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南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS

The board of directors (the "Board") of Nan Hai Corporation Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	4(a)	**9,321,212**	16,789,451
Cost of sales and services provided	7	**(4,138,837)**	(6,062,856)
Gross profit		**5,182,375**	10,726,595
Other operating income	4(b)	**719,751**	678,316
Selling and marketing expenses		**(2,525,204)**	(3,776,421)
Administrative expenses		**(960,119)**	(1,332,717)
Other operating expenses		**(1,950,017)**	(2,145,993)
Finance costs	6	**(1,368,717)**	(1,095,940)
Expected credit loss ("ECLs") on financial assets		**(46,202)**	(37,415)
Fair value change on financial liabilities at fair value through profit or loss ("FVTPL")		**24,342**	59,997
Share of results of associates		**(18,992)**	12,273
Share of results of joint ventures		**249**	466
Gain on disposal of non-current assets held-for-sale		**–**	19,649
Gain on fair value change on investment properties	11	**1,751,377**	315,371
Profit before income tax	7	**808,843**	3,424,181
Income tax expense	8	**(1,450,269)**	(2,449,836)
(Loss)/Profit for the year		**(641,426)**	974,345
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(561,415)**	1,140,854
Non-controlling interests		**(80,011)**	(166,509)
		(641,426)	974,345
		HK cent	*HK cent*
(Loss)/Earnings per share for (loss)/ profit attributable to the owners of the Company during the year	10		
— Basic		**(0.82)**	1.66
— Diluted		**(0.82)**	1.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
(Loss)/Profit for the year	**(641,426)**	974,345
Other comprehensive income, including reclassification adjustments		
Item that will not be reclassified subsequently to profit or loss:		
Fair value change on financial assets at fair value through other comprehensive income ("FVOCI"), net of tax	**39,963**	4,836
Items that may be reclassified subsequently to profit or loss:		
Exchange loss on translation of financial statements of foreign operations	**(226,749)**	(645,711)
Exchange loss on translation of financial statements of foreign associates	**(4,110)**	(5,139)
Exchange loss on translation of financial statements of foreign joint ventures	**(214)**	(94)
Other comprehensive income for the year, including reclassification adjustments	**(191,110)**	(646,108)
Total comprehensive income for the year	**(832,536)**	328,237
Total comprehensive income attributable to:		
Owners of the Company	**(753,658)**	507,150
Non-controlling interests	**(78,878)**	(178,913)
	(832,536)	328,237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**9,382,329**	5,217,394
Investment properties	*11*	**4,787,476**	757,669
Prepaid land lease payments under operating leases		**–**	22,860
Interests in associates		**102,401**	134,326
Interests in joint ventures		**28,498**	30,688
Amounts due from related parties		**165,959**	430,711
Financial assets at FVOCI		**226,705**	192,436
Financial assets at FVTPL		**–**	112
Long term trade receivables	*14*	**1,079**	764
Deposits, prepayments and other receivables		**587,011**	770,140
Intangible assets	*13*	**6,419,076**	6,516,732
Deferred tax assets		**1,338,789**	930,791
Pledged and restricted bank deposits		**2,647,222**	3,755,612
		25,686,545	18,760,235
Current assets			
Inventories		**11,913,722**	14,359,683
Financial assets at FVTPL		**6,560**	82,481
Trade receivables	*14*	**486,166**	538,800
Deposits, prepayments and other receivables		**3,413,220**	2,923,593
Amounts due from associates		**24,426**	15,129
Amounts due from joint ventures		**836**	2,327
Amounts due from related parties		**279,749**	2,004
Pledged and restricted bank deposits		**8,330,343**	3,207,363
Cash and cash equivalents		**743,055**	1,334,598
		25,198,077	22,465,978

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Current liabilities			
Trade payables	*15*	**3,132,872**	1,894,306
Other payables and accruals		**1,682,158**	2,123,644
Contract liabilities		**9,411,830**	4,337,189
Provision for tax		**4,652,025**	4,844,022
Amount due to a director		**12,552**	65,132
Amounts due to associates		**5,180**	5,492
Amounts due to related parties		**232,104**	178,959
Other employee benefits		**28,451**	16,923
Bank and other borrowings	*16*	**15,173,454**	6,805,091
Finance lease liabilities		**–**	42,078
Lease liabilities		**439,400**	–
Convertible and exchangeable bonds		**–**	1,150,721
Financial liability at FVTPL		**–**	21,476
		34,770,026	21,485,033
Net current (liabilities)/assets		**(9,571,949)**	980,945
Total assets less current liabilities		**16,114,596**	19,741,180
Non-current liabilities			
Long term trade payables	*15*	**212**	409
Other employee benefits		**36,508**	27,260
Bank and other borrowings	*16*	**3,679,580**	11,913,914
Finance lease liabilities		**–**	48,012
Lease liabilities		**5,607,441**	–
Provision for warranty		**2,575**	3,886
Financial liability at FVTPL		**2,569**	5,435
Deferred tax liabilities		**1,491,382**	786,925
		10,820,267	12,785,841
Net assets		**5,294,329**	6,955,339
EQUITY			
Share capital	*17*	**686,455**	686,455
Reserves		**4,009,545**	5,513,308
Equity attributable to the Company's owners		**4,696,000**	6,199,763
Non-controlling interests		**598,329**	755,576
Total equity		**5,294,329**	6,955,339

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of the Company's registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and its principal place of business is 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Group is principally engaged in culture and media services, property development, enterprise cloud services, news media business and innovative business. Details of the principal activities of the Company's subsidiaries are set out in note 12.

As at 31 December 2019, the directors of the Company consider the ultimate holding company to be Dadi Holdings Limited, a limited liability company incorporated in Hong Kong.

2. BASIS OF PREPARATION

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

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

These consolidated financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK$9,571,949,000 as at 31 December 2019 (31 December 2018: net current assets of approximately HK$980,945,000). The Board of the Company considers that the Group will have sufficient resources to satisfy its future working capital and other financing requirements in the next twelve months based on that the Group is in the progress of renewing or replacing certain other borrowings which will be due in the next twelve months, and that with certain right-of-use assets, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties and pledged bank deposits amounting to approximately HK$15,083,273,000 (31 December 2018: HK$11,997,194,000) in total being pledged for existing credit facilities, the Board considers that the Group will be able to renew or replace the existing facilities upon expiry.

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

3. ADOPTION OF NEW/AMENDED HKFRSs

3.1 Adoption of new/revised HKFRSs — effective on 1 January 2019

In the current year, the Group has applied for the first time the following new/amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The impact on the adoption of HKFRS 16 has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

(i) Impact on the adoption of HKFRS 16

(i) Changes in accounting treatment for lease

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits and non-controlling interests at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

(i) Impact on the adoption of HKFRS 16 (Continued)

(i) Changes in accounting treatment for lease (Continued)

The following tables summarise the impact of transition to HKFRS 16 in the consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 (increase/(decrease)):

Impact on consolidated statement of financial position as at 1 January 2019

	HK$'000
Non-current assets	
Property, plant and equipment — right-of-use assets	**5,025,820**
Property, plant and equipment — equipment	**(141,189)**
Prepaid land lease payments under operating leases	**(22,860)**
Deferred tax assets	**228,815**
	5,090,586
Current assets	
Deposits, prepayments and other receivables	**(42,244)**
	(42,244)
Current liabilities	
Other payables and accruals	**(197,319)**
Lease liabilities	**334,277**
Finance lease liabilities	**(42,078)**
	94,880
Non-current liabilities	
Lease liabilities	**5,687,918**
Finance lease liabilities	**(48,012)**
	5,639,906
Net assets	**(686,444)**
Equity	
Retained profits	**(604,006)**
Non-controlling interests	**(82,438)**
	(686,444)

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

(i) Impact on the adoption of HKFRS 16 (Continued)

(i) Changes in accounting treatment for lease (Continued)

The following reconciliation explains how the operating lease commitments disclosed by applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application of HKFRS 16 recognised in the consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitments to lease liabilities

	HK$'000
Operating lease commitments as at 31 December 2018	**13,363,397**
Less: Short-term leases for which lease terms end within 31 December 2019	**(174,386)**
Less: Lease contracted for but not yet commenced on 1 January 2019	**(3,718,049)**
Less: Future interest expenses	**(3,635,619)**
Add: Leases included in extension option which the Group considers reasonably certain to exercise	**96,762**
Add: Finance lease liabilities as at 31 December 2018	**90,090**
Total lease liabilities as at 1 January 2019	**6,022,195**

The lessee's weighted average incremental borrowing rates applied to the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 are ranged from 5.16% to 8.96%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

(i) Impact on the adoption of HKFRS 16 (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at depreciated cost. The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease terms.

For the Group, leasehold land and buildings that were held to earn rental or for capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any material impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

(i) Impact on the adoption of HKFRS 16 (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have material impact on these consolidated financial statements.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

(i) Impact on the adoption of HKFRS 16 (Continued)

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits and non-controlling interests at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases by applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 on a lease-by-lease basis, to measure at either: (i) as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; and (ii) equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36, Impairment of Assets, at 1 January 2019 to assess if there was any impairment on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with terms that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased certain projection equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities by applying HKFRS 16 from 1 January 2019.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

(ii) Amendments to HKAS 19 — Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

(iii) Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met — instead of at FVTPL.

(iv) HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

(v) Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

(vi) Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

(vii) Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

(viii) Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

(ix) Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

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

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

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

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

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The directors anticipate that the application of other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	2019	2018
	HK$'000	*HK$'000*
Sales of properties and car parks	**3,257,219**	9,818,655
Enterprise cloud services	**957,367**	997,865
Property management services	**64,940**	65,546
Sales of decoration materials and decoration services	**43,783**	89,672
Film distribution services	**495**	12,106
Cinema ticketing income	**3,609,343**	3,785,438
Sales of food and beverages	**493,488**	524,272
Cinema advertising income	**273,612**	302,332
Sales and leases of projection equipment	**5,192**	18,773
Digital media technology services	**270,716**	288,582
Publication of magazines and advertising income	**89,581**	54,321
Sales of botanic-based personal care and fragrance products	**238,328**	829,533
Innovative catering and fitness services	**17,148**	2,356
	9,321,212	16,789,451

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

4. REVENUE AND OTHER OPERATING INCOME (Continued)

(a) Revenue (Continued)

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

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**487,245**	539,564
Contract liabilities	**9,411,830**	4,337,189

(b) Other operating income

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**147,232**	168,308
Other interest income	**46,900**	63,609
Interest income on financial assets at amortised cost	**194,132**	231,917
Gain on fair value change on financial assets at FVTPL, net	**4,723**	–
Gain on trading of financial assets at FVTPL	**11,286**	21,895
Exchange gain	**–**	36,297
Gain on disposal of property, plant and equipment	**17,486**	326
Rental income	**48,913**	31,706
Government grants*	**129,418**	117,602
Dividend income	**960**	5,731
Sundry income	**312,833**	232,842
	719,751	678,316

* Government grants have been received from the People's Republic of China (the "PRC") governmental bodies in the form of the subsidies to cinema operations and subsidies to the development of IT business in the PRC. The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities who operate cinemas and have research and development projects that meet certain criteria. There are no unfulfilled conditions or contingencies attaching to these grants.

5. SEGMENT INFORMATION

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

The Group has identified the following five reportable segments:

(a) Enterprise cloud services

(b) Property development

(c) Culture and media services

(d) News media business

(e) Innovative business

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

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

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

As further explained in note 3.1(i)(v), the Group has adopted cumulative effect approach on the adoption of HKFRS 16. As a result, right-of-use assets and lease liabilities under HKFRS 16 have been recognised but comparative information is not restated.

5. SEGMENT INFORMATION (Continued)

The segment results for the years ended 31 December 2019 and 2018 are as follows:

	2019						
	Enterprise cloud services *HK$'000*	**Property development** *HK$'000*	**Culture and media services** *HK$'000*	**News media business** *HK$'000*	**Innovative business** *HK$'000*	**All other segments** *HK$'000*	**Total** *HK$'000*
Revenue							
From external customers	**957,367**	**3,301,002**	**4,652,846**	**89,581**	**255,476**	**64,940**	**9,321,212**
From inter-segments	**6,200**	**–**	**32,924**	**–**	**–**	**40,220**	**79,344**
Reportable and all other segments revenue	**963,567**	**3,301,002**	**4,685,770**	**89,581**	**255,476**	**105,160**	**9,400,556**
Reportable and all other segments (loss)/profit before income tax	**(67,998)**	**2,762,710**	**(868,766)**	**(387,933)**	**(382,328)**	**(26,057)**	**1,029,628**
Bank interest income	**361**	**120,819**	**5,047**	**14**	**511**	**2,591**	**129,343**
Other interest income	**–**	**933**	**–**	**–**	**–**	**–**	**933**
Interest income on financial assets at amortised cost	**361**	**121,752**	**5,047**	**14**	**511**	**2,591**	**130,276**
Finance costs	**(4,466)**	**(422,035)**	**(756,278)**	**(77)**	**(28,677)**	**(1,858)**	**(1,213,391)**
Depreciation and amortisation	**(76,595)**	**(56,114)**	**(1,290,703)**	**(12,792)**	**(73,858)**	**(1,868)**	**(1,511,930)**
(Loss)/Gain on disposal of property, plant and equipment	**(192)**	**(219)**	**(7,602)**	**–**	**17,486**	**–**	**9,473**
Share of results of associates	**(5,466)**	**(9,228)**	**(4,298)**	**–**	**–**	**–**	**(18,992)**
Share of results of joint ventures	**–**	**–**	**249**	**–**	**–**	**–**	**249**
Fair value change on financial liability at FVTPL	**–**	**–**	**21,476**	**–**	**–**	**–**	**21,476**
Provision of impairment of goodwill	**–**	**–**	**(32,174)**	**–**	**(23,595)**	**–**	**(55,769)**
Provision of impairment of intangible assets other than goodwill	**(1,507)**	**–**	**–**	**–**	**–**	**–**	**(1,507)**
Write-off of intangible assets other than goodwill	**–**	**–**	**–**	**–**	**(38,557)**	**–**	**(38,557)**
Income tax (expenses)/credit	**(561)**	**(1,515,034)**	**69,495**	**39**	**2,978**	**(2,803)**	**(1,445,886)**
Reportable and all other segments assets	**619,960**	**29,502,303**	**15,784,639**	**92,331**	**1,261,182**	**312,393**	**47,572,808**
Interests in associates	**26,947**	**28,551**	**46,903**	**–**	**–**	**–**	**102,401**
Interests in joint ventures	**–**	**–**	**28,498**	**–**	**–**	**–**	**28,498**
Additions to non-current segment assets during the year	**59,171**	**4,129,596**	**894,775**	**7,861**	**34,974**	**2,600**	**5,128,977**
Reportable and all other segments liabilities	**(455,019)**	**(23,509,852)**	**(11,215,989)**	**(36,143)**	**(767,978)**	**(52,541)**	**(36,037,522)**

5. SEGMENT INFORMATION (Continued)

	2018						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Revenue							
From external customers	997,865	9,908,327	4,931,503	54,321	831,889	65,546	16,789,451
From inter-segments	14,585	–	57,503	167,707	–	42,503	282,298
Reportable and all other segments revenue	1,012,450	9,908,327	4,989,006	222,028	831,889	108,049	17,071,749
Reportable and all other segments (loss)/profit before income tax	(125,085)	6,018,298	(660,407)	(385,939)	(1,047,753)	(65,396)	3,733,718
Bank interest income	361	110,009	3,969	11	348	4,074	118,772
Other interest income	293	1,041	18,083	–	–	–	19,417
Interest income on financial assets at amortised cost	654	111,050	22,052	11	348	4,074	138,189
Finance costs	(1,370)	(628,837)	(268,041)	–	(21,109)	(3,712)	(923,069)
Depreciation and amortisation	(57,448)	(30,500)	(1,036,057)	(16,099)	(99,418)	(1,706)	(1,241,228)
Gain on disposal of non-current assets held-for-sale	–	–	–	–	19,649	–	19,649
Gain/(Loss) on disposal of property, plant and equipment	14	(37)	(556)	–	(9,072)	–	(9,651)
Share of results of associates	(6,815)	(859)	19,947	–	–	–	12,273
Share of results of joint ventures	–	–	466	–	–	–	466
Fair value change on financial liability at FVTPL	–	–	65,432	–	–	–	65,432
Provision for impairment of goodwill	–	–	(23,356)	–	(157,480)	–	(180,836)
Provision for impairment of intangible assets other than goodwill	(3,620)	–	(2,460)	–	(19,858)	–	(25,938)
Write-off of intangible assets other than goodwill	(1,356)	–	–	–	(68,971)	–	(70,327)
Income tax (expenses)/credit	(3,648)	(2,413,120)	(24,595)	–	5,439	(246)	(2,436,170)
Reportable and all other segments assets	502,754	25,408,671	10,970,795	80,277	1,523,799	355,114	38,841,410
Interests in associates	35,002	43,911	55,413	–	–	–	134,326
Interests in joint ventures	–	–	30,688	–	–	–	30,688
Additions to non-current segment assets during the year	57,574	55,068	644,048	8,921	128,039	5,499	899,149
Reportable and all other segments liabilities	(352,225)	(14,765,569)	(6,203,916)	(22,539)	(909,853)	(99,264)	(22,353,366)

5. SEGMENT INFORMATION (Continued)

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

	2019	2018
	HK$'000	*HK$'000*
Reportable segments revenue	**9,295,396**	16,963,700
All other segments revenue	**105,160**	108,049
Elimination of inter-segments revenue	**(79,344)**	(282,298)
Group revenue	**9,321,212**	16,789,451
Reportable segments results before income tax	**1,055,685**	3,799,114
All other segments results before income tax	**(26,057)**	(65,396)
Bank interest income	**17,889**	49,536
Other interest income	**45,967**	44,192
Interest income on financial assets at amortised cost	**63,856**	93,728
Finance costs	**(155,326)**	(172,871)
Depreciation and amortisation	**(20,724)**	(5,000)
Unallocated corporate expenses	**(108,591)**	(225,394)
Profit before income tax	**808,843**	3,424,181

	2019	2018
	HK$'000	*HK$'000*
Reportable segments assets	**47,260,415**	38,486,296
All other segments assets	**312,393**	355,114
Amounts due from related parties	**442,836**	430,711
Financial assets at FVOCI	**226,705**	186,742
Pledged and restricted bank deposits	**1,909,041**	759,386
Other financial and corporate assets	**733,232**	1,007,964
Group assets	**50,884,622**	41,226,213

	2019	2018
	HK$'000	*HK$'000*
Reportable segments liabilities	**35,984,981**	22,254,102
All other segments liabilities	**52,541**	99,264
Amount due to a director	**12,552**	65,132
Provision for tax	**168,442**	161,585
Bank and other borrowings	**9,284,811**	11,609,529
Other corporate liabilities	**86,966**	81,262
Group liabilities	**45,590,293**	34,270,874

5. SEGMENT INFORMATION (Continued)

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

	For the year ended 31 December 2019						
	Enterprise cloud services	**Property development**	**Culture and media services**	**News media business**	**Innovative business**	**All other segments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Primary geographical markets							
Mainland China	**957,349**	**3,301,002**	**4,652,845**	**–**	**35,093**	**64,940**	**9,011,229**
Hong Kong	**18**	**–**	**1**	**89,581**	**14,319**	**–**	**103,919**
North America	**–**	**–**	**–**	**–**	**145,907**	**–**	**145,907**
Europe	**–**	**–**	**–**	**–**	**37,334**	**–**	**37,334**
Australia	**–**	**–**	**–**	**–**	**9,056**	**–**	**9,056**
Others	**–**	**–**	**–**	**–**	**13,767**	**–**	**13,767**
Total	**957,367**	**3,301,002**	**4,652,846**	**89,581**	**255,476**	**64,940**	**9,321,212**
Timing of revenue recognition							
At a point in time	**23,047**	**3,292,938**	**498,680**	**882**	**255,476**	**–**	**4,071,023**
Transferred over time	**934,320**	**8,064**	**4,154,166**	**88,699**	**–**	**64,940**	**5,250,189**
Total	**957,367**	**3,301,002**	**4,652,846**	**89,581**	**255,476**	**64,940**	**9,321,212**

	For the year ended 31 December 2018						
	Enterprise cloud services	Property development	Culture and media services	News media business	Innovative business	All other segments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Primary geographical markets							
Mainland China	997,764	9,908,327	4,931,503	–	21,182	65,546	15,924,322
Hong Kong	101	–	–	54,071	90,941	–	145,113
North America	–	–	–	250	425,534	–	425,784
Europe	–	–	–	–	120,860	–	120,860
Australia	–	–	–	–	73,356	–	73,356
Others	–	–	–	–	100,016	–	100,016
Total	997,865	9,908,327	4,931,503	54,321	831,889	65,546	16,789,451
Timing of revenue recognition							
At a point in time	38,495	9,908,327	543,045	1,827	831,889	–	11,323,583
Transferred over time	959,370	–	4,388,458	52,494	–	65,546	5,465,868
Total	997,865	9,908,327	4,931,503	54,321	831,889	65,546	16,789,451

5. SEGMENT INFORMATION (Continued)

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

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**19,716,143**	11,688,168
Hong Kong	**216,152**	154,545
North America	**499,793**	522,569
Europe	**147,231**	133,627
Australia	**31,709**	50,805
Others	**159,103**	179,812
Total	**20,770,131**	12,729,526

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

During the years ended 31 December 2019 and 2018, the Group did not derive more than 10% of the Group's total revenue from any single customer.

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**1,166,009**	1,466,564
Interest on convertible and exchangeable bonds	**158,807**	65,361
Interest on lease liabilities	**520,743**	–
Interest on financing component in contracts with customers	**182,758**	206,448
Interest on finance leases liabilities	**–**	8,529
Total finance costs on financial liabilities at amortised cost	**2,028,317**	1,746,902
Less: Amount capitalised to properties under development*	**(659,600)**	(650,962)
	1,368,717	1,095,940

* The finance costs above are capitalised at a rate of 6.06% to 7.13% (2018: 4.99% to 7.13%) per annum.

7. PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill*	**144,271**	150,953
Auditors' remuneration		
— Audit service	**10,858**	16,027
— Other service	**1,269**	1,828
Cost of sales of properties and car parks	**1,586,526**	3,138,198
Cost of provision of enterprise cloud services	**164,332**	158,095
Cost of provision of property management services	**83,404**	69,354
Cost of sales of decoration materials and decoration services	**49,452**	76,812
Cost of provision of film distribution services	**982**	14,441
Cost of cinema ticketing	**1,520,063**	1,577,852
Cost of sales of food and beverages	**149,572**	155,893
Cost of cinema advertising	**5,877**	4,572
Cost of sales and leases of projection equipment	**2,909**	15,950
Cost of digital media technology services	**63,557**	58,438
Cost of publication of magazine and advertising	**313,622**	303,253
Cost of sales of botanic-based personal care and fragrance products	**190,719**	488,955
Cost of innovative catering and fitness services	**7,822**	1,043
Cost of sales and services provided	**4,138,837**	6,062,856
Depreciation of property, plant and equipment		
— owned assets*	**843,601**	1,072,679
Depreciation of property, plant and equipment		
— leased assets*	**–**	22,072
Depreciation of property, plant and equipment		
— right-of-use assets*	**544,782**	–
(Gain)/Loss on fair value change on financial assets at FVTPL		
— Listed equity investments	**(4,835)**	34,170
— Derivatives	**112**	(112)
Gain on fair value change on financial liabilities at FVTPL		
— Derivatives	**(24,342)**	(59,997)
Loss on disposal of property, plant and equipment*	**8,013**	9,960
Write-off of property, plant and equipment*	**21,464**	61,012
Write-off of intangible assets other than goodwill*	**38,557**	70,327
Write-off of inventories*	**2,406**	81,318
Minimum lease payments	**–**	999,260
Contingent rentals	**–**	20,826
Operating lease recognised as expenses	**–**	1,020,086
Operating lease charges on prepaid land lease*	**–**	524
Interests on lease liabilities	**520,743**	–
Short-term lease expenses	**55,456**	–
Variable lease payments	**21,489**	–
Direct operating expenses arising from investment properties that generated rental income during the year	**4,875**	3,676
Direct operating expenses arising from investment properties that did not generate rental income during the year	**623**	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

7. PROFIT BEFORE INCOME TAX (Continued)

	2019	2018
	HK$'000	*HK$'000*
Provision for impairment of trade receivables	**7,122**	4,303
Provision for impairment of deposits and other receivables	**39,080**	33,112
ECLs on financial assets	**46,202**	37,415
Provision for impairment of intangible assets other than goodwill*	**1,507**	25,938
Provision for impairment of property, plant and equipment*	**15,968**	43,185
Provision for impairment of goodwill*	**55,769**	180,836
Research and development expenses*	**96,923**	84,495

* included in other operating expenses

8. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Charge for the year	**1,000**	10,532
— PRC Enterprise Income Tax ("EIT")		
Charge for the year	**406,215**	1,362,498
Under/(Over)-provision in respect of prior years	**1,468**	(243)
— Taxation for other jurisdictions		
Charge for the year	**592**	423
— PRC Land Appreciation Tax ("LAT")		
Charge for the year	**511,443**	1,608,312
	920,718	2,981,522
Deferred tax		
— Charge/(Credit) for the year	**529,551**	(531,686)
	1,450,269	2,449,836

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

8. INCOME TAX EXPENSE (Continued)

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2018: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

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

PRC LAT is levied at progressive rates from 30% to 60% (2018: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

9. DIVIDEND

The directors of the Company have resolved not to recommend the declaration of any final dividend for the year ended 31 December 2019 (2018: 0.15 HK cents per ordinary share, in an aggregate amount of approximately HK$102,968,000).

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share (2018: earnings per share) is based on the loss attributable to the owners of the Company of HK$561,415,000 (2018: profit attributable to the owners of the Company of HK$1,140,854,000) and on 68,645,535,794 (2018: 68,645,535,794) ordinary shares in issue during the year.

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

The calculation of basic and diluted (loss)/earnings per share are based on:

	2019	2018
	HK$'000	*HK$'000*
(Loss)/Earnings		
(Loss)/Profit attributable to owners of the Company, used in the basic (loss)/earnings per share calculation	**(561,415)**	1,140,854
Effect of dilutive potential ordinary shares arising from adjustment to the share of loss of a subsidiary based on dilution of its loss per share*	**–**	(19,454)
(Loss)/Earnings for the purpose of diluted (loss)/earnings per share	**(561,415)**	1,121,400

* Amount represented the increase in the Group's proportionate interest in the loss of a subsidiary of HK$nil (2018: HK$19,454,000) assuming all dilutive outstanding shares of a subsidiary were converted for ordinary shares at the beginning of the year.

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

11. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
Fair value		
At 1 January	**757,669**	112,448
Transfer from completed properties held for sale	**2,302,099**	335,736
Fair value change	**1,751,377**	315,371
Exchange differences	**(23,669)**	(5,886)
At 31 December	**4,787,476**	757,669

12. INTERESTS IN SUBSIDIARIES

Except for Sino-i Technology Limited ("Sino-i") which is a listed public limited company, all other subsidiaries of the Group are private limited company. Particulars of the principal subsidiaries at 31 December 2019 are as follows:

Name	**Country/Place of incorporation/ establishment and operations**	**Particulars of issued and paid-up share capital/ registered capital**	**Percentage of equity interest held by the Company**		**Principal activities**
			Directly	**Indirectly**	
China Enterprise ASP Limited	Hong Kong	Paid-up share capital of HK$14,037,400	–	59.11%	Investment holding
Dadi Cinema (HK) Limited	Hong Kong	Paid-up share capital of HK$7,500	–	100%	Investment holding, film distribution and production
Dadi Media Limited	Hong Kong	Paid-up share capital of HK$2	–	59.11%	Investment holding
Dadi Media (HK) Limited	Hong Kong	Paid-up share capital of HK$1	100%	–	Investment holding
Dadi News Media (HK) Limited	Hong Kong	Paid-up share capital of HK$1	100%	–	Investment holding
Duowei Media (HK) Limited	Hong Kong	Paid-up share capital of HK$1	–	100%	News media
Goalrise Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100%	–	Trading of securities
Hongkong New Media Interactive Advertising Co., Limited	Hong Kong	Paid-up share capital of HK$100	–	59.11%	Investment holding and information technology business

12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
Liu Wan Development (BVI) Company Limited	BVI	215,000,000 ordinary shares of US$1 each	–	100%	Investment holding
Liu Wan Investment Company Limited	Hong Kong	Paid-up share capital of US$2	–	100%	Investment holding
Nan Hai Development Limited	Hong Kong	Paid-up share capital of HK$3,000,000,002	100%	–	Investment holding
Robina Profits Limited	BVI	1 ordinary share of US$1 each	–	59.11%	Investment holding
Sino-i	Hong Kong	Paid-up share capital of HK$240,596,986	–	59.11%	Investment holding
View Power Investments Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
HK01 Company Limited	Hong Kong	Paid-up share capital of HK$1	–	100%	News media
Wise Advance Investments Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
中企動力科技股份有限公司*(note a)*	PRC	RMB242,369,720	–	59.11%	Information technology business
數碼慧谷置業管理股份有限公司 *(note a)*	PRC	RMB689,171,334	–	92.36%	Property development
北京新米迪廣告有限公司 *(note b)*	PRC	RMB21,000,000	–	59.11%	Information technology business
北京新網數碼信息技術有限公司* *(note b)*	PRC	RMB45,000,000	–	N/A*	Information technology business
深圳市半島城邦物業管理有限公司 *(note b)*	PRC	RMB10,000,000	–	100%	Property management
深圳市半島城邦置業有限公司 *(note b)*	PRC	RMB18,000,000	–	100%	Property development
深圳半島城邦房地產開發有限公司 *(note c)*	PRC	RMB110,000,000	–	100%	Investment holding and property development
深圳市海諾誠裝飾工程有限公司 *(note b)*	PRC	RMB10,000,000	–	100%	Decoration services

* controlled through contractual arrangement with effective interests of 59.11%

12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity interest held by the Company Directly	Indirectly	Principal activities
天津美智瀚辰貿易有限公司 *(note b)*	PRC	RMB25,000,000	–	100%	Sales of decoration materials
廣東大地影院建設有限公司 *(note b)*	PRC	RMB2,346,427,999	–	95.16%	Operation of digital cinemas
廣東自由人影城管理有限公司 *(note b)*	PRC	RMB10,000,000	–	95.16%	Operation of digital cinemas
大地影院發展有限公司 *(note b)*	PRC	RMB214,000,000	–	95.16%	Operation of digital cinemas
陝西大地影院建設有限公司 *(note b)*	PRC	RMB30,000,000	–	95.16%	Operation of digital cinemas
大地時代電影文化傳播（北京）有限公司 *(note b)*	PRC	RMB40,000,000	–	100%	Investment holding
大地時代電影發行（北京）有限公司 *(note b)*	PRC	RMB1,000,000	–	100%	Investment holding and film distribution
時代廣告（北京）有限公司 *(note b)*	PRC	RMB10,000,000	–	100%	Providing advertising services
數碼辰星科技發展（北京）有限公司 *(note b)*	PRC	RMB150,000,000	–	100%	Trading of movie projectors and providing digital media technology services
重慶煥揚影院管理有限公司 *(note b)*	PRC	RMB19,000,000	–	95.16%	Operation of digital cinemas
重慶嘉裕影視傳媒有限公司 *(note b)*	PRC	RMB21,000,000	–	95.16%	Operation of digital cinemas
重慶雄都影院有限公司 *(note b)*	PRC	RMB18,000,000	–	95.16%	Operation of digital cinemas
福建中瑞文化投資有限責任公司 *(note b)*	PRC	RMB30,000,000	–	95.16%	Investment holding
福建中瑞國際影視有限公司 *(note b)*	PRC	RMB31,700,000	–	95.16%	Investment holding and operation of digital cinemas
浙江視博影業有限公司 *(note b)*	PRC	RMB100,000,000	–	95.16%	Investment holding and operation of digital cinemas
Listar Properties Limited	BVI	20,000,000 ordinary shares of US$1 each	–	100%	Investment holding
廣州東鏡新城房地產有限公司 *(note c)*	PRC	US$42,000,000	–	100%	Property development
CE Holdings Limited	BVI	114,249,495 ordinary shares of US$1 each	–	70%	Investment holding

12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
Crabtree & Evelyn, Ltd.	United States of America	494,068 shares of common stock 420,677 shares of preferred stock of US$100 each issued and fully paid, respectively	–	70%	Manufacturing, retailing and distribution of toiletries
Crabtree & Evelyn (Overseas) Limited	The United Kingdom	100,000 ordinary shares of £1 each 4,705,500 redeemable preference shares of £0.10 each 19,000,000 redeemable preference shares of £1 each	–	70%	Retailing and distribution of toiletries
Crabtree & Evelyn (Hong Kong) Limited	Hong Kong	Paid-up share capital of HK$1,000,000	–	70%	Retailing and distribution of toiletries
City Entertainment Corporation Limited	Hong Kong	Paid-up share capital of HK$1,170,000,000	–	100%	Investment holding
大地影院（集團）有限公司 *(note c)*	PRC	RMB648,000,000	–	99.64%	Investment holding
上海星濠影城有限公司 *(note b)*	PRC	RMB15,000,000	–	99.64%	Operation of digital cinemas
北京橙天嘉禾祥雲影城管理有限公司 *(note b)*	PRC	RMB1,000,000	–	99.64%	Investment holding and operation of digital cinemas
Amber Treasure Ventures Limited	BVI	1 ordinary share of US$1 each	100%	–	Debt issue
Top Yield Ventures Limited	BVI	1 ordinary share of US$1 each	100%	–	Debt issue

The above table lists out the subsidiaries of the Company as at 31 December 2019 which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) These subsidiaries are registered as joint stock limited company under the law of PRC.

(b) These subsidiaries are registered as limited liability company under the law of PRC.

(c) These subsidiaries are registered as Sino-foreign co-operative joint venture under the law of PRC.

Except for the two credit enhanced notes and a senior note as set out in note 16(c) and 16(d), the subsidiaries had not issued any debt securities during the year.

13. INTANGIBLE ASSETS

	Computer software *HK$'000*	Development cost *HK$'000*	Goodwill *HK$'000*	Licenses, brand names and franchise right *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2018						
Cost	401,459	192,653	5,316,862	1,039,187	97,192	7,047,353
Accumulated depreciation	(311,502)	(115,150)	–	(56,326)	(3,841)	(486,819)
Accumulated impairment	(184)	(5,742)	(116,525)	–	–	(122,451)
Net carrying amount	89,773	71,761	5,200,337	982,861	93,351	6,438,083
Year ended 31 December 2018						
Opening net carrying amount	89,773	71,761	5,200,337	982,861	93,351	6,438,083
Additions	17,577	27,086	–	24,995	161,574	231,232
Acquisition of subsidiaries	–	–	485,400	2,359	2,371	490,130
Provision for impairment	–	(3,620)	(180,836)	(17,821)	(4,497)	(206,774)
Amortisation charge for the year	(23,257)	(17,801)	–	(83,109)	(26,786)	(150,953)
Write-off	(110)	(1,246)	–	(4,389)	(64,582)	(70,327)
Exchange differences	(2,209)	(3,887)	(166,934)	(33,255)	(8,374)	(214,659)
Closing net carrying amount at 31 December 2018	81,774	72,293	5,337,967	871,641	153,057	6,516,732
At 31 December 2018 and 1 January 2019						
Cost	139,602	117,637	5,634,472	1,028,187	252,350	7,172,248
Accumulated depreciation	(57,644)	(36,413)	–	(139,378)	(94,961)	(328,396)
Accumulated impairment	(184)	(8,931)	(296,505)	(17,168)	(4,332)	(327,120)
Net carrying amount	81,774	72,293	5,337,967	871,641	153,057	6,516,732
Year ended 31 December 2019						
Opening net carrying amount	**81,774**	**72,293**	**5,337,967**	**871,641**	**153,057**	**6,516,732**
Additions	**76,223**	**144,687**	**–**	**713**	**5,812**	**227,435**
Acquisition of assets	**2,501**	**–**	**–**	**–**	**–**	**2,501**
Provision for impairment	**(698)**	**(809)**	**(55,769)**	**–**	**–**	**(57,276)**
Amortisation charge for the year	**(20,390)**	**(19,083)**	**–**	**(81,952)**	**(22,846)**	**(144,271)**
Write-off	**(20,404)**	**–**	**–**	**–**	**(18,153)**	**(38,557)**
Exchange differences	**(4,998)**	**(3,249)**	**(63,433)**	**(8,093)**	**(7,715)**	**(87,488)**
Closing net carrying amount at 31 December 2019	**114,008**	**193,839**	**5,218,765**	**782,309**	**110,155**	**6,419,076**
At 31 December 2019						
Cost	**212,459**	**257,927**	**5,570,130**	**1,017,545**	**250,093**	**7,308,154**
Accumulated depreciation	**(97,580)**	**(54,527)**	**–**	**(218,068)**	**(135,606)**	**(505,781)**
Accumulated impairment	**(871)**	**(9,561)**	**(351,365)**	**(17,168)**	**(4,332)**	**(383,297)**
Net carrying amount	**114,008**	**193,839**	**5,218,765**	**782,309**	**110,155**	**6,419,076**

14. TRADE RECEIVABLES

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

	2019	2018
	HK$'000	*HK$'000*
0–90 days	**291,859**	331,166
91–180 days	**86,917**	110,863
181–270 days	**22,816**	26,088
271–360 days	**22,273**	22,884
Over 360 days	**151,413**	130,030
Trade receivables, gross	**575,278**	621,031
Less: Provision for impairment of receivables	**(88,033)**	(81,467)
Trade receivables, net	**487,245**	539,564
Less: Long term trade receivables	**(1,079)**	(764)
Current portion of trade receivables	**486,166**	538,800

15. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
0–90 days	**2,124,165**	1,636,391
91–180 days	**84,548**	89,254
181–270 days	**736,933**	51,998
271–360 days	**90,765**	26,970
Over 360 days	**96,673**	90,102
Trade payables	**3,133,084**	1,894,715
Less: Long term trade payables	**(212)**	(409)
Current portion of trade payables	**3,132,872**	1,894,306

16. BANK AND OTHER BORROWINGS

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Bank loans			
— Secured	*(a)*	**11,181,891**	9,793,929
— Unsecured	*(a)*	**52,841**	294,560
Other borrowings			
— Secured	*(a),(b),(c)*	**7,618,302**	7,689,558
— Unsecured	*(a),(d)*	**–**	940,958
		18,853,034	18,719,005

At 31 December 2019, the bank and other borrowings of the Group are repayable as follows:

	2019 *HK$'000*	2018 *HK$'000*
On demand or within one year	**15,173,454**	6,805,091
In the second year	**2,993,841**	8,195,413
In the third to fifth years	**685,739**	3,718,501
Wholly repayable within five years	**18,853,034**	18,719,005
Less: Portion due on demand or within one year under current liabilities	**(15,173,454)**	(6,805,091)
Portion due over one year under non-current liabilities	**3,679,580**	11,913,914

At 31 December 2019, the carrying amounts of the borrowings are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
RMB	**6,594,753**	5,722,351
USD	**8,389,008**	10,592,662
HK$	**3,848,480**	2,403,787
AUD	**–**	205
TWD	**20,793**	–
	18,853,034	18,719,005

Notes:

(a) At 31 December 2019, bank and other borrowings amounted to HK$8,227,143,000 (2018: HK$8,200,718,000) carry interest at floating rates ranging from 2.70% to 8.56% per annum (2018: 3.32% to 7.13% per annum). The remaining balances carry interest at fixed rates ranging from 3.00% to 10.90% per annum (2018: 3.00% to 9.75% per annum). The carrying amounts of bank and other borrowings approximate their fair values.

16. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) Included in other borrowings of HK$416,076,000 (2018: HK$650,738,000) is amount due to financial institutions regarding ten (2018: thirteen) sales and leaseback arrangements for property, plant and equipment. The transactions are classified as loan financing and corresponding property, plant and equipment of HK$645,147,000 (2018: HK$778,128,000) are pledged under this arrangement.

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

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

(d) On 17 May 2018, a direct wholly-owned subsidiary of the Company issued a one-year senior note of US$120,000,000 (equivalent to approximately HK$941,676,000) with a coupon rate of 9.75% per annum which was due and repaid on 23 May 2019. The effective interest rate was 12.12% per annum.

17. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	***HK$'000***
Authorised:		
At 1 January 2018, 31 December 2018, and **31 December 2019**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2018, 31 December 2018, and **31 December 2019**	**68,645,535,794**	**686,455**

18. BUSINESS COMBINATIONS

(a) During the year ended 31 December 2019, there was no business combination.

(b) During the year ended 31 December 2018, the Group acquired equity interest of certain companies owned by independent third parties.

The Group's material business combination for the year ended 31 December 2018 is detailed as follows:

During the year ended 31 December 2018, 廣東自由人影城管理有限公司, an indirect non-wholly owned subsidiary of the Company, acquired 100% equity interest in 浙江視博影業有限公司 ("浙江視博"), which is a company incorporated in the PRC. 浙江視博 and its subsidiaries are principally engaged in cinema operation in Zhejiang. The Group aims to expand its presence in Zhejiang through this acquisition. The acquisition was completed on 9 July 2018 (the "浙江視博 Acquisition Date").

18. BUSINESS COMBINATIONS (Continued)

(b) (Continued)

The fair value of the identifiable assets and liabilities of 浙江視博 as at the 浙江視博 Acquisition Date were as follows:

	Fair value *HK$'000*
Property, plant and equipment	80,430
Intangible assets	2,229
Inventories	15,553
Trade receivables *(note (b))*	10,062
Deposits, prepayments and other receivables *(note (b))*	5,819
Cash and cash equivalents	18,693
Trade payables	(5,623)
Other payables and accruals	(8,242)
Contract liabilities	(19,250)
Total identifiable net assets at fair value	99,671
Goodwill *(note (a))*	472,367
Fair value of consideration	572,038
Purchase consideration	(572,038)
Add: Consideration payables	223,845
Add: Cash and cash equivalents in subsidiaries acquired	18,693
Net cash outflows in acquisition	(329,500)

Notes:

(a) The goodwill of HK$472,367,000 arising from the acquisition of 浙江視博, which is not deductible for tax purposes, 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 浙江視博's existing customer network in Zhejiang.

(b) The fair value and the gross amount of trade receivables and other receivables amounted to HK$10,062,000 and HK$5,819,000 respectively. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(c) The Group incurred transaction costs of HK$286,000 for the acquisition which have been expensed and recognised as administrative expense in profit or loss for the year ended 31 December 2018.

(d) 浙江視博 contributed revenue of HK$57,003,000 and net loss of HK$7,011,000 to the Group since the 浙江視博 Acquisition Date to 31 December 2018. Had the acquisition occurred on 1 January 2018, consolidated revenue and consolidated profit for the year ended 31 December 2018 would have been HK$16,864,039,000 and HK$969,131,000 respectively.

19. CAPITAL MANAGEMENT

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Current liabilities		
Bank and other borrowings	**15,173,454**	6,805,091
Finance lease liabilities	**–**	42,078
Convertible and exchangeable bonds	**–**	1,150,721
Non-current liabilities		
Bank and other borrowings	**3,679,580**	11,913,914
Finance lease liabilities	**–**	48,012
Total debt	**18,853,034**	19,959,816
Less: Pledged and restricted bank deposits	**(10,977,565)**	(6,962,975)
Cash and cash equivalents	**(743,055)**	(1,334,598)
Net debt	**7,132,414**	11,662,243
Total equity	**5,294,329**	6,955,339
Total equity and net debt	**12,426,743**	18,617,582
Gearing ratio	**57.40%**	62.64%

20. EVENT AFTER REPORTING DATE

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, COVID-19 has brought about certain adverse impacts on the Group's operations, in particular cinema operation. The COVID-19 has caused suspension of public entertainment in February which lead to the drop of box office revenue in the PRC. The outbreak is considered and accounted for as an non-adjusting event after the reporting date. Subject to the development of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. It is not practicable to estimate the full financial effect of the coronavirus outbreak on the Group's business as at the date when the financial statements are authorised to issue.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to operate in the areas of culture and media services, property development and enterprise cloud services, through Dadi Media (HK) Limited and its subsidiaries, Dadi Cinema Investment Limited and its subsidiaries and Oristar Technology (HK) Limited and its subsidiaries (collectively referred to as "Dadi Media"), Nan Hai Development Limited and its subsidiaries (collectively referred to as "Nan Hai Development") and Sino-i Technology Limited (stock code: 250) and its subsidiaries (collectively referred to as "Sino-i"), and its businesses have developed steadily. In the meantime, the Group has also continued to make steady development in relevant segments through Dadi News Media (HK) Limited and its subsidiaries (collectively referred to as "News Media Business") as well as Dadi Innovation (HK) Limited and its subsidiaries (collectively referred to as "Innovative Business").

During the year, revenue of the Group was approximately HK$9,321.2 million (2018: HK$16,789.5 million), representing a year-on-year decrease of approximately 44.5% as compared to the corresponding period of last year. Loss for the year of the Group was approximately HK$641.4 million (2018: profit for the year of approximately HK$974.3 million). The loss was mainly due to (i) decrease in the profit from property development segment which is mainly affected by the revenue recognition and the accrued expenses of deferred income tax; and (ii) decrease of the performance of culture and media services which is affected by the first time adoption of HKFRS 16 Leases. The net assets of the Group as at 31 December 2019 were approximately HK$5,294.3 million (2018: HK$6,955.3 million).

Culture and Media Services

Business Review

During the year, the revenue of this business segment was approximately HK$4,652.8 million (2018: HK$4,931.5 million). Loss before income tax was approximately HK$868.8 million (2018: HK$660.4 million).

Cinema Operation

In 2019, the national gross box office in China amounted to RMB59.367 billion (excluding service charges), representing a year-on-year increase of 4.9%. The annual admission of audiences was approximately 1.728 billion, representing a year-on-year increase of 0.5%. There were 14 films, including 10 domestic films, with box office over RMB1 billion and 89 films with box office over RMB100 million.

During the year, the cinema business of this business segment achieved a box office revenue (tax included) of RMB3,276 million (excluding service charges), representing a year-on-year decrease of approximately 1.9 %. The main reason for the decrease was due to the dilution of box office as a result of the opening of new cinemas in the PRC. Besides, in order to achieve higher return on investment, this business segment laid down stricter investment return requirements, affecting the speed of opening new cinemas to some extent.

Culture and Media Services (Continued)

Business Review (Continued)

Cinema Operation (Continued)

During the year, box office of the cinema business contributed to approximately 5.5% of the national box office revenue (tax included) with the admission of audiences of approximately 93.76 million, maintaining its No. 2 ranking among cinema investment and management companies throughout China. As at 31 December 2019, this business segment had an aggregate of 502 cinemas with 3,093 screens operating in 29 provinces (autonomous regions, municipalities) and 187 cities across China.

In 2019, adhering to the "Film +" strategy, this business segment continued to perfect the consumer spending activities within the cinema premises and expand the scope of spending at cinema to enhance the operating efficiency of its cinemas and further consolidate its advantageous market position in China's cinema operation. Leveraging on the economy of scale of the cinema operation, this business segment insisted upon an "user-oriented" approach centering around the demand from film-goers and deepened the "Film +" strategy by way of diversification of cinema scenario and comprehensive product exploration. Through the establishment of a pivot platform integrating culture, consumer spending and other industries, it materialized "service-oriented", "individuality-oriented" and "brand-oriented" focus. Besides, in order to enhance viewing experience and set up a multi-purpose cinema scenario, this business segment has also actively provided a wide variety of integrated entertainment including e-sports, live performance and other cultural activities, optimizing the utilization of the cinema premises and targeting a more diversified customer base with higher spending potential.

Meanwhile, this business segment used big data to understand the spending and behaviour patterns of the film-goers and actively developed and deepened the reach to each film-goer by fully capitalizing on the time film-goers stay in the cinema premises before and after viewing, further enhancing the conversion rate of cinema users. We believe that the ever-changing pattern of spending for experience caters to the spending behavior of those born after the 1990s and 2000s and has become a consumption trend in the film market. Currently, operation of this business segment's big data-based membership system has achieved preliminary results. The member base has been expanding steadily with an ever-rising proportion of active members. Positive momentum has been formed among products, resources and members. This would further enhance the Group's resources integration capabilities and brand influence.

Culture and Media Services (Continued)

Business Review (Continued)

Cinema Operation (Continued)

In 2019, cinema advertising business of this segment continuously provided the customers with marketing solutions covering the entire industry chain, established a marketing platform featuring multi-aspect consumer data, broader customer reach and deeper interaction with customers, by integrating the upstream and downstream as well as communication resources of the industry, enhancing product marketability and customer servicing capabilities. Moreover, based on the dual enhancement of business development capabilities and media resources reservation, a number of innovative marketing projects were completed, winning attention from film-goers and appreciation from advertisers.

Dadi Film

In 2019, growth of the overall film market slowed down. However, quality domestic films demonstrated further competitiveness with more films being screened. Diversification of film genre made breakthrough and set a healthy growth trend.

During the year, Dadi Media (HK) Limited and its subsidiaries (collectively referred to as "Dadi Film") under Dadi Media continued to develop its business in three aspects of film content, animation and distribution.

In 2019, capitalizing on its own characteristics and enjoying the synergy with other segments of the Group, this business segment insisted upon its operating philosophy of striving for excellence while maintaining stability to further explore its own core competitiveness and produce film projects with market potential to meet the growing demand for quality contents by investing in development and cooperating with top players in the industry. As to the industry of animation contents, this business segment paid more attention to the layout of K12 industry in 2019, including the incubation and operation of children IP. Currently we have established cooperative relations with world-renowned animation companies like 9 Story Media Group Inc., Samg Animation Co., Ltd., etc.. Its "Mini Force" series, being a kids' favourite, boasts a click-through rate of over 10 billion on the internet platform in the PRC. Its toy franchises ranked third on Taobao's toy sales chart and sixth on search popularity chart. Other commercial cooperation partners include KFC, Baidu, Longemont, etc..

Culture and Media Services (Continued)

Business Review (Continued)

Oristar

In 2019, Oristar Technology (HK) Limited and its subsidiaries (collectively referred to as "Oristar") has successfully transformed itself from a traditional cinema software and equipment service provider into an internet company serving the cinema industry. A brand new revenue management SaaS (Software as a Service) service platform was launched for cinemas. More than 200 functions were developed on the brand new cloud structure and big data system to enable revenue increase and cost savings for cinema operation. As at 31 December 2019, Oristar provided services for approximately 1,804 cinemas, covering approximately 11,318 halls in 31 provinces (autonomous regions, municipalities) across China.

During the year, Oristar focused on the advertisement business function of the brand new SaaS service platform. It took the initiative to introduce the "Oristar advertisement business platform" to the industry, fully realizing digitalization and commercialization in the management of advertising resources for cinemas in four dimensions, i.e. time, space, contents, and recipients. It provided cinemas with a comprehensive screening management system with fully automatic online-controlled functions in relation to management, categorization, dispatching and screening. It also provided advertisers with comprehensive data services covering quotation, broadcasting monitoring and user analysis.

Prospects

2020 looks set to be an unusual year for the cinema industry in the PRC. The novel coronavirus outbreak has imposed huge impact on the cinema operation and even the overall film market. There will be significant challenges lying ahead in the growth of the PRC film market. Seven films were withdrawn from the Spring Festival screening schedule. Other films on the subsequent schedule may also be affected, which will affect the operating results of the cinema operation in the short run. We expect the PRC film market will see a recovery in box office revenue during the summer holidays when the novel coronavirus outbreak dies down. All in all, we remain optimistic about the medium and long term development of the cinema industry in PRC. In 2020, we will adhere to our core values of "client-orientedness, integrity, proactiveness, entrepreneurship, learn-to-grow" to continue the establishment of a film-based platform of culture and entertainment. In future, besides optimizing the nationwide cinema layout and structure, we will strategically focus on the cinemas in those important regions, create a specific innovative cinema service model, and set a new benchmark for cinema service applicable to the entire nation.

Culture and Media Services (Continued)

Prospects (Continued)

For the business of cinema operation, this business segment will continue to implement the OMO (Online — Merge — Offline) business model, gradually materialize the shift from scale expansion to delicate operation and from premises operation to membership operation, continue to introduce diversified consumption model and interests and actively promote, replicate and share such measure in nearly 500 cinemas across the nation. This business segment will further pursue its “Film +” strategy in terms of operation of the membership system. In the future, this business segment will continue to introduce more value-added services including children entertainment activities, live performance, other cultural activities and IP related products to further enrich members’ privilege and perfect the service ecosystem of cinemas. Relying on the diversified and unique member activities, the user consumption experience will be further enhanced and the Group’s big data resources will be increased, providing support for the further enhancement of members’ experience and precise marketing. For advertising business, in 2020, this business segment will continue to strengthen the integration of OMO resources, classify and match customer demand through digitalization of scenario and media buying, achieve accurate performance feedback through the establishment of a platform serving both the supply side and the demand side of cinemas, and enhance customer service capabilities and brand influence.

As for contents, Dadi Film will steadily push forward the scheduling arrangement of films to be screened and actively identify revenue generating channels in 2020. Dadi Film will continue to develop and produce original creative projects based on a strictly-controlled budget and risk management. It will also continue to participate in more top-notch projects, create quality film contents and maintain its reputation in the industry by capitalizing on its advantages over resources and brand name. As for animation content industry, this business segment will continue to effect in-depth development of the children segment by promoting its own IPs and developing more quality IPs in collaboration with more world-renowned animation companies.

As for the cinema revenue services, Oristar, being a service provider specialized in cinema digitalization, will continue to focus on cost reduction and revenue generation for cinemas, assisting cinemas to enhance their core competitiveness. As for products, Oristar will further perfect the functions of its cloud platform and integrate two separate platforms, namely the advertisement platform and collecting platform, providing cinemas with quality one-stop and internet-based products and services while saving cost expenditure of digitalization and informatization of cinemas as well as enhancing their operating efficiency and profitability.

Property Development

Business Review

During the year, revenue of this business segment was approximately HK$3,301.0 million (2018: HK$9,908.3 million) and profit before income tax was approximately HK$2,762.7 million (2018: HK$6,018.3 million).

"The Peninsula" Project in Shenzhen

Located in the prime triangle zone formed by Qianhai Shenzhen-Hong Kong cooperation free trade zone, Houhai financial and commercial center and Shekou free trade zone, the"Peninsula", a flagship project of Nan Hai Development, commands the beautiful landscape of Shenzhen Bay Port with three waterfronts, enjoying a perpetual seaview. The project is developed in five phases with a total gross floor area over a million sq.m., establishing a diversified business format combining high-end housing, intelligent business, smart hotel, office sharing, creative theater and yacht club etc.

Phases 1 and 2 of "The Peninsula" have been sold out. The sale of Phase 3 was launched in April 2016 and almost sold out. The sale of Phase 4 was launched on 23 April 2019 with the sell through rate reaching 82% on that day. As at 31 December 2019, accumulated sales amounted to approximately RMB7,445 million. Construction of the main part of the project has been completed. Decoration works are under way and delivery is expected to take place by late 2020 or early 2021. The Group is holding 55,800 sq.m. of the commercial portion to establish businesses including smart hotel, intelligent business and shared offices according to the idea of "world citizen style and stay with the trend". Operation will be commenced by the second half of 2020.

"Free Man Garden" Project in Guangzhou

Located at the Guangzhou airport economic development area, adjacent to Baiyun International Airport and Guangzhou North Comprehensive Passenger Transportation Hub, "Free Man Garden" project of Nan Hai Development in Guangzhou creates an eco-friendly residential area of 1.5 million square meters in the north of Baiyun district, Guangzhou featuring new environment-friendly concepts, scarce urban green belts and excellent community operations. It is a complex comprising housing, commercial facilities, cinema, school, garden, clubhouse and various large scale sports facilities, definitely a quality liveable district with eco-friendly and oxygen-rich features in Guangzhou. The "Free Man Garden" project comprises a total of eight phases, of which Phases 1, 2, 4 and 7 have been sold out and Phase 7 began to deliver in May 2019. The sale of Phases 5 and 6 were launched on 1 December 2018. As at 31 December 2019, a total of 447 flats with an aggregate area of approximately 56,130 sq.m. were sold for an sales amount of approximately RMB1,366 million. Phase 3 known as "Freedom Lane (自由里)" with a gross floor area of approximately 36,000 sq.m. is self-owned for providing comprehensive services of catering, entertainment and culture and commenced operation with a grand opening held on 28 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Property Development (Continued)

Business Review (Continued)

"Free Man Garden" Project in Guangzhou (Continued)

Moreover, this business segment actively creates a new model of operation in real estate business and developed quality projects in various ways. Leveraging on the experience accumulated in the development of "The Peninsula" and "Free Man Garden" projects, the Group will continuously invest in the construction of various quality projects, materializing a steady and sustainable development of the property development business. Currently this business segment is actively negotiating for concluding strategic cooperation agreements in respect of a number of projects, including the investments in "Jinghu Boulevard" Project in Guangzhou, which is a project sitting to the east of "Free Man Garden", just across the street, with a capacity building area of 78,000 sq.m., and will be developed into a commercial complex integrating catering, hotel, entertainment, etc..

Prospects

Policies governing the operation of the property market were relatively tightened in 2019. The authorities focused on monitoring the financial risks of the real estate sector and maintained tightened regulation on capital flow throughout the year. Policies specific to individual city, region and development trend were implemented to maintain stability in the property market. Meanwhile, operating system for the property market became increasingly effective, laying a solid foundation for further implementing an effective management mechanism in property development. Rigorous control, strict regulation and tightening corporate financing will continue into 2020 but there will be plenty of new and valuable opportunities for development after all. At the same time, the epidemic of novel coronavirus breaking out early this year will have impact on the construction workers returning to the cities and the entire industry chain of the construction sector. Under the current circumstances, Nan Hai Development will capitalize on the advantages in existing projects, integrate the Group's industry resources and actively address the challenges arising from the epidemic so as to proactively develop quality projects, further optimize strategic deployment and have a good grip on development opportunities by taking advantage of the trend of urban renewal and the transformation and upgrading of the industry. Nan Hai Development will continue to optimize corporate governance and talent development. It will adopt active and reliable funding strategies to enhance internal operation and risk control, laying a foundation for sustainable development.

Enterprise Cloud Services

Business Review

By virtue of the comprehensive cloud computing infrastructure services, e-commerce and total "Internet+" solutions offered for corporate clients in China, this segment continued its development of digitalization and smart operation. Having made unremitting efforts over time, this segment has successfully established an outstanding nationwide business and localized service network in the industry, so as to effectively address the problems of "the last kilometer" from service providers to corporate clients. Coping with the rapid development of mobile internet and establishment of de-centralized network ecosystem represented by WeChat applet, the full network responsive portal developed on existing portal products as well as the foreign trade industry solutions launched by 中企動力科技股份有限公司 (CE Dongli Technology Company Limited, "CE Dongli") under this business segment have effectively met the clients' demands for portal marketing. Apart from this, in order to meet the clients' increasing demand for online and offline trading businesses, CE Dongli has launched the digitalized e-commerce business in a timely manner, providing its clients with one-stop solutions featuring online and offline marketing and operation. Coupled with the cloud computing services of 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited, "Xinnet"), CE Dongli played a significant role in growing the number of users.

During the year, with CE Dongli and Xinnet being its main operating entities, this business segment was committed to the development of cloud services for corporate digitalization and smart operation by providing comprehensive IaaS (Infrastructure as a Service), SaaS application, corporate e-commerce services, "corporate digitalization transformation" total solutions and big data-based business intelligence cloud services to China market. During the year, revenue of this business segment was approximately HK$957.4 million (2018: HK$997.9 million). Loss before income tax was approximately HK$68.0 million (2018: HK$125.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Enterprise Cloud Services (Continued)

Business Review (Continued)

CE Dongli

With 20 years' experience as a service provider for enterprises in China, CE Dongli has successfully established a SaaS product system that meets the demand for management digitalization from enterprises, established a market for corporate services in which top players of various industries were involved as cooperative partners, and established an extensive network for business and localized services, providing corporate digitalization and operation solutions. During the year, with the advent of 5G network, CE Dongli introduced the full network responsive portal product targeting optimization of mobile internet experience. Hence, the number of potential users increased while enhancing users' experience. For industrial solutions, the launch of foreign trade portal was well-received by the market. The number of foreign trade customers increased by more than 1,600 during the year. For the smart business aspect, CE Dongli launched "Youyi" (有翼) cloud digital products, providing such all-chain digital services as mobile marketplace, applet, and smart store for customers in the consumer retail industry. In addition to providing digitalization and operation solutions for SMEs, CE Dongli also continued to expand its major client base by providing the "MarTech" digitalization and smart operation flagship services for more high-end customers. Since the launching of high-end customized brand CE Ultimate (中企高呈), CE Dongli has provided digital operation services for more than 300 well-known companies (that are Fortune Global 500 companies and top 100 companies in various industries in China), enjoying a better competitiveness in various industries including finance, real estate, medical, retail and education, etc.. Meanwhile, in the course of meeting the high-end customers' needs for complicated digitalization, CE Dongli persistently built up its strengths in products and services, performed sampling and integration, and gradually developed specific products and industry solutions that meet the needs of different industries and customers of different stages by relying on the support of the product research center, cooperated with a number of well-known service providers of corporate digital services to create an ecosystem for providing enterprises with value-oriented digital services. For new product research, CE Dongli has gradually formed a PaaS (Platform as a service) platform supported by the middle structure of business (業務中台) to promptly come up with flexible and feasible products and industry solutions according to the needs of different industries and customers of different stages. Hence, it significantly improved the delivery efficiency of product development and laid a solid foundation for integrating more cooperative partners in future.

Enterprise Cloud Services (Continued)

Business Review (Continued)

Xinnet

During the year, Xinnet continued its cloud services such as IaaS, domain name hosting and synergistic communication for SMEs and microenterprises through internet access and the nationwide distributor channels. In 2019, Xinnet completed the shift towards the building of a mixed cloud computing platform based on the public cloud computing platform, generally forming a mixed cloud structure and the capabilities of providing cloud products and services. Cloud service capabilities of IaaS and PaaS were further enhanced based on the mixed cloud, and the cloud service ecosystem of Xinnet was enriched by combining big data and artificial intelligence. On this basis, Xinnet regarded its public cloud products as its core and provided users with more extensive value-added products and a more comprehensive cloud service experience through the application and service market.

Prospects

The management of this business segment considers that with the rapid development of mobile internet and gradual establishment of a de-centralized business model, enterprises in China have witnessed a wave of digitalization transformation, and smart corporate services based on big data will be developed. At this particular moment and under the current requirements for development, cloud services and industrial solutions for corporate digitalization and smart operation will enjoy enormous room for development. Besides, China enterprises will commit further resources to digitalization transformation which has become the common goal for China enterprises to achieve quality existence and development. Going forward, this segment will continue to improve its support and servicing capabilities for online/offline operations by regarding users as its core, relying on the industry and making full use of the Internet, so as to promptly respond to the needs and problems of enterprises and provide solutions in a timely manner. In respect of product applications, with an in-depth understanding of the industry's business scenarios, the Group will promptly respond to the needs of business scenarios in different industries based on the cloud product model, the middle structure of business (業務中台) and SaaS applications. Furthermore, this segment will also increase its capital investment in data centre, cloud computing technology, automatic operation and maintenance technology, big data technology as well as smart marketing technology, generally enhancing its core competence of technology to further develop and optimize its products and services for enterprises' digital intelligent business scenario.

News Media Business

Business Review

There are two business divisions under the news media business, namely "HK01" and "Duowei Media". This business segment integrated the content and editing operations of "HK01" and "Duowei Media" to increase synergy and cost-effectiveness in 2019. During the year, revenue of this business segment was approximately HK$89.6 million (2018: HK$222.0 million), and revenue from third parties increased from approximately HK$54.3 million to approximately HK$89.6 million. Loss before income tax was approximately HK$387.9 million (2018: HK$385.9 million).

Based in Hong Kong, this business segment has more than 790 employees. It is a pioneer of advocacy media, aiming at creating an internet lifestyle platform, a brand new idea of combining internet with news media business, for Hong Kong people. During the year, apart from developing the news media business, this business segment has stepped up its efforts in developing "01 Heart (01心意)", a charity platform, "01 Run Together (01齊跑)" a running services platform, and "eatojoy (e肚仔)", a self-collection takeaway ordering platform. It also established the "HKshopNet (一網打盡)", an online shopping rebate platform, "Book Book Travel (卜卜遊)", a travel services platform, and focused on developing the related membership economy. Various offline events, such as the " The 1st Hong Kong Martial Arts Expo (第一屆香港武術及搏擊運動博覽)", community markets under the "01社區型活墟計劃", "HK01 Economic Summit 2019 (「香港01」2019經濟高峰論壇)", were held and online activities, such as "2019區選專頁" and "01 Entertainment Award (01最賞睇娛樂大獎)" were organized, with an aim to provide Hong Kong people with a more comprehensive and quality internet services featuring news and information with online and offline activities complementing each other.

During the year, active users of the webpages and mobile applications of this business segment reached over 1.5 million on average, nearly doubling over last year. The number of active users of "HK01" was over 2.3 million at the peak. In respect of page views, the average number of daily page views of the webpages and mobile applications approached 19 million, increasing more than two times as compared to that in 2018. Page views of "HK01" approached 57 million at the peak. As at 31 December 2019, the number of members of this business segment was over 1 million, more than two-fold of last year. With high quality news reports, this business segment achieved remarkable results by winning a number of news awards, including four US Telly Awards and the Awards for Editorial Excellence (《年度卓越新聞獎》) by The Society of Publishers in Asia. In terms of corporate and customer activities, we won four Spark Awards (卓越傳媒大獎), two MARKies Awards and two Mob-Ex Awards.

News Media Business (Continued)

Prospects

This business segment strives to establish an internet lifestyle platform for Hong Kong people. For the media aspect, we plan to strengthen the contents of social news, entertainment news and lifestyle articles in the future, coupled with online and offline promotion, to reach a wider spectrum of viewers and secure the leading position in Hong Kong media. Moreover, we will step up our efforts in developing the activity platform of "01 Space (01空間)", continue to promote membership economy and activate "01 points (01積分)" for gift redemption and charitable causes, establishing ourselves as a leading internet lifestyle platform in Hong Kong.

Innovative Business

Business Review

During the year, revenue was approximately HK$255.5 million (2018: HK$831.9 million) and loss before income tax was approximately HK$382.3 million (2018: HK$1,047.8 million).

Within the industry, younger consumers continued to turn to smaller, innovative brands with strong social followings and digital foundations. This trend drove high business valuations and acquisition by traditional leaders fighting to remain relevant. Under this background, the full year numbers are different from that of 2018 due to the conclusion of the legacy retail and distributor businesses which was fully executed in the first half of 2019, and the up-front investment in the brand relaunch from July 2019. As a result of the restructuring, operating costs were dramatically reduced in 2019.

Crabtree & Evelyn's strategy has been to transform from a traditional retail to an OMO operating model, and to pursue the OMO development path starting from e-commerce. This vision placed Crabtree & Evelyn ahead of the industry. During the year, Crabtree & Evelyn exited its retail stores and sold its existing warehouses and manufacturing sites for a good return. While traditional retail companies struggled, Crabtree & Evelyn relaunched its entire brand and product lines in July 2019.

As part of this relaunch, Crabtree & Evelyn introduced 3 new ranges (Evelyn Rose, Crabtree, The Gardeners), 40 new products, and 50 reformulations of consumer favourites from The Archives, and several of these new products have received extraordinary customer reviews and won industry awards. These launches were powered by a new global e-commerce platform and supply chain operation, and an organization restructured for speed and agility in a digital world.

Innovative Business (Continued)

Prospects

In 2020, Crabtree & Evelyn will aggressively expand its brand foundation, customer base, and product portfolio across the world as well as implement global control of pricing and discounting which will significantly improve gross margins. Crabtree & Evelyn will continue to expand online social marketing including e-commerce operations and fully immerse into China market, to further strengthen and extend influence of Crabtree & Evelyn's global brand.

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2019, net assets attributable to the owners of the Company amounted to approximately HK$4,696.0 million (31 December 2018: approximately HK$6,199.8 million), including cash and bank balances of approximately HK$11,720.6 million (31 December 2018: approximately HK$8,297.6 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2019, the Group's aggregate borrowings were approximately HK$18,853.0 million (31 December 2018: approximately HK$19,959.8 million), of which approximately HK$10,625.9 million (31 December 2018: approximately HK$11,759.1 million) were bearing interest at fixed rates while approximately HK$8,227.1 million (31 December 2018: approximately HK$8,200.7 million) were at floating rates. The Group has partially managed interest rate risk through interest rate swap.

The gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt was approximately 57.40% (31 December 2018: approximately 62.64%).

As at 31 December 2019, the capital commitment of the Group was approximately HK$525.9 million (31 December 2018: approximately HK$263.6 million), of which approximately HK$16.6 million would be used for the renovation of property in Beijing, approximately HK$65.0 million would be used as capital expenditures for the expansion of its cinema business and approximately HK$444.3 million would be used for property development.

As at 31 December 2019, the Group's contingent liabilities were approximately HK$21.1 million in connection with the guarantees given to secure credit facilities (31 December 2018: approximately HK$20.4 million).

As at 31 December 2019, certain right-of-use assets, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties and bank deposits with a total net carrying value of approximately HK$15,083.3 million were pledged to secure the credit facilities granted to the Group (31 December 2018: approximately HK$11,997.2 million). In addition, trading securities with a carrying value of approximately HK$0.2 million and certain shares of several subsidiaries were pledged and bank accounts were charged for securing the Group's credit facilities (31 December 2018: approximately HK$0.2 million).

Exposure to Fluctuation in Exchange Rates

The Group operated mainly in the PRC, and its operating expenses and revenue were primarily denominated and settled in Renminbi. The Group adopted Hong Kong dollars as its reporting currency, and the reported assets, liabilities and results may be affected by Renminbi exchange rate. As the majority of the Group's borrowings were primarily denominated in US dollars and Renminbi, it was exposed to foreign exchange risk. The Group has partially managed such risk through cross currency swap. The Group will still keep reviewing and monitoring the fluctuation in exchange rates between relevant currencies and consider using foreign exchange hedging instruments from time to time to minimize the risk exposure arising from changes in exchange rates. The Group will also proactively choose the type of currency for assets and liabilities based on its prejudgment of currency trend under practicable circumstances.

Employee and Remuneration Policy

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 31 December 2019, the Group had 18,789 employees (2018: 21,745 employees). The salaries of and allowances for employees for the year ended 31 December 2019 were about approximately HK$2,222.0 million (2018: HK$2,519.8 million). The Group focuses on providing skill and quality training for various levels of staff, and provides on-the-job capability training to its staff; in respect of staff quality, corresponding training on personal work attitude and work habits is also provided.

EVENTS AFTER REPORTING DATE

Save as disclosed in note 20 to the 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.

FINAL DIVIDEND

The directors of the Company have resolved not to recommend the declaration of any final dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: 0.15 HK cents per ordinary share).

ANNUAL GENERAL MEETING

The annual general meeting will be held on Wednesday, 27 May 2020 in Hong Kong. The notice of annual general meeting will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Friday, 22 May 2020 to Wednesday, 27 May 2020, both days inclusive, during which period no transfer of shares will be effected for the purposes of determining the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 21 May 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019 and as of the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Lau Yip Leung, Mr. Xiao Sui Ning and Mr. Ho Yeung Nang. The Audit Committee has reviewed with the auditor of the Company and the management, this results announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2019 and discussed the auditing, financial control, internal control and risk management systems.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Company's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on the preliminary results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As described in the announcement of the Company dated 17 May 2018, Top Yield Ventures Limited (a wholly-owned subsidiary of the Company) ("Top Yield") issued the US$120,000,000 guaranteed senior notes ("2018 Notes") that bear interest at 9.75% per annum due 2019. The notes were listed on the Hong Kong Stock Exchange. Top Yield has fully repaid the principal amount of the outstanding 2018 Notes together with the accrued interest upon its maturity on 23 May 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year ended 31 December 2019.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Hong Kong Stock Exchange and the Company (http://www.nanhaicorp.com). The 2019 annual report of the Company containing all the relevant information required by Appendix 16 to the Listing Rules will be published on the websites of the Hong Kong Stock Exchange and the Company and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 26 March 2020

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

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