南海控股有限公司*
NAN HAI CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 680)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board of directors (the "Board") of Nan Hai Corporation Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 together with the comparative figures for 2019 as follows:

* *For identification purposes only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*6(a)*	**6,094,908**	5,607,886
Cost of sales and services provided		**(2,969,073)**	(2,504,311)
Gross profit		**3,125,835**	3,103,575
Other operating income	*6(b)*	**348,309**	285,531
Selling and marketing expenses		**(641,457)**	(1,225,988)
Administrative expenses		**(312,941)**	(534,967)
Other operating expenses		**(1,150,755)**	(956,129)
Provision for impairment of goodwill		**(926,988)**	–
Finance costs		**(576,201)**	(765,229)
Gain on fair value change on financial liabilities at fair value through profit or loss ("FVTPL")		**2,569**	23,551
Expected credit losses ("ECLs") on financial assets		**(125,137)**	(19,369)
Share of results of associates		**(3,715)**	(14,105)
Share of results of joint ventures		**(2,283)**	(511)
(Loss)/Gain on fair value change on investment properties		**(18,363)**	1,428,853
(Loss)/Profit before income tax	*7*	**(281,127)**	1,325,212
Income tax expense	*8*	**(1,219,676)**	(1,315,959)
(Loss)/Profit for the period		**(1,500,803)**	9,253
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(1,310,581)**	90,956
Non-controlling interests		**(190,222)**	(81,703)
		(1,500,803)	9,253
		HK cent	*HK cent*
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company during the period			
— Basic	*10(a)*	**(1.91)**	0.13
— Diluted	*10(b)*	**(1.91)**	0.13

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK\$'000	*HK\$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	**(1,500,803)**	9,253
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	**(13,677)**	37,267
Items that may be reclassified subsequently to profit or loss:		
Exchange loss on translation of financial statements of foreign operations	**(258,420)**	(23,094)
Exchange loss on translation of financial statements of foreign associates	**(7,267)**	(186)
Exchange loss on translation of financial statements of foreign joint ventures	**(84)**	(9)
Other comprehensive income for the period, including reclassification adjustments	**(279,448)**	13,978
Total comprehensive income for the period	**(1,780,251)**	23,231
Total comprehensive income attributable to:		
Owners of the Company	**(1,588,506)**	112,366
Non-controlling interests	**(191,745)**	(89,135)
	(1,780,251)	23,231

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**8,197,099**	9,382,329
Investment properties		**4,688,540**	4,787,476
Interests in associates		**94,506**	102,401
Interests in joint ventures		**26,131**	28,498
Amounts due from related parties		**443,790**	165,959
Financial assets at FVOCI		**213,028**	226,705
Long term trade receivables	*11*	**202**	1,079
Deposits, prepayments and other receivables		**561,225**	587,011
Intangible assets		**5,371,073**	6,419,076
Deferred tax assets		**1,501,489**	1,338,789
Pledged and restricted bank deposits		**4,622,125**	2,647,222
		25,719,208	25,686,545
Current assets			
Inventories		**9,617,658**	11,913,722
Financial assets at FVTPL		**3,290**	6,560
Trade receivables	*11*	**414,077**	486,166
Deposits, prepayments and other receivables		**3,256,134**	3,413,220
Amounts due from associates		**27,529**	24,426
Amounts due from joint ventures		**865**	836
Amounts due from related parties		**1,679**	279,749
Pledged and restricted bank deposits		**4,873,224**	8,330,343
Cash and cash equivalents		**3,411,593**	743,055
		21,606,049	25,198,077

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2020

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Current liabilities			
Trade payables	*12*	**3,022,446**	3,132,872
Other payables and accruals		**2,334,874**	1,682,158
Contract liabilities	*6(a)*	**5,229,506**	9,411,830
Provision for tax		**5,892,858**	4,652,025
Amount due to a director		**21,575**	12,552
Amounts due to associates		**5,587**	5,180
Amounts due to related parties		**164,747**	232,104
Other employee benefits		**37,309**	28,451
Bank and other borrowings		**10,453,400**	15,173,454
Lease liabilities		**776,007**	439,400
		27,938,309	34,770,026
Net current liabilities		**(6,332,260)**	(9,571,949)
Total assets less current liabilities		**19,386,948**	16,114,596
Non-current liabilities			
Long term trade payables	*12*	**–**	212
Other employee benefits		**25,991**	36,508
Bank and other borrowings		**9,432,538**	3,679,580
Lease liabilities		**5,073,294**	5,607,441
Provision for warranty		**2,334**	2,575
Financial liabilities at FVTPL		**–**	2,569
Deferred tax liabilities		**1,337,646**	1,491,382
		15,871,803	10,820,267
Net assets		**3,515,145**	5,294,329
EQUITY			
Share capital	*13*	**686,455**	686,455
Reserves		**2,422,106**	4,009,545
Equity attributable to the Company's owners		**3,108,561**	4,696,000
Non-controlling interests		**406,584**	598,329
Total equity		**3,515,145**	5,294,329

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 HM10, 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.

As at 30 June 2020, 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

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These condensed consolidated interim financial statements were authorised for issue by the Board on 26 August 2020.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for the amendment to HKFRS 16: Covid-19-Related Rent Concessions, which were early adopted before its effective date, and the amendments to HKFRS 3: Definition of a Business. Details of changes in accounting policies, and their effect on these condensed consolidated interim financial statements, are set out in note 4.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and should be read in conjunction with the 2019 annual financial statements.

2. BASIS OF PREPARATION (Continued)

These condensed consolidated interim 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$6,332,260,000 as at 30 June 2020 (31 December 2019: HK$9,571,949,000). The Board 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 bank and 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, financial assets at FVOCI and pledged bank deposits amounting to approximately HK$15,793,460,000 (31 December 2019: HK$15,083,273,000) 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 opinion 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 condensed consolidated interim financial statements have been prepared on a going concern basis.

3. SIGNIFICANT CHANGES

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Group has experienced significant disruption to its operations in the following respects:

— Interruptions to property development and cinema operations provided by the Group; and

— Uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the potential long-term effects of the pandemic on the demand for the Group's primary products, if any.

The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on the Group's condensed consolidated interim financial statements for the six months ended 30 June 2020 and are summarised as follows:

(a) Decrease in sales and cash flows, and impairment of goodwill

As disclosed in note 6, the Group's cinema ticketing income have experienced significant reductions since the pandemic's effects became widespread. The Group considered the reduced revenue and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for all of its cash-generating units ("CGUs"). The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use was higher in all cases due to the nature of the assets included in the carrying amount of CGUs.

3. SIGNIFICANT CHANGES (Continued)

(a) Decrease in sales and cash flows, and impairment of goodwill (Continued)

Groups of CGUs that were tested for impairment are summarised as follows:

— Property development

— Culture and media services

— Innovative business

— Enterprise cloud services

Recoverable amount exceeded the carrying amount in the property development and enterprise cloud services CGUs based on forecast cash flows, but it did not for the culture and media services CGU and innovative business CGU.

(b) Rent concessions received from lessors

Due to government policy, the Group had to suspend its cinema operations since 24 January 2020. The reopen schedule is subject to the development of COVID-19 and the People's Republic of China ("PRC") government policy, and the suspension has been released on 20 July 2020. The Group has resumed its cinema operations by stages since then.

The Group has received numerous forms of rent concessions from lessors due to being unable to operate for significant periods of time, including:

— Rent forgiveness (e.g. reductions in rent contractually due under the terms of lease agreements); and

— Deferrals of rent (e.g. payment of January–February rent on an amortised basis from July 2020–March 2021).

As disclosed in note 4, the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the six months ended 30 June 2020 satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of approximately HK$5,002,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group has engaged in further negotiations with lessors subsequent to 30 June 2020.

3. SIGNIFICANT CHANGES (Continued)

(c) Government grants

The Group applied for various government support programs introduced in response to the global pandemic.

Included in profit or loss is approximately HK$1,586,000 of Hong Kong government grants obtained relating to supporting the payroll of the Group's employees. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. Also, the Group has received approximately HK$6,405,000 from the PRC government to subsidy its cinema operations. The Group has elected to present these government grants separately, rather than reducing the related expenses. The Group does not have any unfulfilled obligations relating to these programs.

(d) ECLs

The Group makes estimates of ECLs attributable to account receivables arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates. The economic downturn and uncertainties that have arisen as a result of COVID-19 have made these estimates more judgemental, which the Group has taken into account in its determination of applicable ECLs.

4. CHANGES IN HKFRSs

The Group has applied the same accounting policies in these condensed consolidated interim financial statements as in its 2019 annual consolidated financial statements, except that it has adopted the following amendments to HKFRSs:

- Amendments to HKFRS 3: Definition of a Business, which is first effective for the current accounting period; and
- Amendment to HKFRS 16: Covid-19-Related Rent Concessions, which is not yet effective for the current accounting period but early adopted by the Group.

Amendments to HKFRS 3: Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

4. CHANGES IN HKFRSs (Continued)

Amendment to HKFRS 16: Covid-19-Related Rent Concessions

Effective on 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying Covid-19-Related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 7(a)). There is no impact on the opening balance of equity as at 1 January 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The effect of applying the practical expedient is disclosed in note 3(b).

Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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 for 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.

5. SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2020 and 30 June 2019 are as follows:

	For the six months ended 30 June 2020 (Unaudited)						
	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	**412,507**	**5,385,996**	**158,058**	**40,722**	**58,037**	**39,588**	**6,094,908**
From inter-segments	**2,324**	**–**	**–**	**–**	**–**	**13,884**	**16,208**
Reportable and all other segments revenue	**414,831**	**5,385,996**	**158,058**	**40,722**	**58,037**	**53,472**	**6,111,116**
Reportable and all other segments (loss)/profit before income tax	**(3,638)**	**2,497,540**	**(1,973,073)**	**(171,780)**	**(499,011)**	**(12,108)**	**(162,070)**

	For the six months ended 30 June 2019 (Unaudited)						
	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	469,332	2,532,919	2,356,817	39,844	166,472	42,502	5,607,886
From inter-segments	3,940	–	–	–	–	9,324	13,264
Reportable and all other segments revenue	473,272	2,532,919	2,356,817	39,844	166,472	51,826	5,621,150
Reportable and all other segments (loss)/profit before income tax	(45,655)	2,387,743	(451,085)	(209,079)	(185,136)	11,769	1,508,557

5. SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June 2020 (Unaudited)						
	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	**412,500**	**5,385,996**	**158,058**	**–**	**12,779**	**39,588**	**6,008,921**
Hong Kong	**7**	**–**	**–**	**40,722**	**1,025**	**–**	**41,754**
North America	**–**	**–**	**–**	**–**	**39,793**	**–**	**39,793**
Europe	**–**	**–**	**–**	**–**	**2,590**	**–**	**2,590**
Australia	**–**	**–**	**–**	**–**	**1,050**	**–**	**1,050**
Others	**–**	**–**	**–**	**–**	**800**	**–**	**800**
Total	**412,507**	**5,385,996**	**158,058**	**40,722**	**58,037**	**39,588**	**6,094,908**
Timing of revenue recognition							
At a point in time	**15,572**	**5,385,996**	**17,053**	**220**	**50,888**	**–**	**5,469,729**
Transferred over time	**396,935**	**–**	**141,005**	**40,502**	**7,149**	**39,588**	**625,179**
Total	**412,507**	**5,385,996**	**158,058**	**40,722**	**58,037**	**39,588**	**6,094,908**

	For the six months ended 30 June 2019 (Unaudited)						
	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	469,231	2,532,919	2,356,816	–	13,854	42,502	5,415,322
Hong Kong	101	–	1	39,844	11,594	–	51,540
North America	–	–	–	–	89,386	–	89,386
Europe	–	–	–	–	30,823	–	30,823
Australia	–	–	–	–	7,921	–	7,921
Others	–	–	–	–	12,894	–	12,894
Total	469,332	2,532,919	2,356,817	39,844	166,472	42,502	5,607,886
Timing of revenue recognition							
At a point in time	103,699	2,532,919	259,093	395	160,278	–	3,056,384
Transferred over time	365,633	–	2,097,724	39,449	6,194	42,502	2,551,502
Total	469,332	2,532,919	2,356,817	39,844	166,472	42,502	5,607,886

5. SEGMENT INFORMATION (Continued)

The reportable segment assets and liabilities as at 30 June 2020 and 31 December 2019 are as follows:

	As at 30 June 2020 (Unaudited)						
	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*
Reportable and all other segments assets	**651,281**	**26,690,713**	**13,631,597**	**96,217**	**768,143**	**256,145**	**42,094,096**
Reportable and all other segments liabilities	**(490,763)**	**(19,691,803)**	**(10,789,914)**	**(39,430)**	**(751,487)**	**(59,130)**	**(31,822,527)**

	As at 31 December 2019 (Audited)						
	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*
Reportable and all other segments assets	619,960	29,502,303	15,784,639	92,331	1,261,182	312,393	47,572,808
Reportable and all other segments liabilities	(455,019)	(23,509,852)	(11,215,989)	(36,143)	(767,978)	(52,541)	(36,037,522)

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

	For the six months ended 30 June	
	2020 *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
Reportable segments revenue	**6,057,644**	5,569,324
All other segments revenue	**53,472**	51,826
Elimination of inter-segment revenue	**(16,208)**	(13,264)
Group revenue	**6,094,908**	5,607,886
Reportable segments results before income tax	**(149,962)**	1,496,788
All other segments results before income tax	**(12,108)**	11,769
Bank interest income	**15,391**	4,034
Other interest income	**21,972**	25,614
Finance costs	**(129,268)**	(159,446)
Depreciation and amortisation	**(9,837)**	(3,517)
Unallocated corporate expenses	**(17,315)**	(50,030)
(Loss)/Profit before income tax	**(281,127)**	1,325,212

6. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of properties and car parks	**5,380,693**	2,505,781
Sales of decoration materials and decoration services	**5,303**	27,138
Enterprise cloud services	**412,507**	469,332
Property management services	**39,588**	42,502
Film distribution services	**787**	470
Cinema ticketing income	**99,036**	1,833,480
Sales of food and beverages	**17,053**	257,892
Cinema advertising income	**24,880**	132,019
Sales and leases of projection equipment	**1,377**	1,198
Digital media technology services	**14,925**	131,758
Publication of magazines and advertising income	**40,722**	39,844
Sales of botanic-based personal care and fragrance products	**50,888**	160,278
Innovative catering and fitness services	**7,149**	6,194
	6,094,908	5,607,886

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

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

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**414,279**	487,245
Contract liabilities	**5,229,506**	9,411,830

The contract liabilities mainly relate to the advance consideration received from customers. Approximately HK$5,790,121,000 of the contract liabilities as at 31 December 2019 has been recognised as revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$2,947,548,000) from performance obligations satisfied in the current period due to the changes in the estimate stage of completion of certain contract obligations.

6. REVENUE AND OTHER OPERATING INCOME (Continued)

(b) Other operating income

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**90,803**	59,976
Other interest income	**22,422**	26,174
Gain on fair value change on financial assets at FVTPL, net	**–**	9,375
Gain on disposal of property, plant and equipment	**–**	17,367
Government grants	**62,287**	25,668
Exchange gain	**52,799**	11,897
Rental income	**12,046**	21,797
Gain on trading of financial assets at FVTPL	**–**	6,124
Dividend income	**3,968**	3,702
Sundry income	**103,984**	103,451
	348,309	285,531

7. (LOSS)/PROFIT BEFORE INCOME TAX

	Note	**For the six months ended 30 June 2020** *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
(Loss)/Profit before income tax is arrived at after charging/ (crediting):			
Amortisation of intangible assets other than goodwill*		**69,027**	79,533
Depreciation of property, plant and equipment			
— Owned assets*		**374,600**	457,103
— Right-of-use assets*		**277,059**	260,512
Costs of sales and services provided		**2,969,073**	2,504,311
Loss*/(Gain) on fair value change on financial assets at FVTPL			
— Listed equity investments		**3,534**	(9,446)
— Derivatives		**–**	71
Gain on fair value change on financial liabilities at FVTPL			
— Derivatives		**(2,569)**	(23,551)
Write-off of property, plant and equipment*		**23,377**	4,806
Write-off of inventories*		**37,859**	–
Interest on lease liabilities		**246,783**	258,862
Short-term leases expenses		**12,356**	43,135
Variable lease payments		**251**	3,668
Covid-19-Related rent concessions	*(a)*	**(5,002)**	–
Provision for impairment of trade receivables		**11,812**	–
Provision for impairment of deposits and other receivables		**113,325**	19,369
ECLs on financial assets		**125,137**	19,369
Provision for impairment of intangible assets other than goodwill*		**2,921**	–
Provision for impairment of property, plant and equipment*		**193,715**	–
Provision for impairment of goodwill		**926,988**	–
Loss on disposal of property, plant and equipment*		**9,555**	5,439
Research and development expenses*		**82,563**	79,453

* included in other operating expenses

(a) As disclosed in note 4, the Group has early adopted the amendment to HKFRS 16, Covid-19-Related Rent Concessions, and has applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the period.

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Tax charge for the period	**–**	5,222
— PRC Enterprise Income Tax ("EIT")		
Tax charge for the period	**748,005**	301,840
(Over)/Under-provision in respect of prior years	**(4,054)**	150
— Taxation for other jurisdictions		
Over-provision in respect of prior years	**(203)**	–
— PRC Land Appreciation Tax ("LAT")		
Tax charge for the period	**789,026**	354,772
	1,532,774	661,984
Deferred tax		
— (Credit)/Charge for the period	**(313,098)**	653,975
	1,219,676	1,315,959

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 condensed consolidated interim financial statements. No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2020. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2019.

For the six months ended 30 June 2020, PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2019: 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.

For the six months ended 30 June 2020, PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2019: 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

No dividend was paid and declared during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

A final dividend in respect of the year ended 31 December 2018 of 0.15 HK cent per ordinary share, amounting to a total dividend of approximately HK$102,968,000 was proposed and approved at the annual general meeting of the Company held on 30 May 2019.

10. (LOSS)/EARNINGS PER SHARE

(a) The calculation of basic loss per share (six months ended 30 June 2019: basic earnings per share) is based on the loss for the period attributable to the owners of the Company of approximately HK$1,310,581,000 (six months ended 30 June 2019: profit attributable to the owners of the Company of HK$90,956,000) and on 68,645,535,794 (six months ended 30 June 2019: 68,645,535,794) ordinary shares in issue during the period.

(b) Diluted loss per share for the six months ended 30 June 2020 was the same as the basic loss per share as there was no potential dilutive ordinary share in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2019 is based on the profit for the period attributable to the owners of the Company adjusted to reflect the interests, unrealised exchange difference and fair value change of embedded derivatives on the convertible and exchangeable bonds and profit or loss attributable to non-controlling interests. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, which is the same as the basic earnings per share calculation. Diluted earnings per share for the six months ended 30 June 2019 was the same as the basic earnings per share as the convertible and exchangeable bonds outstanding during the period had an anti-dilutive effect on the basic earnings per share.

11. TRADE RECEIVABLES

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

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–90 days	**96,747**	291,859
91–180 days	**65,432**	86,917
181–270 days	**115,482**	22,816
271–360 days	**52,519**	22,273
Over 360 days	**180,953**	151,413
Trade receivables, gross	**511,133**	575,278
Less: Provision for impairment of trade receivables	**(96,854)**	(88,033)
Trade receivables, net	**414,279**	487,245
Less: Long term trade receivables	**(202)**	(1,079)
Current portion of trade receivables	**414,077**	486,166

12. TRADE PAYABLES

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

	30 June 2020	31 December 2019
	HK\$'000	*HK\$'000*
	(Unaudited)	(Audited)
0–90 days	**1,306,769**	2,124,165
91–180 days	**416,437**	84,548
181–270 days	**1,090,449**	736,933
271–360 days	**29,815**	90,765
Over 360 days	**178,976**	96,673
Trade payables	**3,022,446**	3,133,084
Less: Long term trade payables	**–**	(212)
Current portion of trade payables	**3,022,446**	3,132,872

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	***HK\$'000***
Authorised:		
At 1 January 2019, 31 December 2019 (audited) and **30 June 2020 (unaudited)**	**500,000,000,000**	**5,000,000**
Issued and full paid:		
At 1 January 2019, 31 December 2019 (audited) and **30 June 2020 (unaudited)**	**68,645,535,794**	**686,455**

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"). In the meantime, the Group has also engaged in businesses through Dadi News Media (HK) Limited together with its subsidiaries (collectively referred to as "News Media Business") and Dadi Innovation (HK) Limited together with its subsidiaries (collectively referred to as "Innovative Business").

The Group issued credit enhanced notes in aggregate amount of US$850 million in May and June 2020, respectively, which were listed on the Hong Kong Stock Exchange. The successful issuance of these notes reduced the financing costs and improved the liability structure of the Group, representing investors' recognition to the overall strength of the Group.

During the reporting period, revenue of the Group was approximately HK$6,094.9 million (for the six months ended 30 June 2019: HK$5,607.9 million). Loss for the period was approximately HK$1,500.8 million (for the six months ended 30 June 2019: profit of HK$9.3 million). The loss was primarily due to the impact of the COVID-19 epidemic ("Epidemic") on the business of the culture and media services segment, and also, as a matter of prudence, the Group made a provision for impairment of the Group's property, plant and equipment and goodwill of the culture and media services and innovative business segments of approximately HK$1,120.7 million. Such impairment was calculated in accordance with 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 audience's demand for watching movies is recovering progressively, and the business environment of the industry will improve gradually. 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 personal care products, the business of the Group will sustain growth in the long run.

Culture and Media Services

Business Review

During the reporting period, revenue of this business segment was approximately HK$158.1 million (for the six months ended 30 June 2019: HK$2,356.8 million). Loss before income tax was approximately HK$1,973.1 million (for the six months ended 30 June 2019: HK$451.1 million). During the reporting period, the provision for impairment of property, plant and equipment and goodwill of this business segment was approximately HK$725.7 million.

Culture and Media Services (Continued)

Business Review (Continued)

Cinema Operation

During the reporting period, according to requirements for Epidemic prevention and control and industry regulatory requirements in all regions in China, all domestic cinemas have been suspended since 24 January 2020. During the reporting period, the national gross box office of the film market amounted to approximately RMB2,084 million (excluding service charges), representing a year-on-year decrease of approximately 92.78%; the total admission of audience was approximately 61 million, representing a year-on-year decrease of approximately 92.46%. At the same time, fixed costs such as employee salaries and cinema rentals were still incurred.

As a result of the foregoing, during the reporting period, the operating income of cinema operation and cinema media advertising decreased significantly as compared to the corresponding period of 2019. The cinema business of this business segment achieved a box office revenue (tax included) of approximately RMB94.40 million (excluding service charges), representing a year-on-year decrease of approximately 94.21%. During the Epidemic, the management of the Company monitored the development of the Epidemic closely and continued to evaluate and adopted the following measures: (1) continue to improve internal management efficiency, accelerate the upgrade of the IT structure and transformation of digitalization of the Group, improve the operation management level of the Group and enhance the competitiveness of the Group as one of the leading cinema operation companies; (2) leverage on internet distribution ecology such as e-commerce platforms and live streaming platforms to expand growth; (3) pay close attention to the supporting policies in relation to the Epidemic of the government and financial institutions, and strive to obtain government subsidies and tax refund to ease the operating pressure during the Epidemic and minimize the adverse impact of the Epidemic; and (4) continue to implement the OMO (Online — Merge — Offline) business model and deepen the "Film +" strategy to enhance precise marketing and personalized consumer satisfaction relying on big data in deepening the behavioral insights of the consumption patterns of audiences, in order to fully prepare for increasing consumer loyalty to the platform after the Epidemic as well as further improving user conversion rates.

Dadi Film

During the reporting period, affected by the Epidemic, the film industry was suspended and the suspension of screenings has brought a significant impact on the film industry. Nevertheless, Dadi Film continued to promote its main business and strived to minimize the impact of the Epidemic.

Culture and Media Services (Continued)

Business Review (Continued)

Dadi Film (Continued)

During the reporting period, Dadi Film continued its strategy for 2019, holding on to its stable content making philosophy and keep striving for room for improvement. It has identified and developed projects with market potential on its own or cooperate with the leading production team in the industry. Dadi Film has strived to develop its project on its own and it has optimized the cooperation with the leading production team to ensure the quality of the output so as to fully prepare for film production after the resumption of work. Dadi Film has also actively explored distribution channels for completed film projects and through new Internet cooperation models.

During the reporting period, the industry of animation contents adjusted its business structure, strategically focused on the in-depth operation of core projects, and continued to maintain a good and stable cooperative relationship with the channels.

Oristar

During the reporting period, the Epidemic has brought unprecedented challenges to the cinema industry and Oristar. However, in the midst of challenges, Oristar captured a rare opportunity of "internal development" in the transformation process. Oristar Technology (HK) Limited and its subsidiaries (collectively referred to as "Oristar") has implemented the positioning of a digital Internet company in the cinema industry, and has deepened and optimized the revenue management platform of the Oristar cloud cinema (Software as a Service ("SaaS")-based cinema digitalization total solution) to provide cinemas complete business support including ticket sales, retail, membership management, membership marketing, cinema operation decision-making support and big data BI (business intelligence) services, and offer complete mobile solutions for consumers and operators in respect of APP, H5, mini programs, etc.

During the reporting period, Oristar completed an "error-free" contactless online system switching for nearly 500 cinemas of the Group, and realized the first "non-inductive" cloud-based upgrade in the domestic cinema industry. Subsequently, the Group completed the switching and transfer of information of certain customers in respect of the revenue management platform product of the Oristar cloud, which have won positive feedback from customers in the industry, reflecting Oristar's spirit of being the first and being innovative as well as its positive industry influence. At the same time, Oristar has further optimized the capabilities of the "Oristar cloud" platform and continued to improve and innovate in terms of empowering cinema marketing, basic revenue management, and in-depth membership operations.

With the continuous expansion of product capabilities and market influence, as at 30 June 2020, Oristar provided services for approximately 1,885 cinemas, covering approximately 11,747 halls in 31 provinces (autonomous regions, municipalities) across China.

Culture and Media Services (Continued)

Prospects

The Epidemic has a huge impact on the China and global cinema industry. We expect that after the Epidemic stabilizes, the supply of high-quality contents will continue to accelerate and the market will recover steadily. In the 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. 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-oriented, integrity, proactive, entrepreneurship, learn-to-grow" to continue the establishment of a film-based platform of culture and entertainment. We will strengthen cooperation with high-quality commercial resources and focus on the provision of excellent content. At the same time, we will strengthen our competitive advantages to provide consumers with a better viewing experience. We emphasize the demand of audience to realize deep cultivation and coordination of the industrial chain. We will continue to make efforts in all aspects of cinema operation business, content business and cinema revenue service, and set an industry benchmark for cinema service.

Property Development

Business Review

During the reporting period, revenue of this business segment was approximately HK$5,386.0 million (for the six months ended 30 June 2019: HK$2,532.9 million) and profit before income tax was approximately HK$2,497.5 million (for the six months ended 30 June 2019: HK$2,387.7 million). The increase of revenue was mainly due to the recognition of the income of Phase 4 of "The Peninsula" during the reporting period.

"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", the project under Nan Hai Development, commands the beautiful landscape of Shenzhen Bay Port. 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 currently. The sale of Phase 4 of "The Peninsula" was launched on 23 April 2019 with the sell through rate reaching 82% on that day. As at 30 June 2020, accumulated sales amounted to approximately RMB7,447 million. The project is currently in the stage of decoration works. 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 first half of 2021.

Property Development (Continued)

Business Review (Continued)

"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 sq.m. 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 almost sold out. The sale of Phases 5 and 6 were launched on 1 December 2018. As at 30 June 2020, a total of 527 flats with an aggregate area of approximately 67,109 sq.m. were sold for sales amount of approximately RMB1,639 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. Currently, famous brands including Dadi Cinema, McDonald's and RT-MART have opened.

Moreover, the Group has created a new model of operation in real estate business and developed quality projects in various ways. The "Jinghu Boulevard" Project sitting to the east of "Free Man Garden" in Guangzhou in which the Group has invested in is currently with an aboveground floor area of approximately 80,000 sq.m. and will be developed into a commercial complex integrating catering, hotel, entertainment, etc. Leveraging on the experience accumulated in the development of "The Peninsula" and "Free Man Garden" projects, the Group is actively exploring strategic cooperation in respect of a number of projects and invest in the construction of various quality projects in order to materialize a steady and sustainable development of the property development business.

During the reporting period, Nan Hai Development also launched a series of measures to respond to the Epidemic, including operation cost control, optimization of the pace of project construction and trial selling of "Free Man Garden" through livestream to ensure the Company's stable operation. At the same time, the outbreak of the Epidemic has also put forward new requirements for the development of the property service industry, and has accelerated the increase of demand for property services. The rational division of internal functional areas, community ancillary facilities, the concept of health inherent in the products and high-quality property services have demonstrated significant values. The property service company of Nan Hai Development has seized the opportunity in this "Epidemic war" to comprehensively improve service quality and capabilities in multiple dimensions such as emergency response, material deployment and innovative technology application, and promote service loyalty and brand value, so as to offer quality life experience.

Property Development (Continued)

Prospects

The Epidemic outbreak in early 2020 has a significant impact on the domestic economic development and the operation of the real estate market in China. Overall, although the economy is facing major challenges, the central policy level maintains real estate regulation and control, and holds on to the unchanged position of "houses are for living but not for speculation (房住不炒)". In order to promote the stable operation of the real estate market, the central and local governments have introduced a number of financial policies and prudent monetary policies to support the real estate industry in certain cities, including lowering the loan prime rate, increasing bank credit support, and encouraging bond and equity financing. In response to the impact of the Epidemic, the national macroeconomic policies have enhanced countercyclical adjustments and local policies have been more flexible. With the improving situation of the Epidemic prevention and control and the orderly progress of resumption of work and production, as well as the release of backlog of housing demand after the Epidemic eases, the real estate market in China continues to recover, especially the land markets in major cities.

As the Epidemic prevention and control work stabilizes, this business segment will focus on the construction of the decoration work of Phase 4 of "The Peninsula", the progress of sales collection and the development of new real estate projects in the second half of 2020. 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 further develop quality projects through commercial real estate, urban renewal, city transformation and upgrade etc. to further optimize the strategic network and comprehensively improve the cost control capability, product creation capability, financing capability and risk control capability, in order to achieve the stable development of the business. Nan Hai Development will also further strengthen its talent development, laying a sound foundation for sustainable development.

Enterprise Cloud Services

Business Review

By virtue of the comprehensive digital marketing, total solutions for digital business and cloud computing infrastructure services offered for corporate clients in China, this segment has assisted the clients to continue the development of digitalization and smart operation with our leading professional capability in the industry. The Group has not only provided standardized enterprise service tools to clients through SaaS service, but also established flexible and scalable product capabilities for the specific needs of enterprises, and collaborated with excellent strategic partners in the industry to establish a service ecosystem covering the entire industry chain. Having made unremitting efforts over time, we possess a multi-dimensional business system involving all industries and all channels and have established a nationwide localized service network, so as to effectively address the problems of "the last kilometer" from SaaS software to corporate clients.

With the rapid development of mobile internet and social media, the enterprises' demand for multi-end and responsive promotion of portal products is increasing. 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 various demands of different clients for portal products in respect of multi-end content display, search engine marketing and social media marketing, as well as domestic and international market promotion. In recent years, the e-commerce area has shown a diversified development trend. Affected by the Epidemic, social e-commerce, community e-commerce and new retail have become the most pressing demands of enterprises. CE Dongli has launched the digitalized e-commerce business in a timely manner, providing its clients with one-stop e-commerce solutions featuring online and offline sales channels for clients to better meet the operation needs of multiple scenarios and channels in the digitalized age. Coupled with 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited, "Xinnet") cloud computing underlying technical support services, clients can better achieve business growth.

During the reporting period, with key subsidiaries CE Dongli and Xinnet as its main business entities, efforts were continuously made in the development of cloud services for corporate digitalization and smart operation by providing comprehensive Infrastructure as a Service ("IaaS"), SaaS application, corporate e-commerce services, "corporate digitalization transformation" total solutions and big database business intelligence cloud service to China market. During the reporting period, revenue of this business segment was approximately HK$412.5 million (for the six months ended 30 June 2019: HK$469.3 million), loss before income tax was approximately HK$3.6 million (for the six months ended 30 June 2019: HK$45.7 million).

Enterprise Cloud Services (Continued)

Business Review (Continued)

CE Dongli

With 20 years' service experience, CE Dongli has successfully developed a SaaS product system that meets the demand for management digitalization from enterprises in China. It has 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 for enterprises in China.

During the reporting period, CE Dongli launched self-service website building products, forming a complete product portfolio from large and medium-sized clients to small clients to meet the different needs of clients of various sizes, and to enhance user experiences while expanding the number of potential users. During the reporting period, nearly 8,000 paid users have developed templates for website building. In the area of industrialized solutions, the launch of the foreign trade portal has been highly recognized by the market with a total of more than 7,000 foreign trade clients. In the digitalized commerce area, CE Dongli has served nearly 10,000 corporate clients (including free and paid clients) through major products such as B2B e-commerce portals and B2C mobile malls, and obtained SaaS subscription income of approximately RMB11 million. CE Dongli continues to commit to product research and development, and the B2C e-commerce system has stable and reliable service capabilities in core transaction and key transaction scenarios. Through the three-party ecological cooperation, the integration of mobile payment, logistics and delivery and other related services has been realized, in order to assist the clients to achieve the comprehensive integration of the information flow, capital flow and logistics of e-commerce business. During the reporting period, the digitalized commercial business has established a client operation team with an aim of assisting the clients in completing the WeChat authentication, payment activation, shop establishment (renovation) and shop marketing and promotion to assist traditional clients to create online and offline one-stop sales channel within a short period of time. In respect of the development of new products, 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 has significantly improved the delivery efficiency of products and laid a solid foundation for integrating more cooperative partners in future.

Enterprise Cloud Services (Continued)

Business Review (Continued)

Xinnet

During the reporting period, Xinnet continued to serve domestic medium, small and micro enterprises through online, direct sales and a nationwide agent channel system. In addition to business such as domain name management, public cloud IaaS, mailbox, etc., it also continues to expand the enterprise market in the area of website building and corporate application services. It continues to enrich the product line in respect of public cloud products, adding products including Redis, RabbitMQ, cloud backup and big data in order to meet the needs of users for PaaS products. The scale of the information center continues to expand. In addition to the existing three regions of Northern China I, II, and Hong Kong, the scale of resources of the public cloud continues to increase by adding three regions in the Northern China, so as to meet the growing business needs. At the same time, in view of the weak technical capabilities and strong business needs of medium, small and micro enterprises, as the first domestic company to propose the concept of enterprise cloud service center, it reaches users with the most direct SaaS application, at the same time covering data products of basic cloud resource, which has become one of the few suppliers in China of overall cloud service product, which assists medium, small and micro enterprises to achieve digital transformation.

Prospects

The management of this business segment considers that in recent years, enterprises in China have been undergoing a process of digital transformation, and the Epidemic will accelerate this process significantly. We believe that as a result of the Epidemic, there will be continuous and significant changes in the lifestyle and consumption habits of consumers. The variety and frequency of online shopping will increase significantly, orders from stores in the community can be placed online with the option of pick-up at the store and home delivery. It will continue to expand its service range and consumer groups. With the smart mobile devices becoming increasingly popular, online shopping will no longer be the privilege of the younger generation, and more elderly will join online shopping. As such, enterprises and retail stores will pay more attention to digital operation capabilities such as online display, online promotion, online transaction and customer relationship maintenance. Enterprises will have increasing needs of portal products that are more convenient, smart, multi-channel, and multi-scenario. Therefore, we will continue to improve our products including self-service website building, full network responsive portal and foreign trade portal, and provide clients with more timely and efficient services.

Enterprise Cloud Services (Continued)

Prospects (Continued)

Faced with the diversified consumption needs and online consumption habits of consumers, traditional retail enterprises are eager to transfer the existing loyal customers from offline to online, and to form an integrated online and offline business model. We noticed that in the process of online digital transformation of traditional retail enterprises, they face practical difficulties such as insufficient professional capabilities, limited capital investment, and lack of operating experience. We will strive to develop and strengthen our localized service capability in order to provide clients with faster, more professional and comprehensive operation services. We are aware that perfect SaaS products and efficient services require the support of new Internet technologies and platforms. Going forward, with an in-depth understanding of the business scenarios of clients in various industries, the Group will assist in the realization of digital transformation for clients in traditional industries based on cloud computing, the middle structure of business (業務中台) and SaaS tools, as well as better prepare for the challenges in the digitalization era and respond to the changes in consumer demands. Furthermore, this segment will increase its investment in data center, 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.

News Media Business

Business Review

There are two business divisions under the news media business, namely "HK01" and "Duowei Media". During the reporting period, revenue of this business segment was approximately HK$40.7 million (for the six months ended 30 June 2019: HK$39.8 million). Loss before income tax was approximately HK$171.8 million (for the six months ended 30 June 2019: HK$209.1 million).

Based in Hong Kong, this business segment has around 780 employees. It is a new idea of combining internet with news media business, aiming at creating an internet lifestyle platform for Hong Kong people. During the reporting period, apart from developing the news media business, this business segment has established doctor searching and health information platform of "ECBook (醫師Easy)", the event platform of "01 Space (01空間)" and the online bookstore of "01 Subscription (01訂閱)", as well as focused on developing membership ecosystem, rebuilding the running service platform of "LetZ Goal (齊動)" and food order platform "eatojoy (e肚仔)". In the first half of 2020, various online and offline events such as "01 Community Market (01社區型活墟)", "Talk Talk Webinar Series (Talk Talk網上講座系列)", "01 Mobility Gamer (快活流動派)" and "Hong Kong Film Voting Campaign (香港電影我撐場)"were organized to provide Hong Kong people with diversified digital lifestyle services featuring news and information with online and offline activities complementing each other.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

News Media Business (Continued)

Business Review (Continued)

During the reporting period, active users of the webpages and mobile applications of this business segment reached 1.9 million on average, representing an increase of nearly 50% as compared to the corresponding period of 2019. In respect of page views, the average number of daily page views of the webpages and mobile applications approached over 37 million, increasing two times as compared to the corresponding period of 2019. Page views of "HK01" exceeded 45 million at the peak. As at 30 June 2020, the number of members of this business segment was nearly 1.3 million, nearly doubling over the corresponding period of 2019. Affected by the Epidemic, the overall advertising market in Hong Kong is sluggish. However, during the Epidemic, online advertising increased significantly. During the reporting period, the income from display advertising of "HK01" maintained double-digit growth, especially, the income from mobile applications increased by more than 140%. With high quality news reports, this business segment achieved remarkable results by winning a number of news awards, including four US Telly Awards, four Business Journalism Awards and various photography awards.

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 finance, social news and lifestyle articles to reach a wider audience. Due to the Epidemic, the awareness of health management of Hong Kong people has increased, which offered an opportunity for the development of the health information platform "ECBook (醫師Easy)". In the future, we will continue to promote the development of the membership economy, establishing ourselves as a leading internet lifestyle platform in Hong Kong.

Innovative Business

During the reporting period, revenue of this business segment was approximately HK$58.0 million (for the six months ended 30 June 2019: HK$166.5 million) and loss before income tax was approximately HK$499.0 million (for the six months ended 30 June 2019: HK$185.1 million). The loss was mainly due to the provision for impairment of property, plant and equipment and goodwill of approximately HK$395.0 million.

Business Review

In 2019, Crabtree & Evelyn completed restructuring and shed all of its traditional retail stores (except in Mexico) and shifted its manufacturing and distribution to third party suppliers. After the business restructuring in 2019, the cost structure of Crabtree & Evelyn has been improved, and a new business model and product portfolio had been launched in the second half of 2019. During the reporting period, Crabtree & Evelyn continued to focus on executing its digital business strategy. Its new product portfolio is recognized by customers with a weekly compound growth rate of approximately 5% on the sales of its new product portfolio, and in excess of 20% of sales from repeat customers. At the same time, Crabtree & Evelyn's database of registered customers has grown at a weekly compound growth rate of approximately 6%.

Innovative Business (Continued)

Prospects

The growth of Crabtree & Evelyn's new product portfolio and new customer acquisition are driven by sustainable organizational capabilities in product development, social storytelling, and e-commerce. In the second half of 2020, Crabtree & Evelyn plans to launch a major range of new products based on proprietary global explorations as well as a customized gifting program for the holiday season. Social media will be expanding onto more platforms such as Pinterest and Youtube. The completion of product registrations will allow Crabtree & Evelyn to launch its products on e-commerce platforms in China.

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2020, net assets attributable to the owners of the Company amounted to approximately HK$3,108.6 million (31 December 2019: HK$4,696.0 million), including cash and bank balances of approximately HK$12,906.9 million (31 December 2019: HK$11,720.6 million) which were mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 30 June 2020, the Group's aggregate borrowings were approximately HK$19,885.9 million (31 December 2019: HK$18,853.0 million), of which approximately HK$13,433.2 million (31 December 2019: HK$10,625.9 million) were bearing interest at fixed rates while approximately HK$6,452.7 million (31 December 2019: HK$8,227.1 million) were at floating rates. The Group has not taken any interest rate hedge currently.

As at 30 June 2020, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt was approximately 66.50% (31 December 2019: 57.40%).

As at 30 June 2020, the capital commitment of the Group was approximately HK$333.3 million (31 December 2019: HK$525.9 million), of which approximately HK$16.0 million would be used for the renovation of the owned properties, approximately HK$37.7 million would be used as capital expenditures for the expansion of its cinema business, approximately HK$279.6 million would be used for property development.

As at 30 June 2020, the Group's contingent liabilities were approximately HK$21.3 million in connection with the guarantees given to secure credit facilities (31 December 2019: HK$21.1 million).

As at 30 June 2020, 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$15,580.8 million (31 December 2019: HK$15,083.3 million) were pledged to secure the credit facilities granted to the Group. In addition, equity investments with a carrying value of approximately HK$212.7 million (31 December 2019: trading securities of HK$200,000) and certain shares of several subsidiaries were pledged and bank accounts were charged for securing the Group's credit facilities.

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 Group's borrowings were primarily denominated in US dollars and Renminbi, it was exposed to foreign exchange risk. The Group will 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 Group employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave, etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 30 June 2020, the Group had approximately 11,979 employees (30 June 2019: 20,081 employees). The total salaries of and allowances for employees for the six months ended 30 June 2020 were approximately HK$772.8 million (for the six months ended 30 June 2019: HK$1,074.7 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 8 May 2020 and 11 June 2020, Amber Treasure Ventures Limited, a wholly-owned subsidiary of the Company, successfully completed the issuance of two tranches of credit enhanced notes due in 2022 with an amount of US$500,000,000 bearing an interest rate of 3.50% per annum and an amount of US$350,000,000 bearing an interest rate of 2.90% per annum, respectively. Such notes are listed on the Hong Kong Stock Exchange.

As stated in the announcements of the Company dated 25 May 2017 and 21 July 2017, Amber Treasure Ventures Limited issued two tranches of credit enhanced notes due in 2020 with an amount of US$500,000,000 bearing an interest rate of 3.00% per annum and an amount of US$400,000,000 bearing an interest rate of 3.15% per annum (the "2017 Notes"), respectively. Such notes are listed on the Hong Kong Stock Exchange. Amber Treasure Ventures Limited has fully repaid the outstanding principal and accrued interest of the 2017 Notes due on 25 May 2020 and 21 July 2020, respectively.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company (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 management the accounting principles and practices adopted by the Group, the unaudited interim results for the six months ended 30 June 2020, and discussed the financial control, internal control and risk management systems.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.nanhaicorp.com). The 2020 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 26 August 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