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Hailan Holdings Limited
海藍控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2278)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the “**Board**”) of directors (the “**Directors**”) of Hailan Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2016 with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

(Expressed in Renminbi)

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
Turnover	3(a)	1,400,827	1,556,962
Cost of sales		(974,095)	(1,128,778)
Gross profit		426,732	428,184
Other income		143	3,126
Change in fair value of investment properties		5,938	4,773
Selling and distribution expenses		(67,764)	(36,625)
Administrative expenses		(74,638)	(57,337)
Other expenses		(7,003)	(5,367)
Operating profit		283,408	336,754
Finance income		1,128	13,467
Finance costs		(53,126)	(14,374)
Net finance costs	4(a)	(51,998)	(907)
Share of losses of an associate		–	(640)
Gain from disposal of joint ventures		–	6,922
Gain from disposal of subsidiaries		–	12
Profit before taxation from continuing operations		231,410	342,141
Income tax	5	(183,366)	(157,988)
Profit from continuing operations		48,044	184,153
Discontinued operation			
Profit from discontinued operation, net of tax		–	1,210
Profit for the year		48,044	185,363

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

for the year ended 31 December 2016

(Expressed in Renminbi)

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
Attributable to:			
Equity shareholders of the Company		65,012	191,812
Non-controlling interests		(16,968)	(6,449)
Profit for the year		48,044	185,363
Basic and diluted earnings per share	6	0.25	0.83
Profit for the year		48,044	185,363
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of the overseas company		8,575	–
Other comprehensive income for the year		8,575	–
Total comprehensive income for the year		56,619	185,363
Attributable to:			
– Equity shareholders of the Company		73,587	191,812
– Non-controlling interest		(16,968)	(6,449)
Total comprehensive income for the year		56,619	185,363

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

(Expressed in Renminbi)

		At 31 December	
	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	7	49,367	53,581
Investment properties	8	172,600	165,180
Intangible assets		815	977
Available-for-sale financial assets		–	17
Deferred tax assets		87,815	40,606
		<u>310,597</u>	<u>260,361</u>
Current assets			
Properties under development	9	2,333,986	3,672,318
Completed properties held for sale	9	1,807,600	1,244,114
Trade and other receivables	10	174,634	301,287
Current tax assets		72,208	41,710
Available-for-sale financial assets		100,000	–
Restricted cash	11	14,635	4,074
Cash and cash equivalents	12	451,182	142,991
		<u>4,954,245</u>	<u>5,406,494</u>
Total assets		<u>5,264,842</u>	<u>5,666,855</u>
Current liabilities			
Trade and other payables	13	1,828,823	2,715,553
Loans and borrowings	14	272,511	485,000
Current tax liabilities		238,919	99,481
		<u>2,340,253</u>	<u>3,300,034</u>
Net current assets		<u>2,613,992</u>	<u>2,106,460</u>
Total assets less current liabilities		<u>2,924,589</u>	<u>2,366,821</u>
Non-current liabilities			
Loans and borrowings	14	701,342	442,290
Deferred tax liabilities		534,733	538,849
		<u>1,236,075</u>	<u>981,139</u>
Net assets		<u>1,688,514</u>	<u>1,385,682</u>
Equity			
Share capital	15(b)	2,585	10,359
Reserves		1,751,676	1,501,495
Accumulated losses		(385,388)	(420,828)
Total equity attributable to equity shareholders of the Company		<u>1,368,873</u>	<u>1,091,026</u>
Non-controlling interests		<u>319,641</u>	<u>294,656</u>
TOTAL EQUITY		<u>1,688,514</u>	<u>1,385,682</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

(Expressed in Renminbi)

	Note	Share capital RMB'000 Note 15(b)	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
At 1 January 2015		410,359	–	1,488,066	80,300	(578,117)	–	1,400,608	301,105	1,701,713
Changes in equity for 2015:										
Profit and total comprehensive income for the year		–	–	–	–	191,812	–	191,812	(6,449)	185,363
Appropriation to statutory reserves		–	–	–	4,856	(4,856)	–	–	–	–
Dividends declared during the year	15(a)	–	–	–	–	(29,667)*	–	(29,667)	–	(29,667)
Arising from re-organization		(400,000)	–	(71,727)	–	–	–	(471,727)	–	(471,727)
At 31 December 2015 and 1 January 2016		10,359	–	1,416,339	85,156	(420,828)	–	1,091,026	294,656	1,385,682
Changes in equity for 2016:										
Profit for the year		–	–	–	–	65,012	–	65,012	(16,968)	48,044
Other comprehensive income		–	–	–	–	–	8,575	8,575	–	8,575
Total comprehensive income for the year		–	–	–	–	65,012	8,575	73,587	(16,968)	56,619
Arising from re-organization	15(b)	(10,359)	–	(24,757)	–	(1,709)	–	(36,825)	36,825	–
Capitalisation issue	15(b)	1,939	(1,939)	–	–	–	–	–	–	–
Issue of ordinary shares by initial public offering (“IPO”), net of issuance costs	15(b)	646	238,730	–	–	–	–	239,376	–	239,376
Equity settled share-based transactions		–	–	–	–	1,709	–	1,709	5,128	6,837
Appropriation to statutory reserves		–	–	–	29,572	(29,572)	–	–	–	–
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

* All dividends declared during 2015 represented the dividends attributable to previous financial years.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016

(Expressed in Renminbi)

	Year ended 31 December	
	2016	2015
Note	RMB'000	RMB'000
Operating activities		
Cash generated from/(used in) operations	1,148,430	(314,916)
Income tax paid	(125,876)	(117,573)
Net cash generated from/(used in) operating activities	1,022,554	(432,489)
Investing activities		
Interest received	1,128	13,467
Payment for the purchase of property, plant and equipment	(179)	(2,621)
Payment for purchase of available-for-sale financial assets	(100,000)	–
Payment for purchase of interest in a joint venture	–	(2,450)
Proceeds from disposal of joint ventures	–	52,372
Proceeds from receipt of amounts due from related parties	–	63,654
Proceeds from disposal of subsidiaries, net of cash disposed	–	(80,147)
Proceeds from shares transfer of a subsidiary	10,000	–
Proceeds from sales of property, plant and equipment	532	–
Proceeds from disposal of other investment	895	–
Net cash (used in)/generated from investing activities	(87,624)	44,275
Financing activities		
Proceeds from issuance of new shares, net of relevant expenses	239,376	–
Proceeds from new interest-bearing loans	769,000	58,000
Repayment of bank loans	(719,000)	(195,000)
Repayment of loan interests	(69,256)	(97,454)
Dividends paid	(489,630)	(29,667)
Increase in restricted cash	(10,557)	(1,871)
Net cash (to)/from Zhong Hui Nanjing	19(b) (328,019)	626,452
Net cash (to)/from Nanjing San Long	19(b) (27,228)	93,050
Net cash to Sanya Hai Hui	–	(58,000)
Net cash (used in)/generated from financing activities	(635,314)	395,510
Net increase in cash and cash equivalents	299,616	7,296
Cash and cash equivalents at 1 January	142,991	135,695
Effect of foreign exchange rate changes	8,575	–
Cash and cash equivalents at end of year	12 451,182	142,991

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi thousands 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 Cayman Companies Law. The reorganization of the 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

(a) Statement of compliance

These financial statements of the Group have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622.

(b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries.

Mr. Yeung Man (the “**Ultimate Controlling Shareholder**”) beneficially owned and controlled various companies in the Cayman Islands, the British Virgin Islands (the “**BVI**”), Hong Kong and the PRC which are principally engaged in investment holding, property development, sale and rental of developed property. In preparation for the listing of the Company’s shares on the Stock Exchange, the Company was incorporated in the Cayman Islands on 31 August 2015 as an exempted company with limited liability under the Company Law Chapter 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the reorganisation completed on 8 April 2016 (the “**Reorganisation**”), details of which are set out in the section headed History, Reorganisation and Group Structure in the prospectus of the Company dated 30 June 2016 (the “**Prospectus**”), the Company became the holding company of the companies comprising this group (the “**Group**”).

The consolidated financial statements of the Group is presented in Renminbi (“**RMB**”), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties and financial assets classified as available-for-sale are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) 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 have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

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

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are development and sales of properties as well as development and lease of properties in the PRC.

Turnover mainly represented income from sales and rentals of properties, net of business tax and other sales related taxes, and was after deduction of any trade discounts.

The amount of each significant category of revenue is as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Property development:		
– Development projects (excluding Danzhou Phase I)	1,348,212	1,402,150
– Danzhou Phase I	48,462	154,276
Investment property rentals	4,153	536
	<u>1,400,827</u>	<u>1,556,962</u>

(b) Segment reporting

Business segments

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 these consolidated financial statements of the Group.

No geographical segment information is separately presented as the Group's business segments are mainly managed and operated in the Hainan Province of the PRC. The major market of the Group's business segments is the Hainan Province of the PRC.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. There are no inter-segment sales or other transactions within the Group.

For management purposes, the Group is organised into business units based on the line of reporting, and has two reportable operating segments as follows:

I. 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. ("Danzhou Shuang Lian") in Hainan Province.

II. Development projects

All the Group's development projects refer to the development and sales of residential property units conducted in Hainan Province which exclude Danzhou phase I but include projects conducted under phase II of Danzhou Shuang Lian.

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of losses of an associates, gains from disposals of joint ventures, listing expenses and other non-operating items.

(i) **Segment results, 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 years ended 31 December 2016 and 2015 is set out below:

	<u>Development Projects</u>		<u>Danzhou Phase I</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
For the year ended	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	1,351,507	1,402,686	49,320	154,276	1,400,827	1,556,962
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	<u>1,351,507</u>	<u>1,402,686</u>	<u>49,320</u>	<u>154,276</u>	<u>1,400,827</u>	<u>1,556,962</u>
Reportable segment gross profit	423,110	414,390	3,622	13,794	426,732	428,184
Reportable segment profit/(loss) (adjusted EBIT)	<u>308,840</u>	<u>346,340</u>	<u>(5,717)</u>	<u>5,382</u>	<u>303,123</u>	<u>351,722</u>
As at 31 December						
Reportable segment assets	<u>4,865,950</u>	<u>5,254,564</u>	<u>398,892</u>	<u>412,291</u>	<u>5,264,842</u>	<u>5,666,855</u>
<i>Including:</i>						
– Cash and cash equivalents	448,485	131,906	2,697	11,085	451,182	142,991
– Properties under development	2,333,986	3,672,318	–	–	2,333,986	3,672,318
– Completed properties held for sale	1,476,732	917,095	330,868	327,019	1,807,600	1,244,114
Reportable segment liabilities	<u>3,244,055</u>	<u>3,976,072</u>	<u>332,273</u>	<u>305,101</u>	<u>3,576,328</u>	<u>4,281,173</u>
<i>Including:</i>						
– Loans and borrowings	973,853	927,290	–	–	973,853	927,290
– Trade and other payables	<u>1,509,171</u>	<u>2,420,313</u>	<u>319,652</u>	<u>295,240</u>	<u>1,828,823</u>	<u>2,715,553</u>

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

	<u>Year ended 31 December</u>	
	<u>2016</u>	<u>2015</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit (adjusted EBIT)	303,123	351,722
Elimination of inter-segment profits	–	–
Reportable segment profits derived from Group's external customers	303,123	351,722
Other income	143	3,126
Listing expenses	(12,855)	(12,727)
Other expenses	(7,003)	(5,367)
Finance income	1,128	13,467
Finance costs	(53,126)	(14,374)
Share of losses of an associate	–	(640)
Gains from disposal of joint ventures	–	6,922
Gain from disposal of subsidiaries	–	12
Consolidated profits before taxation from continuing operations	<u>231,410</u>	<u>342,141</u>

4 PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

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

(a) Finance costs

	<i>Note</i>	Year ended 31 December	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
Finance income			
Interest income arising from financial assets not measured at fair value through profit or loss	(i)	<u>(1,128)</u>	<u>(13,467)</u>
Sub-total		<u>(1,128)</u>	<u>(13,467)</u>
Finance costs			
Interest expenses arising from financial liabilities not measured at fair value through profit or loss		93,031	91,893
Less: Capitalized interest expenses	(ii)	<u>(39,905)</u>	<u>(77,519)</u>
Sub-total		<u>53,126</u>	<u>14,374</u>
Net finance costs		<u>51,998</u>	<u>907</u>

Note (i): Financial assets represent bank deposits and interest-bearing amounts due from related parties.

Note (ii): The borrowing costs have been capitalised at rates 4.20% and 5.89% per annum for the years ended 31 December 2016 and 2015 respectively.

(b) Staff costs

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	15,999	11,444
Equity-settled share-based transactions expenses	6,837	–
Contribution to defined contribution retirement plan	1,119	510
	<u>23,955</u>	<u>11,954</u>

(c) Other items

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	4,231	5,037
Amortisation	162	129
Auditor's remuneration	2,300	88
Cost of properties sold	974,095	1,128,778
Allowance for impairment loss made on trade and other receivables	–	19
	<u>–</u>	<u>19</u>

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Year ended 31 December</u>	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current tax		
PRC corporate income tax ("CIT") for the year	110,415	97,881
Over-provision in respect of prior years	(11,091)	–
PRC land appreciation tax ("LAT") for the year	135,367	116,101
	<u>234,691</u>	<u>213,982</u>
Deferred taxation		
Origination and reversal of temporary differences	(48,311)	(10,911)
Reversal of LAT provision	(3,014)	(44,540)
	<u>(51,325)</u>	<u>(55,451)</u>
Tax expenses from continuing operations	183,366	157,988
Tax expenses from discontinued operations	–	543
	<u>183,366</u>	<u>158,531</u>

According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008. 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.

6 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB65,012,000 (2015: RMB190,602,000 from continuing operations and RMB1,210,000 from discontinued operation) and the weighted average of 259,631,148 ordinary shares (2015: 225,000,000 ordinary shares).

The weighted average number of shares in issue during the year ended 31 December 2016 is based on the assumption that 225,000,000 ordinary shares of the Company were in issue, comprising 1 share in issue, 999 shares issued pursuant to the completion of the Reorganisation and 224,999,000 shares issued pursuant to the capitalisation issue which took place in connection with the Listing, as if these shares were outstanding throughout the period from 1 January 2016 to the Listing Date, and 75,000,000 shares issued under the Listing. The weighted average number of shares in issue during the year ended 31 December 2015 is based on the assumption that 225,000,000 ordinary shares of the Company were in issue, comprising 1 share in issue, 999 shares to be issued pursuant to the completion of the Reorganisation and 224,999,000 shares to be issued pursuant to the Capitalisation issue, as if these shares were outstanding throughout the year ended 31 December 2015.

There were no dilutive potential ordinary shares during the years ended 31 December 2016 and 2015 and, therefore, the diluted earnings per share were the same as the basic earnings per share.

7 PROPERTY, PLANT AND EQUIPMENT

During year ended 31 December 2016, the Group acquired items of equipment with a cost of RMB178,000 (2015: RMB2,621,000). There was disposal with a net book value of RMB161,000 during the year ended 31 December 2016 (2015: RMB591,000).

8 INVESTMENT PROPERTIES

During year ended 31 December 2016, the Group transferred certain properties under development with a carrying amount of RMB1,482,000 to investment properties at a total fair value of RMB1,482,000 as a result of change of actual use (2015: a carrying amount of RMB160,407,000 at a total fair value of RMB165,180,000).

All of the Group's investment properties were revalued as at 31 December 2016. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield international property advisers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

As at 31 December 2016, certain of the Group's investment properties were pledged as collaterals for bank loans granted to the Group (Note 14).

9 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

During year ended 31 December 2016, RMB974,095,000 (2015: RMB1,128,778,000) has been recognised as an expense in profit or loss during the period, being the cost of the properties sold, through a reduction in the amount of completed properties held for sale.

As at 31 December 2016 and 31 December 2015, 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 (Note 14).

10 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
Note	RMB'000	RMB'000
Amounts due from third parties		
– Trade receivables	4,074	1,866
Less: allowance for doubtful debts	(19)	(19)
– Non-trade receivables	100,561	121,822
– Bills receivable	–	1,700
Amounts due from related parties		
– Non-trade receivables	–	12,919
Advance payments to contractors		
– To third party contractors	41,695	41,723
– To related party contractors	1,812	89,289
Prepaid business tax and other taxes	26,511	31,987
Total	174,634	301,287

11 RESTRICTED CASH

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Pledged for:		
– Properties under development	2,172	2,168
– Bank loans	12,463	1,906
Total	14,635	4,074

12 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand		
– Cash on hand	91	149
– Cash at bank	451,091	142,842
	451,182	142,991

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to third parties		
– Trade payables	610,877	607,610
– Receipts in advance	463,312	583,389
– Accrued payroll	2,441	1,495
– Other payables and accruals	206,194	172,054
– Guarantee deposits	251,022	–
	1,533,846	1,364,548
Amounts due to related parties (<i>Note 19(c)</i>)		
– Trade payables	153,083	275,011
– Non-trade payables	141,894	1,075,994
	294,977	1,351,005
	1,828,823	2,715,553

As of the end of the reporting period, the ageing analysis of trade payables based on the date the trade payables were recognised, is as follows:

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	482,120	550,170
3 to 6 months	45,837	142,666
6 to 12 months	55,217	40,040
Over 12 months	180,786	149,745
	763,960	882,621

14 LOANS AND BORROWINGS

At 31 December 2016, the loans and borrowings were secured as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Current		
Secured		
– Current portion of non-current bank loans	272,511	485,000
	272,511	485,000
Non-current		
Secured		
– Bank loans	408,853	927,290
– Loan from non-bank financial institution	565,000	–
Less: Current portion of non-current bank loans	(272,511)	(485,000)
	701,342	442,290
Total loans and borrowings	973,853	927,290

The bank loans were secured by the following assets:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Properties under development (<i>Note 9</i>)	573,285	1,802,894
Completed properties held for sale (<i>Note 9</i>)	693,045	762,003
Investment properties (<i>Note 8</i>)	115,253	165,180
Restricted cash (<i>Note 11</i>)	12,463	1,906
Total	1,394,046	2,731,983

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of directors does not recommend the distribution of a final dividend for the year ended 31 December 2016 (2015: RMB29,667,000).

(b) Share capital

Issued share capital

	2016		2015	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	–	–	–	–
Shares issued	1	–	–	–
Capitalisation issue	224,999	1,939	–	–
Issuance of shares upon Initial public offering	75,000	646	–	–
At 31 December	<u>300,000</u>	<u>2,585</u>	<u>–</u>	<u>–</u>

Notes:

During the re-organization of the Group which was completed on 8 April 2016, the Company allotted and issued additional 972 shares and 27 shares of HK\$0.01 each on 23 March 2016 and 8 August 2016 respectively. Consequently, HK\$10 (equivalent to RMB9) was credited to share capital, and the difference of this amount and the carrying value of assets acquired was transferred to other reserve.

Pursuant to the written resolutions of the Company's shareholders passed on 22 June 2016, the directors were authorised to allot and issue a total of 224,999,000 shares, by way of capitalisation of the sum of HK\$2,279,990 (equivalent to approximately RMB1,939,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company at the close of business on the business day immediately preceding the Listing date in proportion to their respective shareholdings. The capitalisation issue was completed on 15 July 2016 in connection with the Listing. The total number of shares further increased from 1,000 to 225,000,000 after the capitalisation issue completed on 15 July 2016.

On 15 July 2016, the Company was successfully listed on the Stock Exchange following the completion of its Listing of 75,000,000 shares of HK\$0.01 each issued at a price of HK\$3.96 per share.

16 COMMITMENTS

Capital commitments outstanding at 31 December 2016 in the consolidated financial statements were as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Contracted but not provided for	273,925	126,797
Authorised but not contracted for	<u>6,885,685</u>	<u>512,733</u>

17 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 favour 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 31 December	
	2016	2015
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>247,737</u>	<u>65,058</u>

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, 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 able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

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

(b) Litigations

As at 31 December 2016, the Group is a defendant in lawsuits arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or financial performance of the Group.

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the year ended 31 December 2016, transactions with the following parties were considered as related party transactions

Name of related party	Relationship with the Group
Nanjing Huizhi Construction Installation Engineering Co., Ltd. ("Nanjing Huizhi")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Zhonghui Construction Engineering Co., Ltd. ("Nanjing Zhonghui Construction")	Entities controlled by the Ultimate Controlling Shareholder
Zhonghui (Nanjing) Property Development Co., Ltd. ("Zhong Hui Nanjing")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Diken Engineering Design Consultancy Co., Ltd. ("Nanjing Diken")	Entities controlled by the Ultimate Controlling Shareholder

Name of related party	Relationship with the Group
Nanjing Jia Xie Investment Management Consulting Co., Ltd. ("Nanjing Jia Xie")	Entities controlled by the Ultimate Controlling Shareholder
Leshan Huizhi Technology Development Co., Ltd. ("Leshan Huizhi")	Entities controlled by the Ultimate Controlling Shareholder
Chung Wai (China) Property Group Limited ("Chung Wai (China) Property")	Entities controlled by the Ultimate Controlling Shareholder
Lianyungang Huike Construction Development Co., Ltd. ("Lianyungang Hui Ke")	Entities controlled by the Ultimate Controlling Shareholder
Chung Wai (Jiangsu) Decoration Park Project Company Limited ("Chung Wai (Jiangsu)")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Hengjida Engineering Design Consultancy Company Limited ("Nanjing Hengjida")	Entities controlled by the Ultimate Controlling Shareholder
Lianyungang Hui Neng Foundation Construction Engineering Co., Ltd. (Lianyungang Hui Neng")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Maoheng Engineering Design Consultancy Company Limited ("Nanjing Maoheng")	Entities controlled by the Ultimate Controlling Shareholder
Hainan Zhonghuan Property Development Company Limited ("Hainan Zhonghuan")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Boken Corporate Planning Consultation Company Limited ("Nanjing Boken")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Tianhui Tongda Corporate Planning Consultation Co., Ltd. ("Nanjing Tianhui")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Huiyao Decoration Construction Co., Ltd ("Nanjing Huiyao")	Associate of a group controlled by the Ultimate Controlling Shareholder
Nanjing San Long Cement Company Limited ("Nanjing San Long")	Minority shareholder

(b) Transactions with related parties

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Construction and consultancy services (<i>Note (i)</i>)	47,004	276,732
Funding arrangements with shareholders (<i>Note (ii)</i>)	(355,247)	719,502
Interest income	–	13,149
Interest expense	11,487	13,078
Dividend distribution	–	29,667
	—————	—————

(i) **Construction and consultancy services**

During the year ended 31 December 2016, the Group received construction services from the following related parties:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Nanjing Huizhi	46,083	247,054
Nanjing Zhonghui Construction	–	6,785
Lianyungang Hui Neng	–	18,930
Nanjing Huiyao	921	3,963
Total	47,004	276,732

(ii) **Funding arrangements with shareholders**

During the year ended 31 December 2016, the Group had funding arrangements to/from the following shareholders, the net cash (outflows)/inflows of which are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Zhong Hui Nanjing	(328,019)	626,452
Nanjing San Long	(27,228)	93,050
Total	(355,247)	719,502

The above transactions between the Group and its related parties mainly comprised construction services in relation to earthmoving, scenery design and engineering on the Group's properties under development from construction companies, which are controlled by the Ultimate Controlling Shareholder.

The directors confirmed that the above transactions, other than the construction services provided by Nanjing Hui Zhi, have been ceased since 30 June 2016.

(c) **Balances with related parties**

Balances with related parties as at 31 December 2016 are detailed as follows:

Amounts due from related parties

	As at 31 December	
	2016 RMB'000	2015 RMB'000
<i>Non-trade related:</i>		
Nanjing Zhonghui Construction	–	9,950
Ms. Fan Wenyi	–	68
Ms. Zhou Li	–	5
Hainan Zhonghuan	–	200
Others	–	2,696
	–	12,919

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
<i>Advance payments:</i>		
Nanjing Huizhi	1,075	87,443
Nanjing Boken	–	1,329
Nanjing Tianhui	–	98
Nanjing Hengjida	737	–
Nanjing Diken	–	199
Nanjing Maoheng	–	220
	1,812	89,289

Amount due to related parties

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
<i>Trade related:</i>		
Nanjing Huizhi	117,831	237,074
Nanjing Maoheng	943	943
Nanjing Tianhui	4,978	5,194
Lianyungang Hui Neng	21,541	23,577
Nanjing Hengjida	3,236	3,236
Chung Wai (Jiangsu)	1,426	1,426
Nanjing Zhonghui Construction	1,422	1,875
Nanjing Diken	1,236	1,236
Leshan Huizhi	50	450
Nanjing Huiyao	420	–
	153,083	275,011

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
<i>Non-trade related:</i>		
Dividend payable due to:		
Zhong Hui Nanjing	–	489,630
Other payables due to:		
Nanjing San Long	141,894	180,609
Zhong Hui Nanjing	–	328,019
Chung Wai (China) Property	–	13,676
Cuijin Guoji	–	41,972
Chung Wai (Jiangsu)	–	16,279
Nanjing Jia Xie	–	4,900
Lianyungang Hui Ke	–	36
Others	–	873
	141,894	1,075,994

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited financial performance for the year ended 31 December 2016.

The business review for the year ended 31 December 2016

In 2016, the growth of macro-economy of China continued to fall, with greater pressure for the real estate industry, for which solving the inventory problem is still an important challenge, particularly for the third-tier or fourth-tier cities, which are the hardest hit for the backlog of inventory. To this end, the central government of the People’s Republic of China (the “PRC”) has included “resolving real estate inventories and promoting sustainable development of the real estate industry” into the highlights of supply side reform in order to open up supply and demand channels to effectively resolve inventories and promote stable development of the real estate market. As to curb the soaring prices of housing and the emerging of frequent expensive lands in the first half of 2016, a number of cities introduced new policies for regulation of the real estate market after the National Day, under which emphasis was mainly placed on the restriction of purchase and loans. As a result, the overall real estate market suffered a significant adjustment, while at the same time market share was increasingly concentrated among excellent companies in the industry. Amidst such business environment and industry development pattern, the Company not only maintained stable performance and continuously enhanced its position in the industry, but also took advantages of the trend to grasp opportunities of the land market in advance, so that the deployment of concentrating Hainan Province was basically completed to establish a solid foundation for future strategic development of the Company.

During the year, the Group recorded a profit attributable to shareholders, but with a decrease of more than 70% over the previous year, which is mainly due to the increase in various expenses as well as the certain lag between settlement and sale of the developed properties in the real estate industry. Since part of the sales amount of the Group was recorded as pre-sales and not yet recorded as sales revenue, and while sales promotion increased in line with the market situation, sales commission also raised up, resulting in an increase in selling expenses. Meanwhile, upon the completion of several areas in the relevant projects of Sanya Phoenix Aqua City South Shore and Haikou Phoenix Aqua City, the Group no longer capitalized the relevant interest expenses, thereby resulting in an increase in the interest expense. The amortization cost of the share incentive scheme of the Group adopted prior to the initial public offering also resulted in an increase in administrative expenses. Therefore, although the overall gross profit during the year basically stayed static, the net profit was inevitably affected.

In 2016, with increasingly deployment in Hainan by giants in real estate industry of China, coupled with the continuous aggravation of haze in the mainland environment, advantages of the Hainan environment were highlighted. Under such bloom of the market, the project of Sanya Phoenix Aqua City of the Group achieved remarkable performance in 2016. The Group developed a target-oriented marketing strategy to strengthen the clearance of inventories and achieved outcomes to a certain extent. As of 31 December 2016, the Group achieved contract sales of approximately RMB1,218.1 million, representing an increase of 122.54% year-on-year, and a contract sales area of approximately 52,630.6 square meters, representing an increase of 99.12% over the same period last year. The average selling price was about RMB23,144 per square meter, representing an increase of about 11.76% year-on-year.

Prospects for 2017

Although the development of the real estate industry of China is gradually slowing down, with feeble economic growth over China and slowdown of market demand, the Group will constantly uphold its prudence in acquisition of new land in 2017, as well as placing high agenda in accelerating the clearance of inventories, strengthening risk control, optimizing the business structure and enhancing operational capacity. The Group will continue to carry forward the development of Sanya Phoenix Aqua City Phase II with accelerated development pace. The project will target at market demand with adoption of latest design, and is expected to obtain construction planning permit at the end of this year, and commence pre-sale in 2018, upon which a new concept of green residential composite integrated with culture, travel, business and residence will be launched. Through the implementation of the above strategy, we are confident to successfully complete the operational objectives of this year to consolidate the competitive advantage and achieve healthy development in the long run.

Acknowledgement

I, hereby, 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.

Yeung Man
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

As of 31 December 2016, the revenue and gross profit of the Group were approximately RMB1,400.8 million and approximately RMB426.7 million, representing a decrease of approximately 10.0% and 0.3% as compared with the corresponding period of 2015, respectively. Profit as of 31 December 2016 attributable to the equity shareholders of the Company was approximately RMB65.0 million, representing a decrease of approximately 66.1% as compared with the corresponding period of 2015. Basic earnings per share was RMB25.0 cents (the corresponding period of 2015: RMB83.0 cents).

As at 31 December 2016, the net debt-to-equity ratio of the Group was 30.1%.

Performance Highlights	As of 31 December		
	2016	2015	Changes %
Contracted sales (RMB million) ³	1,268.6	710.6	78.52%
Contracted saleable gross floor area ("GFA") (sq.m.) ^{2,3}	60,710.6	55,048.7	10.29%
Contracted average selling price ("ASP") (RMB/sq.m.) ^{2,3}	20,895	12,909	61.86%
Revenue (RMB million)	1,400.8	1,557.0	(10.0)%
Among which: sales of properties			
– Revenue from properties delivered (RMB million) ¹	1,396.7	1,556.5	(10.3)%
– GFA of properties delivered (sq.m.)	76,434	77,432	(1.3)%
– ASP of properties delivered (RMB average sales)	18,273	20,101	(9.1)%
Rental income (RMB million) ¹	4.1	0.5	720.0%
Gross profit (RMB million)	426.7	428.2	(0.4)%
Profit for the Period			
– Attributable to shareholders (RMB million)	65.0	191.8	(66.1)%
– Attributable to non-controlling interests (RMB million)	(17.0)	(6.4)	165.6%
Total assets (RMB million)	5,264.8	5,666.9	(7.1)%
Cash and bank balances (including cash, cash equivalents & restricted cash) (RMB million)	465.8	147.1	216.7%
Total bank and other borrowings (RMB million)	973.9	927.3	5.0%
Total equity (RMB million)	1,688.5	1,385.7	21.9%
Key financial ratios			
Gross profit margin ⁽⁴⁾	30.5%	27.5%	
Net debt to equity ratio ⁽⁵⁾	30.1%	56.3%	
Gearing ratio ⁽⁶⁾	57.7%	66.9%	

Notes:

1. It refers to the amount of revenue net of business tax and other sales related taxes.
2. The GFA attributable to parking spaces is not counted.
3. Under the agreement among the shareholders of Danzhou Shuang Lian Property Development Co., Ltd. (“Danzhou Shuang Lian”), one of the shareholder of Danzhou Shuang Lian continued to manage, develop, bear and enjoy the risk and return of phase I of the development project located at Danzhou (“Danzhou phase I”). Acquisition of Danzhou Shuang Lian has been accounted for as business combination, and Danzhou Shuang Lian was fully consolidated into the consolidated financial statements of the Group since the acquisition date. Under the above agreement, the net profit or loss or net asset or liability arising from Danzhou phase I is accounted for as non-controlling interests in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity. For the purpose of discussion, this analysis has included the details of contract sales of Danzhou phase I.
4. Gross profit margin: $\text{Gross profit} \div \text{Gains} \times 100\%$
5. Net debt to equity ratio: $(\text{Total bank and other borrowings} - \text{Cash and bank balances}) \div \text{Total interests} \times 100\%$
6. Gearing ratio: $\text{Total bank and other borrowings} \div \text{Total interests} \times 100\%$

Contracted Sales

For the year ended 31 December 2016, the contracted sales of the Group amounted to approximately RMB1,268.6 million, representing an increase of approximately 78.52% from approximately RMB710.6 million for the year ended 31 December 2015. Total gross floor area (“GFA”) sold in 2016 was approximately 60,710.6 sq.m., representing an increase of approximately 10.29% from approximately 55,048.7 sq.m. for the year ended 31 December 2015. In terms of geographical location, the contracted sales of the Group of Sanya and Danzhou amounted to RMB1,218.1 million and RMB50.5 million respectively, representing approximately 96% and 4% of total contracted sales of the Group in 2016.

The following table sets out the geographic breakdown of the Group’s contracted sales, contracted GFA and contracted average selling price (“ASP”) by projects for the years ended 31 December 2016 and 2015:

Project	Year ended 31 December 2016			Year ended 31 December 2015		
	Contracted Sales RMB (million) (approx.)	Contracted GFA (sq.m.)	Contracted ASP (RMB) per sq.m.)	Contracted Sales RMB (million) (approx.)	Contracted GFA (sq.m.)	Contracted ASP (RMB) per sq.m.)
Sanya Phoenix Aqua						
City Left Shore	1,192.1	51,290.7	23,243.0	521.8	24,747.7	21,083.0
Sanya Phoenix Aqua City South						
Shore Phase I	25.9	1,339.4	19,358.0	25.6	1,684.0	15,195.0
Danzhou Phase I	50.5	8,080.0	6,247.0	163.3	28,617.0	5,705.0
Total	1,268.5	60,710.1	48,848.0	710.7	55,048.7	41,983.0

Property Projects

According to the stage of development, the Group classifies its property projects into three categories: completed properties, properties under development and properties held for future development. As some of its projects comprise multiple-phases development on a rolling basis, a single project may include different phases at various stages of completion, under development or held for future development.

As at 31 December 2016, the Group had completed the construction of a total GFA of 0.3 million sq.m. and had land reserves with a total GFA of 1.64 million sq.m., comprising (a) a total GFA of 0.19 million sq.m. completed but remaining unsold or held for investment, (b) a total GFA of 0.08 million sq.m. under development, and (c) a total planned GFA of 1.37 million sq.m. with site area of 0.8 million sq.m., held for future development.

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2016, the Group had investment properties with a total GFA of 12,900 sq.m..

Properties Under Development and Properties Held for Future Development

The following table sets out a summary of the Group's properties under development, properties held for future development and project phases by projects as at 31 December 2016:

Project	Project Type	Expected Completion Date	Under Development			Held For Future Development		
			Site Area (sq.m.)	Under Development GFA (sq.m.)	Saleable/ Rental GFA (sq.m.)	GFA Pre-sold (sq.m.)	Planned GFA (sq.m.)	Ownership Interest %
Phoenix Aqua City South Shore Phase I	Garage and ancillary facilities	2017.12.20	-	11,672.7	-	2,415.2	-	100
Phoenix Aqua City South Shore Phase II	Planning and applying for construction	2021.10.15	365,572.1	-	-	-	617,580.0	100
Phoenix Aqua City Left Shore	Multi-storey apartments	2017.6.30	-	3,448.5	3,448.5	3,448.5	-	
Phoenix Aqua City Left Shore	Garage and ancillary facilities	2017.11.30	-	65,165.7	-	-	-	97
Haikou Phoenix Aqua City	Planning and applying for construction	2020.2.2	61,761.0	-	-	-	48,173.8	100
Danzhou Phoenix Aqua City	Planning and applying for construction	2023.1.31	399,657.2	-	-	-	704,312.8	60
Total Attributable GFA			<u>826,990.3</u>	<u>80,286.9</u>	<u>3,448.5</u>	<u>5,863.7</u>	<u>1,370,066.6</u>	

Investment Properties

The following table sets out a summary of the Group's investment properties as at 31 December 2016:

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income	
			2016 (RMB million)	2015 (RMB million)
Sanya Phoenix Aqua City Left Shore Zone I Level 4#	11,436.5	11,436.5	4.0	0.4
Sanya Phoenix Aqua City Left Shore Zone II & III Garage	1,465.9	1,465.9	0.1	0.1
Total	12,902.4	12,902.4	4.1	0.5

Completed Properties

The following table sets out a summary of the Group's completed projects and project phases by projects as at 31 December 2016:

Project	Project Type	Site Area (sq.m.)	GFA Completed (sq.m.)	Saleable/ Rental GFA (sq.m.)	Rental GFA Saleable GFA Not Yet Sold (sq.m.)	Rental GFA Held For Property Investment (sq.m.)	Ownership
							Interest %
Phoenix Aqua City South Shore Phase I	Low-rise apartments	189,921.7	23,853.0	14,661.6	911.9	-	100
	Multi-storey apartments		89,756.2	79,658.6	1,411.7	-	100
	Medium-rise		44,640.3	41,351.5	1,115.1	-	100
	High-rise		119,997.9	107,279.5	415.9	-	100
Phoenix Aqua City Left Shore	Multi-storey apartments	139,797.7	95,681.8	77,138.7	49,490.9	-	97
	Medium-rise		113,974.4	83,756.3	22,684.6	11,436.5	97
Haikou Phoenix Aqua City	Medium-rise	25,490.2	45,790.3	30,157.0	30,157.0	-	100
Danzhou Phase I	Residential	38,465.9	129,628.5	106,006.6	66,427.9	-	-
Total		393,675.5	663,322.4	540,009.8	172,615.0	11,436.5	-

Land Reserves

No new project was acquired by the Group for the year ended 31 December 2016.

As the year ended 31 December 2016, the total planned GFA for future development 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.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development; and (ii) property investment. For the year ended 31 December 2016, turnover of the Group amounted to approximately RMB1,400.8 million, representing a decrease of approximately 10.0% from approximately RMB1,557.0 million in 2015, mainly due to a decrease of revenue from property development projects.

Property Development

The Group's revenue from property development included the sale of residential, commercial properties and hotels. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed, all the consideration has been received and the possession of the property has been delivered to the purchaser. For the year ended 31 December 2016, revenue derived from property development was approximately RMB1,396.7 million, representing a decrease of approximately 10.3% from approximately RMB1,556.5 million in 2015. The decrease in revenue from sales of properties was primarily attributable to the decrease in the total GFA for which the revenue was recognized and the decrease in average selling prices. In 2016, Zone C of Sanya Phoenix Aqua City South Shore Phase I and Danzhou Phase I entered the late stage of sales of remaining apartments, as such, the recognized GFA of properties sold significantly decreased as compared with that of 2015. Notwithstanding that the total GFA for which the revenue was recognized of Sanya Phoenix Aqua City Left Shore increased, but the overall GFA delivered still decreased. Meanwhile, among the properties for which the revenue was recognized in 2016, the properties of Zone III of Sanya Phoenix Aqua City Left Shore had a comparatively low unit price due to its lower market positioning.

Property Investment

The Group's property investment mainly consisted of leasing of residential properties and car parks. Revenue generated from property investment increased by approximately 720.0% to approximately RMB4.1 million in 2016 from approximately RMB0.5 million in 2015. The increase was primarily due to the first full year effect of the leasing of residential properties, as well as the increased number of car parks contracted for leasing in 2016.

Gross Profit and Margin

Gross profit decreased by approximately 0.4% to approximately RMB426.7 million in 2016 from approximately RMB428.2 million in 2015, while the Group's gross profit margin was 30.5% in 2016 as compared to a gross profit margin of 27.5% in 2015. The increase in gross profit margin was mainly attributable to the change of product mix. The increase in gross profit margin was primarily attributable to the delivery of higher portion of medium rise apartments of Sanya Phoenix Aqua City Left Shore in 2016, which were of lower unit cost and higher gross profit margin, while in 2015 the Group delivered many low-rise apartments which were of lower gross profit margin due to higher land cost associated. Despite the higher gross profit margin, the gross profit in 2016 decreased slightly due to decrease in GFA delivered.

Other Income, Gains and Losses

The Group had other net gain of approximately RMB0.1 million and RMB3.1 million in 2016 and 2015 respectively. The decrease of other net gain by approximately 96.8% was because the Group had recognized an one-off government grant income of RMB2.6 million in 2015.

Change in Fair Value of Investment Properties

The Group's change in fair value of investment properties increased to approximately RMB5.9 million in 2016 from approximately RMB4.8 million in 2015. The increase by approximately 22.9% was mainly attributable to the increased value of investment properties and the addition of new properties contracted for leasing.

Selling and Distribution Expenses

The selling and distribution expenses increased to approximately RMB67.8 million in 2016 from approximately RMB36.6 million in 2015. The increase by approximately 85.2% was mainly attributable to the increased percentage of sales commission with the introduction of a new sales agency, as well as the increased amount of sales proceeds in 2016.

Administrative Expenses

The Group's administrative expenses increased by approximately 30.2% to approximately RMB74.6 million in 2016 from approximately RMB57.3 million in 2015 due to the increase of labor costs and from the amortisation cost of the Pre-IPO Share Incentive Scheme.

Other Expenses

The Group's other expenses increased to approximately RMB7.0 million in 2016 from approximately RMB5.4 million in 2015. The increase of approximately 29.6% was mainly due to an one-off transaction tax paid for interest income from intra-group loan of RMB1.7 million in 2016.

Net finance Costs

The Group's net finance costs increased to approximately RMB52.0 million in 2016 from approximately RMB0.9 million in 2015. The increase of approximately 5,677.8% was mainly due to the increase in interest expenses as the Group no longer capitalizes the relevant interest expenses upon completion of certain product types of the relevant projects, and the decrease in finance income due to an one-off interest income of RMB12.4 million in 2015.

Income Tax Expense

The Group's income tax expense increased to approximately RMB183.4 million in 2016 from approximately RMB158.0 million in 2015. The increase of approximately 16.1% was mainly due to the combined effect of (i) the increase of land appreciation tax ("LAT") from RMB71.6 million in 2015 to RMB132.4 million in 2016 due to the high land appreciation as a result of high profit margin of the product mix in 2016, and the decreased off-setting effect of the reversal of LAT provision of Sanya Feng Huang Xin Cheng in 2016, and (ii) the decrease of the PRC corporate income tax from RMB87.0 million in 2015 to RMB51.0 million in 2016 which was mainly due to the decrease of profit before taxation, after deducting LAT expenses, from RMB272.3 million in 2015 to RMB99.1 million in 2016.

Profit and total comprehensive income attributable to equity shareholders of the Company

As a result of the foregoing reasons, profit and total comprehensive income attributable to equity shareholders of the Company decreased by approximately 61.6% to approximately RMB73.6 million in 2016 from approximately RMB191.8 million in 2015.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2016, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB465.8 million (2015: approximately RMB147.1 million), representing an increase of approximately 216.7% as compared to that as at 31 December 2015. As at 31 December 2016, bank deposits of RMB14.6 million (2015: RMB4.1 million) were pledged to honor construction contracts or to secure bank borrowings raised by the Group.

Borrowings and Charges on the Group's Assets

As at 31 December 2016, the Group had bank and other borrowings of approximately RMB973.9 million (2015: approximately RMB927.3 million). Amongst the borrowings, approximately RMB272.5 million (2015: approximately RMB485.0 million) will be repayable within one year and approximately RMB701.4 million (2015: approximately RMB442.3 million) will be repayable after one year.

As at 31 December 2016, bank and other borrowings of approximately RMB408.9 million (2015: approximately RMB927.3 million) were secured by properties under development, completed properties held for sale, investment properties and restricted cash. As at 31 December 2016, the assets pledged to secure certain borrowings granted to the Group amounted to RMB1,394.0 million (2015: approximately RMB2,732.0 million).

Net Gearing Ratio

As at 31 December 2016, the gearing ratio (calculated by total debt divided by total equity; total debt includes interest-bearing bank and other borrowings) was 57.7%(31 December 2015: 66.9%).

Foreign Currency Risk

The Group mainly operates in the PRC. Except for the Company whose functional currency is Hong Kong Dollars, 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.

Commitments

As at 31 December 2016, the Group had authorized as budget or committed payment for the construction and land development expenditure amounting to approximately RMB7,159.6 million (2015: approximately RMB639.5 million).

Contingent Liabilities

As at 31 December 2016, the Group had provided guarantees amounting to approximately RMB247.7 million (2015: approximately RMB65.1 million) 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 accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee will be released upon the earlier of the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration and the full settlement of mortgage loans by the purchaser. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2016 as it is not probable that the Group will sustain a loss under these guarantees.

Material Acquisitions and Disposals

For the year ended 31 December 2016, the Group had undergone material acquisitions and disposals of subsidiaries and associates for the purpose of reorganisation of the Group in preparation for the Listing. Please refer to the Company's prospectus dated 30 June 2016 (the "**Prospectus**") for further details. Save as disclosed in the Prospectus, the Group did not have any material acquisitions and disposals during the year ended 31 December 2016.

Future Plans for Material Investments

The Company will continue to invest in property development projects and acquire suitable land parcels in 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 the Prospectus and in this announcement, the Group did not have any future plans for material investments as of the date of this announcement.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2016, the Group had approximately 61 employees. For the year ended 31 December 2016, the Group incurred employee costs of approximately RMB24.0 million of which approximately RMB22.3 million was charged to the profit and loss accounts and approximately RMB1.7 million was capitalised in properties under development. Remuneration for the employees generally includes salary and performance-based bonuses. As required by 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. Remuneration also includes share-based payment expenses, which incurred approximately RMB6.8 million for the year ended 31 December 2016 (2015: nil) in relation to the Pre-IPO Share Incentive Scheme (as stated in the Prospectus).

Sales and Marketing

One of the success factors of the Group has been our good relationship with our customers, the foundation of which has been built on mutual trust, high and consistent standard and quality of work, punctual deliverables, upheld spirit of our staff, and effective communication with customers, etc. Our internal sales management division approves the overall sales and marketing planning and monitors such agencies' sales and marketing activities to ensure that our marketing strategies and plans are implemented and our products are well-positioned and presented. The Group will continue to leverage its strong network in the industry and reinforce marketing efforts to secure more projects and maximise investors' return.

FINAL DIVIDEND

The Board did not recommend payment of final dividend to shareholders of the Company for the year ended 31 December 2016 (2015: RMB29,667,000).

USE OF PROCEEDS

The net proceeds from the listing of the shares of the Company in connection with the listing (the "Listing") was approximately HK\$249 million. During the period from the Listing Date to 31 December 2016, 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 (HK\$ million)	Actual use of proceeds as stated in the Prospectus during the Review Period (HK\$ 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	–

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. It is expected that the Phoenix Aqua City South Shore Phase II will start construction officially in late 2017. The business objectives, future plans and planned use of proceeds as stated in the Company's Prospectus dated 30 June 2016 were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Tuesday, 27 June 2017 (the “**AGM**”) and the Notice of AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 22 June 2017 to Tuesday, 27 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 21 June 2017.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code throughout the period from the Listing Date to 31 December 2016. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 from the Listing Date to 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules for the period from the Listing Date up to the date of this announcement.

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 and paragraph D.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 (Chairman).

The annual results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.hailanholdings.com). The annual report for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Hailan Holdings Limited
Yeung Man
Chairman

Hong Kong, 29 March 2017

As at the date of this announcement, the executive Directors are Mr. Yeung Man, Ms. Zhou Li 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 Dr. Chen Shimin.