Company were approximately HK$3,354.8 million (31 December 2015: HK$3,242.3 million), representing a net asset value of approximately HK$0.049 (31 December 2015: HK$0.047) per share.

Culture and Media Services

Business Review

During the period, turnover of the culture and media services segment was approximately HK$ 1,708.9 million (for the six months ended 30 June 2015: HK$1,401.9 million), representing an increase of approximately 21.9% as compared with the corresponding period last year. Net profit before income tax was approximately HK$193.0 million (for the six months ended 30 June 2015: HK$46.5 million). The increase in profit was mainly due to the year-on-year increase in gross profit as a result of the growth in box-office revenue of Dadi Cinema (as defined below) and the decrease in expenses as a result of the savings in administrative expenses.

Culture and Media Services (Continued)

Business Review (Continued)

廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) and its subsidiaries (collectively as "Dadi Cinema") under Dadi Media insisted their direction towards building a platform to create an eco-system of cinema experience integrated with diversified operation of "Film + Innovative Internet", "Film + Innovative Retail", and "Film + Innovative Catering". With consumers in mind, the Group dedicates to nurture a "movie culture group" by optimizing the terminal layout and enhancing the quality of film screening. During the period, the national box office receipts amounted to RMB24.58 billion, representing a growth of approximately 21.5% as compared with the corresponding period last year. With a total admission of 723 million across the industry, Dadi Cinema achieved box-office revenue (before taxation) of RMB1,227 million, representing a growth of 22.7% as compared with the corresponding period last year and contributing to approximately 5.0% of the national box-office receipts. That makes Dadi Cinema the first runner-up among the cinema investment and management companies across the nation. Its admission of 38.95 million is another record high. As at 30 June 2016, Dadi Cinema had an aggregate of 315 cinemas with a total of 1,673 screens operating in 28 provinces and 151 cities. There are also over 310 cinemas contracted but not yet in operation.

Benefitted from the Chinese Central Government's support of cultural industry and the rapid development of the movie industry, the movie industry has been amassing considerable capital. Dadi Cinema enjoys strong bargaining power in obtaining financing owing to its well-known operation management capabilities in the industry for informatization and standardization. On 1 February 2016, the asset-backed securities of Dadi Cinema with a principal amount of RMB1.13 billion pledged by part of the future box-office revenue from 80 cinemas operated by 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) and its subsidiary 大地影院發展有限公司 (Dadi Cinema Development Limited) were listed and the proceeds shall be used for their cinema construction operation. This issue of asset-backed securities marks the beginning of, and a huge success for, Dadi Cinema to diversify its financing channels.

Given the rising trend of combining movies with internet, Dadi Cinema actively seeks transformation by embracing the internet with the intention of creating a win-win situation and striving to expand into the upstream of the industry through alliance with players of other sectors. In May 2016, Dadi Cinema materialized capital cooperation with Alibaba Pictures Group Limited ("Alibaba Pictures") (stock code: 1060), whereby Dadi Cinema (HK) Limited, a subsidiary of the Company, issued convertible and exchangeable bonds with an aggregate principal amount of RMB1 billion to a wholly-owned subsidiary of Alibaba Pictures. Conversion within the stipulated period will result in the materialization of an investment in 4.76% equity interest of Dadi Cinema (HK) Limited or Guangdong Dadi Cinema Construction Limited (Please refer to the Company's announcement dated 9 May 2016 and the Company's circular dated 23 June 2016 for further information). As China's movie business continues to achieve innovation and breakthrough, the introduction of a strategic investor will further enhance cooperation between both parties in terms of film distribution, film marketing, membership operation and the establishment of big data, promoting development of the industry in joint efforts. Thereafter, both parties will seek opportunities for further expansion into such areas as online product sales, big data application and financial services.

Culture and Media Services (Continued)

Business Review (Continued)

Dadi Cinema has been striving to provide quality film screening services for audience nationwide. On 27 May 2016, "STAR MAX", a gigantic laser screen owned by Dadi Cinema was adopted in its cinema at Yintai Shopping Mall in Xiasha, Hangzhou, surpassing international standards in overall screening equipment and audience experience. "STAR MAX" will provide audience with perfect audience experience and compelling visual impact. For cinemas, "STAR MAX" is equipped with top notch compatibility of international class. There will be 20 more "STAR MAX" cinemas operating in Beijing, Tianjin, Amoy and Hefei within this year. It is expected that Dadi Cinema will have 100 "STAR MAX" cinemas nationwide by 2018. Dadi Cinema is committed to providing movie-goers in China with high quality and value-for-money audience experience, propelling the film screening industry in China to a higher level.

Leveraging on the extensive downstream terminal network of Dadi Cinema and the enormous audience, 大地時代電影發行(北京)有限公司 (Dadi Century Film Distribution (Beijing) Co. Ltd.) ("Dadi Distribution"), a subsidiary of Dadi Media, has been perfecting the structure and function of its distribution team by implementing a business model of streamlined control and expenditure transparency accountable to film owners. It aims at expanding the coverage of its distribution network and enhancing the communication and management of various channels on one hand, and enhancing the marketing capability and operation efficiency on the other hand. Meanwhile, Dadi Distribution actively pursues cooperation with outside parties. During the period, Dadi Distribution participated in the investment of "Boonie Bears: The Big Top Secret" which grossed box-office receipts of RMB288 million. During the period under review, 五洲電影發行有限公司 (WuZhou Film Distribution Co., Limited), a 22.5% associated company of Dadi Distribution, distributed "Chongqing Hotpot", "Crouching Tiger, Hidden Dragon: Sword of Destiny" and "Kill Time" on its own, grossing in aggregate over RMB600 million. For the first half of 2016, box-office revenue from film distribution, distributed either independently or in partnership, exceeded RMB1 billion.

數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited) ("Oristar"), a subsidiary of Dadi Media, has independently developed certain products such as digital film screening server, ticketing system and cinema screening integrated management system, and continued to pursue innovation in film screening and ticketing technologies. "ORISTAR CS", the cloud screening server developed by Oristar, is a platform integrated with remote control and pre-show movie advertisement management. It won the second prize at the 2015 Beijing Award for Science and Technology on 19 February 2016. During the first half of 2016, Oristar, being the "caretaker" of the whole cinema industry, fully capitalized on its own advantages in technology and product as well as customer base to design an IT service solution that combines the technical services for cinemas and innovative financial services catered for the newly-built cinemas and upgraded cinemas across China by actively integrating the financial resources of the industry with the resources of the cooperative entities. Such IT solution has won recognition from the market. Besides, Oristar has been committing more technological inputs to laser screening and has commenced the cooperation with companies of world-renowned projector brand names. Laser screening products are expected to be launched into the market in the second half of the year and Oristar's position as a technology leader in the laser screening market of China will be further consolidated.

Culture and Media Services (Continued)

Prospects

For the first half of 2016, there were 3,583 new screens installed across the nation that makes a total of 35,300, basically catching up with the number of screens in North America but still leaving immense space for development in terms of per capita rate. However, it is worth noting that notwithstanding the absence of market saturation, reckless expansion in hotspots in recent years has resulted in the uneven distribution of cinemas to a certain extent. Moreover, as regards the revenue structure of cinemas in China, box-office revenue still enjoys dominance while revenue generated from non-box office sources accounts for only an average of 15%-20%, much lower than that in the mature film market of North America. Besides, with the progress of economic and social development, movie-goers' demand for quality is growing that gives rise to the call for supply side reform in the film industry and cinema industry.

Presented with opportunities and challenges lying ahead, the Group will continue to consolidate and expand its market share by implementing a multi-brand strategy, conducting thorough data research, identifying opportunities and providing different products and services catering different market segments. It will continue to implement the "Film +" strategy, a cross-industry marketing strategy that consists of "Film + Innovative Internet", "Film + Innovative Retail" and "Film + Innovative Catering", to provide comprehensive value-added services, optimize the proportion of box-office revenue and revenue generated from non-box office sources in the revenue structure of its own cinemas, and enrich the consumption experience of the movie-goers. The Group will continue to enhance the ticketing and screening technologies to complement its cinema operations and create a win-win situation. Meanwhile, as to film distribution, the Group will continue to expand its nationwide distribution network based on the extensive coverage of its cinemas and to accumulate experience in one or more market segments, forming a unique advantage.

Property Development

Business Review

During the period, turnover of this business segment was approximately HK$0.6 million (for the six months ended 30 June 2015: HK$105.2 million). Net profit before income tax was approximately HK$14.3 million (for the six months ended 30 June 2015: net loss of approximately HK$101.8 million). Earnings for the period was mainly due to the change of use of certain properties to investment properties by the Group during the year.

During the period, Nan Hai Development continued the rolling development of "The Peninsula" in Shenzhen. Nan Hai Development adhered to quality as the core, excelling at raising the bar for its products with exquisite decorations. Phase 3 of "The Peninsula" obtained the pre-sale permit on 28 March 2016. Sales launch took place on 9 April 2016 in Shekou, Shenzhen, attracting nearly 2,000 visitors. 409 units were sold, generating aggregate proceeds of approximately RMB5.2 billion within two days after the sales launch. As at 30 June 2016, accumulated sales was RMB9 billion, of which 44% is contracted amounts. As at 4 August 2016, 709 units were sold, generating an accumulated sales amount of approximately RMB 10.057 billion. Phase 4 of the project commenced construction in July 2015 and is currently under active development, and is expected to fulfill the pre-sales conditions in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Property Development (Continued)

Business Review (Continued)

Pre-sales for Phase 2 of the "Free Man Garden" in Guangzhou held by an associate of the Nan Hai Development, started in February of last year. As at 30 June 2016, total sales were approximately RMB1.327 billion with a total sales area of approximately 125,600 square metres ("sq.m."), accounting for approximately 88.65% of the total area of Phase 2. The construction of Phase 2 and commercial project of Phase 1 was completed in April 2016. The projects are currently under inspection for acceptance and delivery is expected to take place in the second half of 2016. The residential project of Phase 3 is under construction, of which a residential area of approximately 276,500 sq.m. is expected fulfill pre-sales conditions in the second half of 2016.

Prospects

In the opinion of the management of the Company, given the prominent differentiation between cities in the real estate market of the PRC and continuing easing policies in certain key cities, the property market in such key cities showed signs of overheating. Policies on curbing the rapidly climbing housing price was implemented in first-tier cities, yet these policies were relatively scientific, it is expected that such policies will achieve stable development in the market instead of resulting in excessive volatility in the market. Certain second-tier and most of the third-tier cities were still under intense pressure on inventory. Destocking and promotion of consumption would still be the main focus in the property market. Local governments implemented policies to facilitate the stable development of property market, which would be the key points of policies in relation to property market in the second half of the year.

Under this circumstance, Nan Hai Development will uphold its philosophy of "user-friendly designs, high quality and building humanity community". With its top priority of quality assurance and adhering to the customer-oriented principle, Nan Hai Development will also speed up the development of various phases of "The Peninsula" and "Free Man Garden" and create a lively community filled with innovative and cultural elements. In the second half of the year, Nan Hai Development will accelerate the progress of Phase 3 of "The Peninsula" project, striving to complete the inspection work of Phase 3 by the end of 2016, in order to significantly improve the performance of the segment as a whole. In addition, in view of the stable increase of the properties price in Guangzhou, Nan Hai Development is conducting a restructuring on the cooperation structure of the "Free Man Garden" project. It has entered into a sale and purchase agreement on 9 August 2016 to acquire the 27% equity interest in Listar, an investment holding company of the project, and the shareholder loan (for details please see the announcement of the Company published on 9 August 2016), so as to increase its ownership in the project. While making huge effort in promoting the existing projects, Nan Hai Development will focus on first-tier cities and take the initiative in developing new property projects, aiming at laying a solid foundation for its sustainable development in the long run.

Corporate IT Application Services

Business Review

During the period, with key subsidiaries 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") as its main business entities, more effort was continuously put into the segment of corporate IT application services business by providing comprehensive internet-based services, e-commerce and information application services, and overall solutions to SMEs and individual clients in the PRC. During the period, turnover of this segment was approximately HK$403.5 million (for the six months ended 30 June 2015: HK$395.4 million), representing an increase of approximately 2.0% over the corresponding period last year. Net loss before income tax was approximately HK$21.4 million (for the six months ended 30 June 2015: HK$20.5 million).

With 16 years' experience in providing services for SMEs in the PRC, CE Dongli has successfully established a corporate e-commerce and product information operating system as well as an extensive business and services network. CE Dongli provided one-stop integrated corporate information technology solutions based on the commercial ideology of "Internet+ planning and consultation — establishing internet platform — marketing and promotion of internet — comprehensive corporate services and practical guidelines — client and data management". During the period, CE Dongli continued to establish direct branch offices throughout the PRC to enhance the localized service capacity. In particular, the enhancement in service capacity of "the last kilometer", which is crucial to SMEs, would make such services closer to user needs. In the meantime, in respect of research and development of new products, more emphasis was put into the needs of different industries and clients under different stages so as to provide customized products to meet the needs of SMEs or certain specific industries.

During the period, Xinnet continued its internet-based services such as domain name registration business, cloud computing business and synergistic communication business, and actively developed various application and value-added services for SMEs through online direct sales and distributor channels established across the PRC. In January 2016, Xinnet officially launched Xinnet domain name trading platform, and successively offered services such as fixed-price transactions and bulk registration, which gained general attention and recognition in the industry. In June 2016, Xinnet launched "Global Mail", a strategic email product and a brand new office tool, which maintained the performance advantage of Xinnet corporate email and focused on optimizing the experience of mobile office. In addition, in respect of websites construction, Xinnet intended to establish platforms for websites construction in the second half of 2016, offering convenient services to help SMEs build their own websites.

Corporate IT Application Services (Continued)

Prospects

The management of the Company considers that SMEs in the PRC will continue to increase its investment in information technology in the future. Although it still takes some time for market ramp-up and promotion, but enterprise-level IT application services business will enjoy extensive market opportunities. Looking forward, the Group will continue to improve ground services capability, which allows it to quickly respond to the needs of SMEs and provide timely solution to issues. Meanwhile, the Group will enhance its overall operational capability and online services capability. Parallel operation of online services and localized services made the Group's services closer to the needs of SMEs. In respect of product research and development, the Group plans to introduce "Platform+" strategy based on SaaS product model and open-platform technologies and establish an extended application centre and services centre for quicker response to the needs of different industries. Furthermore, the Group will also increase its capital investment in big data centre, automatic operation and maintenance platform and cloud computing platform, and enhance its overall technical core competence to further optimize its products and services.

New Media

Dadi News Media, which commenced operation in the second half of 2015, has established two business divisions, namely "HK01" and "Duowei Media". During the period, turnover of Dadi News Media was approximately HK$7.3 million (for the six months ended 30 June 2015: Nil), of which advertisement income from the other segments of the Group was approximately HK$2.9 million. Net loss before income tax was approximately HK$81.6 million (for the six months ended 30 June 2015: Nil). Currently, all businesses of Dadi News Media are at a preliminary stage and are in the period of market investment and ramp-up.

Based in Hong Kong, "HK01" has now developed into a new media with over 400 employees. "HK01" strived to establish a media dissemination platform to create new interactive experience for its readers. As a brand new advocacy media, "HK01" dedicated to take shape and provide full services for its readers through multimedia platform, namely its internet platform, weekly magazine and physical premise. Its internet platform has already launched on 11 January 2016, and the first edition of its weekly magazine was published on 11 March 2016. Its physical premise located in Wanchai officially commenced soft opening on 1 June 2016. "Duowei Media" includes two major media, namely Duowei monthly magazine and Duowei website. Duowei monthly magazine, which was published in the second half of 2015, are sold in Hong Kong, Singapore and Malaysia.

Looking forward, the Group will continue to devote its resources in the new media business. Dadi News Media is now preparing for the launch of its online "Long Tail Channels" and expects to launch stage one of "Long Tail Channels" in the second half of 2016. Dadi News Media will actively develop a membership system to build up a solid foundation for future development of an all-rounded media platform and make it a new business segment of the Group within two to three years.

Innovative Business

Driven by the commencement of "Film+" strategy of Dadi Cinema, network expansion work for the innovation commercial business of the Group has been kicked off. Among which, the restaurant of Dadi Catering (HK) Limited ("Dadi Catering") located at "The Peninsula" in Shenzhen, which offers light meals dining experience, has commenced trial operation in late 2015 and gained popularity among residents. During the period, Dadi Catering continued to enhance the research of new products and prepare the opening of chain stores. As at 30 June 2016, Dadi Catering has opened 6 restaurants in Shenzhen, Guangzhou and Foshan. Dadi Catering has begun to set up a central kitchen in Shenzhen with an area of 2,200 sq.m. to coordinate with product supply to the restaurants. Modern and centralized procurement of processed food and cold chain distribution to restaurants will be adopted to ensure the stable quality of products delivered to each restaurants. The central kitchen is expected to commence production in late September in 2016. As for its retail business, the Group entered into a contract in respect of the acquisition of 70% equity interest in Crabtree & Evelyn, an internationally renowned skincare brand. Completion of the acquisition is expected to take place on 30 September 2016.

Looking forward, the Group will continue to devote more effort and investment in the innovative business segment to successfully build up its industrial foundation, making it a new business segment of the Group within two to three years.

Financial resources and liquidity

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2016, net assets attributable to the owners of the Company amounted to approximately HK$3,354.8 million (31 December 2015: HK$3,242.3 million), including cash and bank balances of approximately HK$6,877.3 million (31 December 2015: HK$2,724.5 million) which were mainly denominated in Renminbi, Hong Kong dollars and US dollars. As at 30 June 2016, the Group's aggregate borrowings were approximately HK$12,187.6 million (31 December 2015: HK$10,070.2 million), of which approximately HK$7,649.7 million (31 December 2015: HK$6,467.5 million) were bearing interest at fixed rates while approximately HK$4,537.9 million (31 December 2015: HK$3,602.7 million) were at floating rates. The Group currently does not have any interest rate hedging policies.

As at 30 June 2016, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt was approximately 56.96% (31 December 2015: 65.22%).

The capital commitment of the Group as at 30 June 2016 was approximately HK$1,369.6 million, of which approximately HK$52.6 million would be used for the renovation work of the headquarters of corporate IT application services, approximately HK$373.5 million would be used as capital expenditures for the expansion of cinema business, and approximately HK$943.5 million would be used as consideration for the acquisition of 70% equity interest in Crabtree & Evelyn.

Financial resources and liquidity (Continued)

The Group's contingent liabilities as at 30 June 2016 were approximately HK$3,311.4 million in connection with the guarantees given to secure credit facilities and guaranteed returns.

As at 30 June 2016, certain interests in prepaid land lease payments under operating leases and buildings, other property, plant and equipment, investment properties, properties under development and completed properties held for sale and bank deposits with a total net carrying value of approximately HK$8,289.6 million were pledged to secure the credit facilities granted to the Group. In addition, trading securities with a 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 and an associate were 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 Renminbi, Hong Kong dollars and US dollars. Both the operating expenses and revenue were primarily denominated in Renminbi and Hong Kong dollars. The exchange rate of Renminbi is expected to fluctuate. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange rates risk exposure did not have significant impact on the Group during the period, the Group will keep on reviewing and monitoring the fluctuation in exchange rate 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. The Group currently has not made use of hedging in respect of foreign exchange risks.

Employees and remuneration policy

The Company employs and compensates 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. In general, salary review is conducted annually. As at 30 June 2016, the Group had approximately 16,765 employees (30 June 2015: 16,876 employees). The total salaries of and allowances for employees for the six months ended 30 June 2016 were approximately HK$673.7 million (for the six months ended 30 June 2015: HK$534.4 million).

The Group focuses on providing skill and quality training for various levels of staff, and provides on-the-job capability training to its staff; in respect of staff quality, corresponding training on personal work attitude and work habits is also provided.

Events after the reporting period

Save as disclosed in note 16 to the condensed consolidated interim financial statements and mentioned elsewhere in this announcement, there was no other significant event after the reporting period up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities during the six months ended 30 June 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (for the six months 30 June 2015: Nil).

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016, except for the deviations mentioned below:

CG Code Provision A.2.1 stipulates 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 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.

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

Not all non-executive directors of the Company are 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 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.

Pursuant to Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and CG Code Provision A.5.1, (i) the Board is required to have at least three independent non-executive directors; (ii) the Board is required to have independent non-executive directors representing at least one third of the Board; (iii) the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise; (iv) the remuneration committee is required to be chaired by an independent non-executive director and (v) the nomination committee is required to be chaired by the chairman of the board or an independent non-executive director.

CORPORATE GOVERNANCE (Continued)

Mr. Hu Bin resigned as an independent non-executive director, the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee of the Company on 3 February 2016. The Company appointed Mr. Xiao Sui Ning as an independent non-executive director, the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee of the Company on 27 April 2016. Since the Company was not able to identify suitable candidate to take up the vacancy left by Mr. Hu Bin instantly, the Company was not in compliance with the requirements prescribed under Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and CG Code Provision A.5.1 during the period from 3 February 2016 to 26 April 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors, and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all the independent non-executive directors of the Company, namely Prof. Jiang Ping, Mr. Lau Yip Leung and Mr. Xiao Sui Ning. 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 2016, and discussed the financial control, internal control and risk management systems.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.nanhaicorp.com). The 2016 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 25 August 2016

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

Executive directors:	*Non-executive directors:*	*Independent non-executive directors:*
Mr. Yu Pun Hoi	Mr. Wang Gang	Prof. Jiang Ping
Ms. Chen Dan	Mr. Lam Bing Kwan	Mr. Lau Yip Leung
Ms. Liu Rong		Mr. Xiao Sui Ning