Hailan Holdings Limited
海藍控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2278)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Director(s)**") of Hailan Holdings Limited (the "**Company**") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively known as the "**Group**") for the six months ended 30 June 2017 (the "**Period**"), together with the comparative figures for the corresponding period in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Turnover	*4*	**823,078**	779,318
Cost of sales		**(500,910)**	(562,659)
Gross profit		**322,168**	216,659
Net valuation gain on investment properties	*10*	**–**	379
Other income		**401**	–
Selling and distribution expenses		**(30,428)**	(39,543)
Administrative expenses		**(26,537)**	(41,282)
Other expenses		**–**	(4,260)
Profit from operations		**265,604**	131,953
Net finance costs	*6(a)*	**(14,355)**	(34,423)
Profit before taxation		**251,249**	97,530
Income tax	*7*	**(162,925)**	(93,560)
Profit for the period		**88,324**	3,970
Attributable to:			
Equity shareholders of the Company		**75,299**	9,043
Non-controlling interests		**13,025**	(5,073)
Profit for the period		**88,324**	3,970
Earnings per share			
Basic and diluted (RMB)	*8*	**0.25**	0.04

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME(CONTINUED)

for the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit for the period	**88,324**	3,970
Other comprehensive income for the period (after tax)		
Item that will not be reclassified to profit or loss:		
– Exchange differences on translation of financial statements of the Company	**(6,960)**	–
Other comprehensive income for the period	**(6,960)**	–
Total comprehensive income for the period	**81,364**	3,970
Attributable to:		
Equity shareholders of the Company	**68,339**	9,043
Non-controlling interests	**13,025**	(5,073)
Total comprehensive income for the period	**81,364**	3,970

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 – unaudited
(Expressed in Renminbi Yuan)

	Note	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	9	**47,478**	49,367
Investment properties	10	**26,400**	172,600
Intangible assets		**747**	815
Deferred tax assets		**89,444**	87,815
		164,069	310,597
Current assets			
Properties under development	11	**3,080,204**	2,333,986
Completed properties held for sale	11	**889,127**	1,807,600
Trade and other receivables	12	**212,554**	174,634
Current tax assets		**217,236**	72,208
Available-for-sale financial assets	13	**190,000**	100,000
Restricted cash	14	**32,970**	14,635
Cash and cash equivalents	15	**354,909**	451,182
		4,977,000	4,954,245
Total assets		**5,141,069**	5,264,842
Current liabilities			
Trade and other payables	16	**2,421,403**	1,828,823
Loans and borrowings	17	**–**	272,511
Current tax liabilities	18	**421,050**	238,919
		2,842,453	2,340,253
Net current assets		**2,134,547**	2,613,992
Total assets less current liabilities		**2,298,616**	2,924,589
Non-current liabilities			
Loans and borrowings	17	**–**	701,342
Deferred tax liabilities		**529,738**	534,733
		529,738	1,236,075
NET ASSETS		**1,768,878**	1,688,514
CAPITAL AND RESERVES			
Share capital		**2,585**	2,585
Reserves		**1,744,716**	1,751,676
Accumulated losses		**(310,089)**	(385,388)
Total equity attributable to equity shareholders of the Company		**1,437,212**	1,368,873
Non-controlling interests		**331,666**	319,641
TOTAL EQUITY		**1,768,878**	1,688,514

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000	Exchange reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2016		10,359	–	1,416,339	85,156	(420,828)	–	1,091,026	294,656	1,385,682
Changes in equity for the six months ended 30 June 2016:										
Profit and total comprehensive income for the period		–	–	–	–	9,043	–	9,043	(5,073)	3,970
Arising from re-organization		(10,359)	–	(24,757)	–	(1,788)	–	(36,904)	36,904	–
Equity settled share-based transactions	19(b)	–	–	–	–	1,788	–	1,788	1,788	3,576
Balance as at 30 June 2016 and 1 July 2016		–	–	1,391,582	85,156	(411,785)	–	1,064,953	328,275	1,393,228
Changes in equity for the six months ended 31 December 2016:										
Profit for the period		–	–	–	–	55,969	–	55,969	(11,895)	44,074
Other comprehensive income		–	–	–	–	–	8,575	8,575	–	8,575
Total comprehensive income		–	–	–	–	55,969	8,575	64,544	(11,895)	52,649
Arising from re-organization		–	–	–	–	79	–	79	(79)	–
Capitalization issue		1,939	(1,939)	–	–	–	–	–	–	–
Issue of ordinary shares by initial public offering ("IPO"), net of issuance costs		646	238,730	–	–	–	–	239,376	–	239,376
Equity settled share-based transactions	19(b)	–	–	–	–	(79)	–	(79)	3,340	3,261
Appropriation to statutory reserves		–	–	–	29,572	(29,572)	–	–	–	–
Balance as at 31 December 2016		2,585	236,791	1,391,582	114,728	(385,388)	8,575	1,368,873	319,641	1,688,514
Balance as at 1 January 2017		2,585	236,791	1,391,582	114,728	(385,388)	8,575	1,368,873	319,641	1,688,514
Changes in equity for the six months ended 30 June 2017:										
Profit for the period		–	–	–	–	75,299	–	75,299	13,025	88,324
Other comprehensive income		–	–	–	–	–	(6,960)	(6,960)	–	(6,960)
Total comprehensive income		–	–	–	–	75,299	(6,960)	68,339	13,025	81,364
Equity settled share-based transactions	19(b)	–	–	–	–	–	–	–	(1,000)	(1,000)
Balance as at 30 June 2017		2,585	236,791	1,391,582	114,728	(310,089)	1,615	1,437,212	331,666	1,768,878

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**1,248,056**	388,748
Tax paid		**(133,925)**	(80,235)
Net cash generated from operating activities		**1,114,131**	308,513
Investing activities			
Payment for the purchase of property, plant and equipment		**(32)**	(131)
Payment for purchase of available-for-sale financial assets		**(530,000)**	–
Receipt from redemption of available-for-sale financial assets		**440,000**	–
Other cash flows arising from investing activities		**4,086**	11,135
Net cash (used in)/generated from investing activities		**(85,946)**	11,004
Financing activities			
Dividends paid		**–**	(489,630)
Proceeds from new bank loans		**–**	769,000
Repayment of bank loans		**(980,000)**	(300,000)
Repayment of loan interest		**(15,261)**	(54,021)
Net cash returned to Zhong Hui Nanjing	*22(b)*	**–**	(328,019)
Net cash (returned to)/borrowed from Nanjing San Long	*22(b)*	**(134,700)**	31,325
Decrease/(increase) in restricted cash		**12,463**	(3)
Net cash used in financing activities		**(1,117,498)**	(371,348)
Net decrease in cash and cash equivalents		**(89,313)**	(51,831)
Cash and cash equivalents as at 1 January	*15*	**451,182**	142,991
Effect of foreign exchange rate changes		**(6,960)**	–
Cash and cash equivalents at end of the period	*15*	**354,909**	91,160

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

Hailan Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 31 August 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The reorganization of the Company and its subsidiaries (together referred to as "**Group**") was completed on 8 April 2016 and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2016 (the "**Listing**"). The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains 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 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board (the "**Board**") of directors of the Company (the "**Director(s)**") on 29 August 2017. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

4 SEGMENT REPORTING

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the reporting format for the purposes of this interim financial report of the Group. For management purposes, the Group is organized into business units based on the line of reporting, and has two reportable operating segments as follows:

I. Development projects (excluded Danzhou phase I but including Danzhou phase II)

All of the Group's development projects refer to the development and sales of residential property units conducted in Hainan province.

II. Danzhou phase I

Danzhou phase I project refers to the development and sales of residential property units conducted under phase I of Danzhou Shuang Lian Property Development Co., Ltd. in Hainan province.

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes". To arrive at adjusted EBIT, the Group's earning are further adjusted for items not specifically attributed to individual segments, such as listing expenses and other non-operating items.

(a) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Development Projects		**Danzhou Phase I**		**Total**	
For the six months ended	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**728,109**	756,681	**94,969**	22,637	**823,078**	779,318
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**728,109**	756,681	**94,969**	22,637	**823,078**	779,318
Reportable segment gross profit	**309,635**	212,278	**12,533**	4,381	**322,168**	216,659
Reportable segment profit/(loss) (adjusted EBITDA)	**258,757**	149,612	**6,446**	(258)	**265,203**	149,354
As at 30 June/31 December						
Reportable segment assets	**4,846,299**	4,865,950	**322,455**	398,892	**5,168,754**	5,264,842
Including:						
Cash and cash equivalents	**350,687**	448,485	**4,222**	2,697	**354,909**	451,182
Properties under development	**3,080,204**	2,333,986	**–**	–	**3,080,204**	2,333,986
Completed properties	**638,164**	1,476,732	**250,963**	330,868	**889,127**	1,807,600
Reportable segment liabilities	**3,142,909**	3,244,055	**256,967**	332,273	**3,399,876**	3,576,328
Including:						
Loans and borrowings	**–**	973,853	**–**	–	**–**	973,853
Trade and other payables	**2,184,644**	1,509,171	**236,759**	319,652	**2,421,403**	1,828,823

(b) *Reconciliation of reportable segment profit or loss*

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Reportable segment profit	**265,203**	149,354
Elimination of inter-segment profits	**–**	–
Reportable segment profits derived from Group's external customers	**265,203**	149,354
Other income	**401**	–
Listing expenses	**–**	(13,141)
Other expenses	**–**	(4,260)
Net finance costs	**(14,355)**	(34,423)
Consolidated profits before taxation	**251,249**	97,530

5 SEASONALITY OF OPERATION

The Group's results of operations tend to fluctuate from period to period. The number of properties that the Group develops, completes or delivers during any particular period is limited due to the substantial amount of capital required for land/project acquisition, preparation and resettlement in advance of actual development because of the lengthy development cycle during which the development itself takes place. Seasonal variations have, in addition, caused significant fluctuations in pre-sales and sales.

As the result of these and other factors, the Group's cash flow, revenue, and profit will fluctuate from period to period and the results of operations for any interim period may not be indicative of the Group's actual annual results or results of the Group's development projects.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) *Net finance costs*

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest on borrowings	**21,409**	46,647
Less: Interest expenses capitalized into properties under development	**(2,978)**	(11,984)
Sub-total	**18,431**	34,663
Less: Interest income	**(4,076)**	(240)
Net finance costs	**14,355**	34,423

(b) *Other items*

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Depreciation	**1,593**	1,773
Amortisation	**68**	20
Auditor's remuneration	**871**	890
Staff costs	**6,563**	10,793

7 INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax ("**CIT**") for the period	**68,562**	58,820
Over-provision in respect of prior years	**–**	(14,517)
PRC land appreciation tax ("**LAT**") for the period	**100,987**	72,590
Sub-total	**169,549**	116,893
Deferred taxation		
Origination and reversal of temporary differences	**(6,624)**	(22,643)
Reversal of LAT provision	**–**	(690)
Sub-total	**(6,624)**	(23,333)
Total income tax expenses	**162,925**	93,560

The provision for PRC CIT is calculated by applying the estimated annual effective tax rate of 25% (2016: 25%) to the six months ended 30 June 2017. The Group is not subject to any income tax or profit tax in the BVI, Cayman Islands and Hong Kong.

LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

8 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB75,299,000 and the weighted average number of 300,000,000 shares during the six months ended 30 June 2017.

For six months ended 30 June 2016, the calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB9,043,000 and the weighted average number of 225,000,000 shares during the six months ended 30 June 2016. The weighted average number of shares comprises 1,000 shares in issue at 30 June 2016 and 224,999,000 shares issued pursuant to the capitalisation issue which took place in connection with the Company's listing of its shares on the Stock Exchange on 15 July 2016 as if the shares were outstanding throughout the entire six months ended 30 June 2016.

There were no dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016 and, therefore, diluted earnings per share are the same as the basic earnings per share.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired certain equipment with a cost of RMB32,000 (six months ended 30 June 2016: RMB132,000). The Group also disposed of certain items with carrying value of RMB10,000 during the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

10 INVESTMENT PROPERTIES

As at 31 December 2016, the Group's investment properties included certain apartments leased to a hotel management company, and certain car parks leased to individuals.

During the six months ended 30 June 2017, the Group engaged sales agents to promote the selling of the above apartments. As a result of the actual change of use, the Group transferred certain investment properties into complete properties held for sale at a total carrying value of RMB166,000,000. Furthermore, during the six months ended 30 June 2017, the Group has signed car park lease contracts with its customers. As a result of the actual change of use, the Group transferred certain properties under development into investment properties with a total fair value of RMB19,800,000. The total carrying amount of these car parks at the date of transfer was RMB5,789,000. A gain on revaluation upon transfer of RMB14,011,000 (six months ended 30 June 2016: RMB379,000) and the related deferred tax thereon of RMB3,503,000 (six months ended 30 June 2016: RMB90,000) have been recognized in the profit or loss as revenue.

The valuations of the leased car parks were carried out at 31 December 2016 by the Group's independent valuer using the income capitalization approach. As the management believes there is no material change of fair value per car park from 31 December 2016 to 30 June 2017, no independent valuation of investment properties were performed on 30 June 2017.

As at 31 December 2016, the Group's investment properties were pledged as collaterals for certain bank loans granted to the Group and such pledge has been released during the six months ended 30 June 2017.

11 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

During the six months ended 30 June 2017, completed properties held for sale of RMB500,910,000 (six months ended 30 June 2016: RMB562,659,000), being the cost of the properties sold, has been recognised as an expense in profit or loss during the period.

As at 31 December 2016, certain of the Group's property under development and completed properties held for sale were pledged as collaterals for certain bank loans granted to the Group and such pledge was released during the six months ended 30 June 2017.

12 TRADE AND OTHER RECEIVABLES

As of the end of the Period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	Note	**As at 30 June 2017** *RMB'000*	As at 31 December 2016 *RMB'000*
Within 1 year		**5,774**	2,873
1 to 2 years		**112**	776
2 to 3 years		**511**	406
Over 3 years		**33**	–
Trade debtors and bills receivable		**6,430**	4,055
Non-trade receivables			
– Due from third parties		**78,551**	100,561
– Due from related parties	*22(c)*	**16,233**	–
Advance payments to contractors			
– To third party contractors		**35,207**	41,695
– To related party contractors	*22(c)*	**6,313**	1,812
Prepaid value-added-tax and other taxes		**69,820**	26,511
Total		**212,554**	174,634

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as at 30 June 2017 and 31 December 2016 represented wealth management products purchased from banks. The products were matured and fully redeemed in July 2017.

14 RESTRICTED CASH

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Pledged for		
– Properties under development	**32,970**	2,172
– Bank loans	**–**	12,463
	32,970	14,635

15 CASH AND CASH EQUIVALENTS

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Cash at bank and in hand		
– Cash on hand	**8**	91
– Cash at bank	**354,901**	451,091
	354,909	451,182

16 TRADE AND OTHER PAYABLES

As of the end of the Period, the ageing analysis of trade payables based on the date the trade payables are recognized, is as follows:

	Note	**As at 30 June 2017** ***RMB'000***	As at 31 December 2016 *RMB'000*
Within 3 months		**349,107**	482,120
3 to 6 months		**1,481**	45,837
6 to 12 months		**95,363**	55,217
Over 12 months		**208,730**	180,786
Total trade payables		**654,681**	763,960
Receipts in advance		**1,175,729**	463,312
Accrued payroll		**2,077**	2,441
Other payables and accruals		**145,223**	206,194
Non-trade amounts due to related parties	*22(c)*	**23,452**	141,894
Guarantee deposits	*(i)*	**420,241**	251,022
		2,421,403	1,828,823

Note:

(i) As at 30 June 2017, the Group had granted exclusive right to sales agencies for promoting certain completed properites, and had received RMB420,241,000 in total as guarantee deposits (31 December 2016: RMB251,022,000).

17 LOANS AND BORROWINGS

As at 30 June 2017, the Group's bank loans and loans from other financial institutions were repayable as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Current		
Secured		
– Bank loans		
Current portion of non-current bank loans	–	272,511
	–	272,511
Non-current		
Secured		
– Bank loans	–	408,853
– Other borrowings	–	565,000
Less: Current portion of non-current bank loans	–	(272,511)
	–	701,342
	–	973,853

As at 31 December 2016, the bank loans and other borrowings bear annual interest ranging from 4.13% to 6.89%, and they were secured by the following assets:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Investment properties	–	115,253
Properties under development	–	573,285
Completed properties held for sale	–	693,045
Restricted cash	–	12,463
	–	1,394,046

The pledges were released as at 30 June 2017.

18 CURRENT TAX LIABILITIES

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Current PRC corporate income tax payable	**245,382**	122,657
Current land appreciation tax payable	**175,668**	116,262
	421,050	238,919

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board does not recommend the distribution of a final dividend in respect of the previous financial year or any interim dividend for the six months ended 30 June 2017 (six month ended 30 June 2016: nil).

(b) Equity settled share-based transactions

On 5 January 2016, share options of purchasing 17.5% of the equity interest of Sanya Hui Xin Trading Company Limited ("**Sanya Hui Xin**"), one of the subsidiaries of the Group, was granted for nil consideration to employees of the Group under the Group's pre-IPO share incentive scheme. There were no new share options granted in the six months ended 30 June 2017.

20 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Contracted but not provided for	**217,702**	273,925
Authorised but not contracted for	**6,790,467**	6,885,685

21 CONTINGENT LIABILITIES

(a) Guarantees in respect of mortgage facilities

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the bank receiving the required evidence of mortgage over the relevant property in favor of the bank and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of the reporting period was as follows:

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**578,965**	247,737

The Directors consider that it is not probable that the Group will sustain a loss under these guarantees during the periods of guarantee, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Directors also consider that the fair market value of the underlying properties is adequate to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default in their payments to the banks.

The Group has not recognized any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors.

(b) Litigations

As at 30 June 2017, the Group is a defendant in a lawsuit arising in the ordinary course of business. While the outcomes of such lawsuit cannot be determined at present, the management believes that any resulting liabilities will not have a material adverse effect on the financial position or financial performance of the Group.

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of parties	Relationship with the Group
Nanjing Huizhi Construction Installation Engineering Co., Ltd. ("**Nanjing Huizhi**")	Entities controlled by controlling shareholder
Nanjing Zhonghui Construction Engineering Co., Ltd. ("**Nanjing Zhonghui Construction**")	Entities controlled by controlling shareholder
Zhonghui (Nanjing) Property Development Co., Ltd. ("**Zhong Hui Nanjin**")	Entities controlled by controlling shareholder
Nanjing Diken Engineering Design Consultancy Co., Ltd. ("**Nanjing Diken**")	Entities controlled by controlling shareholder
Leshan Hui Zhi Technology Development Co., Ltd. ("**Leshan Huizhi**")	Entities controlled by controlling shareholder
Chung Wai (Jiangsu) Decoration Park Project Company Limited ("**Chung Wai (Jiangsu)**")	Entities controlled by controlling shareholder
Nanjing Hengjida Engineeting Design Consultancy Company Limited ("**Nanjing Hengjida**")	Entities controlled by controlling shareholder
Lian Yun Gang Hui Neng Foundation Construction Engineering Co., Ltd. ("**Lian Yun Gang Hui Neng**")	Entities controlled by controlling shareholder
Nanjing Maoheng Engineering Design Consultancy Company Limited ("**Nanjing Maoheng**")	Entities controlled by controlling shareholder
Nanjing Tianhui Tongda Corporate Planning Consultation Co., Ltd. ("**Nanjing Tianhui**")	Entities controlled by controlling shareholder
Nanjing Huiyao Decoration Construction Co., Ltd. ("**Nanjing Huiyao**")	Associate of a Group controlled by the controlling shareholder
Nanjing San Long Cement Company Limited ("**Nanjing San Long**")	Minority shareholder

(b) Transactions with related parties:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Advertisement and consultancy services *(Note (i))*	**–**	98
Construction and consultancy services *(Note (ii))*	**164,127**	11,533
Funding arrangements with shareholders *(Note (iii))*	**(134,700)**	(296,694)

(i) Advertisement and consultancy services

During the Period, the Group received advertisement and consulting services from the following related party:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Nanjing Tianhui	**–**	98

(ii) Construction and consultancy services

During the Period, the Group received construction services from the following related parties:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Nanjing Huizhi	**164,127**	10,612
Nanjing Huiyao	**–**	921
Total	**164,127**	11,533

(iii) Funding arrangements with shareholders

During the Period, the Group had funding arrangements (to)/from the following shareholders, the net cash (outflows)/inflows of which are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Zhong Hui Nanjing	**–**	(328,019)
Nanjing San Long	**(134,700)**	31,325
Total	**(134,700)**	(296,694)

(c) Balances with related parties

Balances with related parties as at 31 December 2016 and 30 June 2017 are detailed as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Advance payments:		
Nanjing Huizhi	**5,576**	1,075
Nanjing Hengjida	**737**	737
Total	**6,313**	1,812

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Non-trade receivables:		
Nanjing San Long	**16,233**	–

Amounts due to related parties

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Trade related:		
Nanjing Huizhi	**244,896**	117,831
Nanjing Maoheng	**–**	943
Nanjing Tianhui	**–**	4,978
Lian Yun Gang Hui Neng	**21,237**	21,541
Nanjing Hengjida	**–**	3,236
Chung Wai (Jiangsu)	**1,426**	1,426
Nanjing Zhonghui Construction	**–**	1,422
Nanjing Diken	**–**	1,236
Leshan Huizhi	**50**	50
Nanjing Huiyao	**1,385**	420
Total	**268,994**	153,083

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Non-trade related:		
Other payables due to:		
Nanjing San Long	**23,452**	141,894
Total	**23,452**	141,894

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 1 August 2017, the Company subscribed for the financial investment management products issued by Wing Lung Asset Management Limited at a total consideration of HKD249 million, comprising HKD62 million in Wing Lung Ortus Fund, HKD25 million in Discretionary Segregated Managed Accounts (Equity) and HK 162 million in Discretionary Segregated Managed Accounts (Fixed Income) respectively. Neither the principal nor the interests were guaranteed, and the investments could be redeemed upon giving 15-30 days of notice in advance.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for the annual periods beginning 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("**FVTPL**") and (3) fair value through other comprehensive income ("**FVTOCI**") as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) ***Impairment***

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) ***Timing of revenue recognition***

Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

HKFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's has no future lease payments under non-cancellable operating leases for properties and other assets. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the business review and prospects of the Group for the six months ended 30 June 2017.

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2017

In the first half of 2017, China's gross domestic product grew by 6.9% year-on-year, exhibiting an overall stable and improving economy. The Central Economic Work Conference stressed that houses are for living in, and we should speed up the construction of a housing system "giving equal weight to housing selling and renting" and deepen the land and population reforms. In response, local governments, especially those in major cities, all at once introduced strict regulatory measures and policies and tightened financial regulation on the real estate market to curb speculation in real estate investment, resulting in increasingly widespread restrictions on house purchases, mortgage loans and housing prices. As for land supply, land transfer restrictions in major cities have been heightened. As the haze problem in North China worsens and the tropical land resources for recreational purposes in Hainan Province become increasingly scarce, the bidding thresholds for the lands in retiree-favored cities including Sanya and Danzhou have risen.

For the six months ended 30 June 2017, contracted sales of the Group amounted to RMB1.457 billion, representing a growth of 94.0% over last year. Contracted sales gross floor area was approximately 56,007 square meters, representing a growth of 58.3% over the corresponding period last year. The average selling price was about RMB26,015 per square meter, representing an increase of about 22.6% year-on-year. For the six months ended 30 June 2017, the turnover was RMB823.1 million and the profit attributable to equity shareholders was approximately RMB75.3 million, representing an increase of approximately 736.7% over the same period in 2016.

As enterprises are encouraged to de-lever under the tightening financial regulation on domestic real estate market, the Company quickly optimized its debt structure to further lower its overall borrowing costs by 54%.

The Company always commits itself to building high-quality houses for customers by constantly improving housing quality, and proactively fulfills its social responsibility as a corporate citizen. To this end, the Company employs only solar heating system to reduce the reliance on natural non-renewable resources; adopts dry installation of aluminum alloy doors and windows to enhance waterproof performance and uses double-layer insulating glass to reduce heat transfer and improve sound insulation and noise reduction performance; and only uses finished expandable polystyrene mouldings that are light, highly flexible and easy for industrialized production to reduce on-site wet construction and pollution, improve construction results and make it more energy-efficient and environmentally friendly. All these processes will be subject to not only the national standards but also rigorous testing process. The construction enterprise and the supervisory entity will examine 100% and 50% of the works concerned respectively to ensure engineering quality. The quality issues are managed unit by unit by keeping quality records by unit to realize greater traceability. In terms of design, Sanya Phoenix Aqua City took the initiative to create French-style villa products in Sanya. Such products have varied lines on exterior walls and appear elegant and noble in shape, showcasing a grand and solemn architectural style. The landscape layout of these villas is carefully planned and crafted, involving the use of large quantities of precious trees from South China to interweave with different layers of plants, thereby creating a perfect five-tier landscape to enhance customer satisfaction.

PROSPECTS FOR THE SECOND HALF OF 2017

We are aware that the economy of the Mainland China may be slowing down in the second half of 2017 or in early 2018. As for the global economy, challenges may still abound in the second half of 2017 as there are a variety of geopolitical uncertainties and the global market is sensitive to the rate hike in the United States and the Federal Reserve's monetary policy changes.

With regard to the property market in the Mainland China, regulators will continue to implement different policies to rein in high housing demand and cool the overheated real estate market, with a view to restoring the market to health and stability.

The Board will continue to implement the established strategy of the Group prudently with a focus on high-end property development in tourist areas. To this end, it will act as an excellent developer and keep the development of the times in mind to expand its presence in the property markets in Haikou and Danzhou and shape up new landscapes in such cities, so as to solidify the Group's sound financial position, diversify its income sources and benefit the Group and all its shareholders.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude on behalf of the Board to all our staff for their hard work, and my heartfelt thanks to investors, customers and business partners for their strong support to the Group.

Zhou Li
Chairperson

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the six months ended 30 June 2017, the revenue and gross profit of the Group were approximately RMB823.1 million and approximately RMB322.2 million, representing an increase of approximately 5.6% and 42.5% as compared with the corresponding period of 2016, respectively. Profit for the six months ended 30 June 2017 attributable to the equity shareholders was approximately RMB75.3 million, representing an increase of approximately 736.7% as compared with the corresponding period of 2016. Basic earnings per share were RMB25.0 cents (the corresponding period of 2016: RMB4.0 cents).

Performance Highlights	**For the six months ended 30 June**		
	2017	2016	Changes
Contracted sales *(RMB million)*[3]	**1,457.0**	751.1	94.0%
Contracted saleable gross floor area ("**GFA**") *(sq.m.)*[2,3]	**56,007**	35,386	58.3%
Contracted average selling price ("**ASP**") *(RMB/sq.m.)*[2,3]	**26,015**	21,226	22.6%
Revenue[1] *(RMB million)*	**823.1**	779.3	5.6%
Among which: sales of properties			
– Revenue from properties delivered *(RMB million)*[1]	**806.4**	777.3	3.7%
– GFA of properties delivered *(sq.m.)*	**42,938**	46,859	-8.4%
– ASP of properties delivered *(RMB/sq.m.)*	**18,780**	16,590	13.2%
Rental income *(RMB million)*[1]	**2.7**	2.0	35.0%
Fair value revaluation income *(RMB million)*[1]	**14.0**	0	100.0%
Gross profit *(RMB million)*	**322.2**	216.7	48.7%
Profit for the Period			
– Attributable to shareholders *(RMB million)*	**75.3**	9.0	736.7%
– Attributable to non-controlling interests *(RMB million)*	**13.0**	(5.1)	-354.9%

	30 June 2017	31 December 2016	Change
Total assets *(RMB million)*	**5,141.1**	5,264.8	-2.3%
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits) (RMB million)	**387.9**	465.8	-16.7%
Total bank and other borrowings *(RMB million)*	**0**	973.8	-100.0%
Total equity *(RMB million)*	**1,768.9**	1,688.5	4.8%
Key financial ratios			
Gross profit margin[4]	**39.1%**	27.8%	40.6%
Net debt to equity ratio[5]	**-21.9%**	30.1%	-172.8%
Debt to assets ratio[6]	**65.6%**	67.9%	-3.4%

Notes:

1. Representing the amount of income after deduction of business tax and other sales related taxes.

2. Excluding the GFA of car parking spaces.

3. Pursuant to the agreement between the shareholders of Danzhou Shuang Lian Properties Development Company Limited ("**Danzhou Shuang Lian**"), one of the shareholders of Danzhou Shuang Lian shall continue to manage, develop and undertakes fully the risk and reward of phase I of the development project located at Danzhou ("**Danzhou Phase I**"). The acquisition of Danzhou Shuang Lian has been accounted for as a business combination with Danzhou Shuang Lian fully combined into our Group's combined financial statements from the date of acquisition. As the Group does not share any risks and rewards relating to Danzhou Phase I pursuant to the abovementioned agreement, the net profit or loss, net assets or liabilities arising from Danzhou Phase I are wholly attributable to the non-controlling interests in the Group's combined statements of profit or loss and other comprehensive income and the combined statements of changes in equity. Contracted sales of Danzhou Phase I is excluded in this analysis for discussion purpose.

4. Gross profit margin: Gross profit ÷ revenue × 100%

5. Net debt to equity ratio: (Total bank and other borrowings – cash and bank balances) ÷ total equity × 100%

6. Debt to asset ratio: Total liabilities ÷ total assets

PROPERTY DEVELOPMENT

Contracted sales

For the six months ended 30 June 2017, the Group recorded contracted sales of approximately RMB1,457.0 million, representing a significant increase of approximately 94.0% as compared with approximately RMB751.1 million in the corresponding period of 2016. The contracted saleable GFA was 56,007 sq.m. in the first half of 2017, representing an increase of approximately 58.3% as compared with 35,386 sq.m. in the corresponding period of 2016. The ASP of contracted sales for the six months ended 30 June 2017 was RMB26,015 per sq.m., representing an increase of approximately 22.6% as compared with RMB21,226 per sq.m. in the corresponding period of 2016. The increases were mainly due to serious haze weather in North China towards the end of 2016, promulgation of strict limitations on purchase of commodity housing and mortgage loan in the first and second tiers cities and rare tropical leisure and retirees-favored resort resources in Sanya.

REVENUE FROM SALES OF PROPERTIES

For the six months ended 30 June 2017, the revenue from sales of properties amounted to approximately RMB806.4 million, representing an increase of approximately 3.7% as compared with approximately RMB777.3 million in the corresponding period of 2016 and accounting for 97.9% of the total revenue. GFA delivered decreased by approximately 8.4% to 42,938 sq.m. for the six months ended 30 June 2017 from 46,859 sq.m. in the corresponding period of 2016. It was primarily attributable to the promulgation of limitation on purchase of commodity housing in the Hainan Province and fierce competition among the peers in 2017. The ASP of property delivered for the six months ended 30 June 2017 was RMB18,780 per sq.m., representing an increase of 13.2% as compared with the corresponding period. As a result, the overall revenue increased by 3.7% as compared with the corresponding period.

Completed projects held for sale

During the first six months of 2017, the Group has not registered any newly completed properties.

Projects held for future development and projects under development

As at 30 June 2017, the Group had a total of three projects or project phases held for future development with a total planned GFA of approximately 1.4 million sq.m. (As at 31 December 2016: 1.4 million sq.m.). During the first six months in 2017, the Group transferred Sanya Phoenix Aqua City Left Shore Phase II from completed projects held for sale to projects under development due to the commencement of overall refined decoration of the property.

Land bank

No new project was acquired by the Group during the six months ended 30 June 2017.

As at 30 June 2017, the total GFA of the land bank of the Group amounted to approximately 1.4 million sq.m.. Among the total land bank of the Group, 45.1% is located in Sanya City, 51.4% is located in Danzhou City and 3.5% is located in Haikou City of the Hainan province of the PRC.

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the six months ended 30 June 2017 amounted to approximately RMB2.7 million, representing rental income receivable from the leasing of the 18-floor serviced apartment (located at Sanya Phoenix Aqua City Left Shore) and rental income received from leasing of parking spaces to the property owners since December 2016.

Investment properties

As at 30 June 2017, the investment properties of the Group represent parking spaces leased to the small owners. Under the sales and promotions agreement entered into between the Group and a sales agent, the Group has commenced the sales of certain apartments in the No. 4 building of Sanya Phoenix Aqua City Left Shore Phase I since January 2017, which were previously held for rental purposes. As a result of the change of intended and actual use, the property was transferred from investment properties to completed projects held for sale.

Financial Review

(I) Revenue

Revenue of the Group for the six months ended 30 June 2017 amounted to approximately RMB823.1 million, representing an increase of approximately RMB43.8 million, or approximately 5.6%, as compared with the corresponding period of 2016, primarily due to the increase in revenue from sales of properties, which was as a result of increased ASP for properties delivered as compared with the corresponding period in 2016.

Details of the revenue from sales of properties by project are as follows:

	For the six months ended 30 June			
	2017		2016	
Project	**GFA delivered**	**Revenue**	GFA delivered	Revenue
	sq.m.	***RMB'million***	*sq.m.*	*RMB'million*
Sanya Phoenix Aqua City South Shore	**–**	**–**	123	2.6
Sanya Phoenix Aqua City Left Shore	**26,947**	**706.5**	43,031	752.1
Danzhou Phase I	**15,991**	**99.9**	3,705	22.6
	42,938	**806.4**	46,859	777.3

(II) *Cost of sales and gross profit margin*

For the six months ended 30 June 2017, the cost of sales of the Group decreased by approximately RMB61.8 million, or approximately 11.0%, as compared with the corresponding period of 2016. The decrease was attributable to the 8.4% decrease in total GFA delivered in the first half of 2017 (i.e. 42,938 sq.m.) when compared to the first half of 2016 (i.e. 46,859 sq.m.) and the 11.0% decrease in average cost of sales as a result of increase in sales contribution of middle to high level apartment with lower costs.

Gross profit margin increased from 27.8% for the six months ended 30 June 2016 to 39.1% for the six months ended 30 June 2017 primarily attributable to increase in ASP for properties delivered and increased proportion of sales in middle to high level apartments with higher gross margin rate in the first half of 2017.

(III) *Selling and distribution expenses and administrative expenses*

The selling and distribution expenses for the six months ended 30 June 2017 amounted to approximately RMB30.4 million (the corresponding period of 2016: approximately RMB39.5 million). Despite the significant increase in proceeds received from the contracted sales, the sales agent commission decreased as the Group's sales model was changed and is underwritten by Hainan Lianjia Tourism Living Industry Science and Technology Services Co., Ltd., earning the excess over the base price only.

As a result of the decrease in the sales commission, the percentage of selling and marketing expenses to contracted sales of the Group decreased from 5.3% for the six months ended 30 June 2016 to 2.1% for the six months ended 30 June 2017.

Administrative expenses decreased by 35.8% from RMB41.3 million for the six months ended 30 June 2016 to RMB26.5 million for the same period in 2017. The significant decrease was primarily attributable to decrease in listing expenses.

(IV) *Finance costs*

The net finance costs of the Group for the six months ended 30 June 2017 decreased to approximately RMB14.3 million (the corresponding period of 2016: net finance costs of approximately RMB34.4 million). The significant decrease was attributable to the full repayment of the loans in April 2017.

(V) *Income tax*

The income tax of the Group increased by 74.0% to approximately RMB162.9 million for the six months ended 30 June 2017 from approximately RMB93.6 million for the six months ended 30 June 2016. Among which, the corporate income tax increased to approximately RMB61.9 million for the six months ended 30 June 2017 from approximately RMB21.7 million for the six months ended 30 June 2016, while the land appreciation tax increased to approximately RMB101.0 million for the six months ended 30 June 2017 from approximately RMB71.9 million for the six months ended 30 June 2016. The increase in the land appreciation tax was primarily contributed by the growth of gross profit from sales of properties during the Period, and the increase in income tax expenses was mainly attributable to the increase of profit before tax for the Period (net of land appreciation tax expense) from approximately RMB25.6 million for the six months ended 30 June 2016 to approximately RMB150.2 million for the six months ended 30 June 2017.

(VI) Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 amounted to approximately RMB75.3 million, representing an increase of approximately RMB66.3 million as compared with the corresponding period of 2016. The increase was attributable to the increase of gross profit, and the decrease of selling and administrative expenses as well as the reduction of finance cost.

(VII) Liquidity and financial resources

As at 30 June 2017, total assets of the Group amounted to approximately RMB5,141.1 million (31 December 2016: approximately RMB5,264.8 million), of which current assets amounted to approximately RMB4,977.0 million (31 December 2016: approximately RMB4,954.2 million). Total liabilities amounted to approximately RMB3,372.2 million (31 December 2016: approximately RMB3,576.3 million), of which non-current liabilities amounted to approximately RMB529.7 million (31 December 2016: approximately RMB1,236.1 million). Total equity amounted to approximately RMB1,768.9 million (31 December 2016: approximately RMB1,688.5 million). Total equity attributable to equity shareholders amounted to RMB1,437.2 million (31 December 2016: approximately RMB1,368.9 million).

As at 30 June 2017, the Group had cash and bank balances (including restricted cash) of approximately RMB387.9 million (31 December 2016: approximately RMB465.8 million) and total interest-bearing loans and borrowings of RMB0 million (31 December 2016: approximately RMB973.9 million).

As at 30 June 2017, the Group's current and non-current bank loans are repayable as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Within 1 year or on demand	**0**	272,511
After 1 year but within 2 years	**0**	575,000
After 2 years but within 5 years	**0**	126,342
	0	973,853

Details of the Group's assets pledged for its bank loans are as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Investment properties	**0**	115,253
Properties under development	**0**	573,285
Completed properties held for sale	**0**	693,045
Restricted cash	**0**	12,463
	0	1,394,046

(VIII) Commitments

As at 30 June 2017, details of the Group's capital commitments outstanding but not provided for are as follow:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Contracted but not provided for	**217,702**	273,925
Authorised but not provided for	**6,790,467**	6,885,685

(IX) Contingent liabilities

Guarantees in respect of mortgage facilities

As at 30 June 2017, the Group provided guarantees of approximately RMB579.0 million (31 December 2016: approximately RMB247.7 million) to banks in respect of the mortgage loans granted to purchasers of the properties of the Group. Pursuant to the terms of the guarantees, if there is any default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group's period of guarantee commences from the date of grant of the relevant mortgage loans and ends upon the earlier of the bank receiving the required evidence of mortgage over the relevant property in favor of the bank and the full settlement of mortgage loans by the purchaser.

The management of the Group considered that the risk of loss borne by the Group for the guarantees is insignificant as the market value of the mortgaged properties will not fall below the payments to be settled by the Group due to default.

MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group had no significant investments, material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2017.

FUTURE PLAN FOR MATERIAL INVESTMENTS

The Group will continue to invest in property development projects and acquire suitable land parcels in the Hainan province, if it thinks fit. It is expected that internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in this announcement, the Group did not have any future plans for material investments as of the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, taking into account of Danzhou phase I, the Group had approximately 30 employees (as at 31 December 2016: 61 employees). For the six months ended 30 June 2017, the Group incurred employee costs of approximately RMB6.4 million, of which RMB6.3 million was expended, RMB0.1 million was capitalized; the remuneration of the employees generally includes salary and performance-based bonuses. According to the applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans. Employee costs of the Group also included the amortization cost of the share incentive granted.

DEBT TO ASSETS RATIO

As at 30 June 2017, the debt to asset ratio (calculated by total debt divided by total equity) was 65.6% (31 December 2016: 67.9%).

FOREIGN CURRENCY RISKS

The Group mainly operates in the PRC. The Group's functional currency and the currency in which the Group denominates and settles substantially all of its transactions are Renminbi. Any depreciation of the Renminbi would affect the value of any dividends that the Group pays to the shareholders of the Company (the "**Shareholders**") outside the PRC. The Group currently does not engage in any hedging activities designed or intended to manage foreign exchange rate risk.

INTERIM DIVIDEND

The Board does not recommend to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

USE OF PROCEEDS

The net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange (the "**Listing**") was approximately HKD249 million. As of the date of this announcement, the net proceeds from the Listing were applied as follows:

	Percentage of proceeds as stated in the prospectus	**Use of proceeds adjusted according to actual gross proceeds less estimated listing expense** *(HKD million)*	**Actual use of proceeds up to the date of this announcement** *(HKD million)*
Finance the development of Sanya Phoenix Aqua City South Shore Phase II	90%	224.1	–
Working capital and other general corporate use	10%	24.9	–
Subscriptions of financial Investment management products and fund products	–	–	249

The proceeds has not yet been applied to the development of Sanya Phoenix Aqua City South Shore Phase II, as the project is at the preliminary stage of applying for the construction planning permit. The Company has proposed to change the use of proceeds to subscriptions of wealth management products and fund products on 1 June 2017 and subscribed for wealth management products and fund products at a total consideration of HKD249 million on 1 August 2017. For further details, please refer to the announcements of the Company dated 1 June 2017 and 1 August 2017 respectively.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance with a view to assure the conduct of management of the Company and protect the interests of all Shareholders. The Company are fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders and the Board considers that sound corporate governance can maximize the Shareholders' interest.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of conduct of corporate governance.

The Board consists of four executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for the operation and coordination of the development of the Company and oversees the Company's businesses, strategic decisions and performance, and has full and timely access to all relevant information in relation to the Company's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess professional qualifications and related management experience in the areas of, among others, financial accounting and corporate governance, and have contributed to the Board with their professional opinions.

During the period from 1 January 2017 to 30 June 2017, the Company has complied with the code provisions as set out in the CG Code except for the deviation from code provision A.2.1 of the Corporate Governance Code as described below.

Under code provision A.2.1 of the CG Code as set out in Appendix 14 of the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the current organisation structure of the Group, the function of chief executive officer is performed by Ms. Zhou Li. Due to the inability of Mr. Yeung Man to discharge his duties as chairman of the Board for overall strategic planning of the Group, the Board is of the opinion that vesting the roles of both chairman and chief executive officer in Ms. Zhou Li has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group.

Under this new arrangement, the Board also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing Board which comprises experienced and competent individuals with more than one-third of the Board being independent non-executive directors.

To ensure compliance with the CG Code, the Company will continue to strengthen its corporate governance practices and, with the assistance of legal advisors in the PRC and Hong Kong and compliance advisor, enhance its internal control.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. Li Zhong, Mr. E Junyu and Dr. Chen Shimin. The Audit Committee is chaired by Dr. Chen Shimin.

The Audit Committee has reviewed with the Company's management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange.

SUBSEQUENT EVENTS

The Company has attempted to contact Mr. Yeung Man by all possible means of communication but is still unable to contact or reach him since 16 June 2017. As Mr. Yeung Man could not discharge his duties, the Board resolved on 19 June 2017 to appoint Ms. Zhou Li, the executive Director and chief executive officer of the Company, to temporarily act as chairman of the Board and an authorized representative. On 29 August 2017, the Board resolved and announced to remove Mr. Yeung Man as the chairman of the Board, the chairman of the nomination committee (the "**Nomination Committee**") of the Company and an authorized representative but remains an executive Director; and appointed Ms. Zhou Li as the chairman of the Board, the chairman of the nomination committee and the authorized representative. Further details can be referred to the announcements of the Company dated 19 June 2017 and 29 August 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (http://www.hailanholdings.com) and the Stock Exchange (http://www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2017 will be despatched to the Shareholders and made available for review on the above websites in due course.

By order of the Board
Hailan Holdings Limited
Chairperson
Zhou Li

The PRC, 29 August 2017

As at the date of this announcement, the executive Directors are Ms. Zhou Li, Mr. Chen Xiang, Mr. Yeung Man and Ms. Fan Wenyi; the non-executive Director is Mr. Wang Pei; and the independent non-executive Directors are Mr. Li Zhong, Mr. E Junyu and Mr. Chen Shimin.