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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)

PROFIT WARNING

This announcement is made by Nan Hai Corporation Limited (the “**Company**”, and together with its subsidiaries, collectively as the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

The board of directors of the Company (the “**Board**”) hereby informs the shareholders and potential investors of the Company that the Group is expected to record a loss of approximately HK\$1,450.0 million to HK\$1,550.0 million for the six months ended 30 June 2020 as compared to a profit of approximately HK\$9.3 million for the six months ended 30 June 2019.

The Board considered that such loss was primarily due to:

1. During the reporting period, the results for culture and media services segment of the Group experienced a significant drop as compared to the corresponding period in 2019 due to the severe impact of the COVID-19 epidemic (“**Epidemic**”) on the cinema industry. According to requirements for epidemic prevention and control in all regions and industry regulatory requirements in the PRC, more than 500 cinemas of the Group have suspended operations since 24 January 2020, and have not resumed operations as of the end of the reporting period. During the reporting period, revenue dropped significantly, while we still incurred fixed costs such as employee salaries and cinema rentals.
2. Due to the Epidemic and its continuing impact on the macro economy, as a matter of prudence, the Group made provision for impairment of fixed assets, goodwill and other intangible assets in the culture and media services and innovative business segments of approximately HK\$1,100 million. Such impairment was calculated in accordance with

* For identification purposes only

Hong Kong Accounting Standard 36 — Impairment of Assets. The provision for impairment was a non-cash item and had no impact on the operations and working capital of the Group.

During the reporting period, the Group continued to take measures to control costs and expenses. With the gradual improvement of the Epidemic situation in China and the adjustment of prevention and control measures, the Group takes the view that the audience's demand for watching movies will gradually recover, and the business environment of the industry will gradually improve. The Group will strive to promote the resumption of cinemas and improve the performance of the culture and media services segment. With the increase in consumer disposable income and appetite for culture and skin care products, the business of the Group will sustain growth in the long run.

The information contained in this announcement is solely based on a preliminary assessment by the management of the Company on the unaudited consolidated management accounts of the Group, which have not been reviewed by the audit committee of the Company. Such financial information will be subject to finalization and necessary adjustments. The interim results announcement of the Group for the six months ended 30 June 2020 is expected to be published later this month and the corresponding 2020 interim report will be published subsequently.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 7 August 2020

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

Executive directors:

Mr. Yu Pun Hoi

Ms. Liu Rong

Non-executive director:

Mr. Lam Bing Kwan

Independent non-executive directors:

Mr. Lau Yip Leung

Mr. Xiao Sui Ning

Mr. Ho Yeung Nang