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 2017

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 2017 (the "**Reporting Period**") with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Turnover	3(a)	**2,005,308**	1,400,827
Cost of sales		**(1,114,934)**	(974,095)
Gross profit		**890,374**	426,732
Other income		**453**	143
Change in fair value of investment properties		**–**	5,938
Selling and distribution expenses		**(53,111)**	(67,764)
Administrative expenses		**(48,480)**	(74,638)
Other expenses		**(140)**	(7,003)
Operating profit		**789,096**	283,408
Finance income		**8,967**	1,128
Finance costs		**(17,231)**	(53,126)
Net finance costs	4(a)	**(8,264)**	(51,998)
Profit before taxation		**780,832**	231,410
Income tax	5	**(521,320)**	(183,366)
Profit for the year		**259,512**	48,044
Attributable to:			
Equity shareholders of the Company		**251,181**	65,012
Non-controlling interests		**8,331**	(16,968)
Profit for the year		**259,512**	48,044

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017**	2016
		RMB'000	*RMB'000*
Earnings per share			
Basic and diluted (RMB)	*6*	**0.84**	0.25
Profit for the year		**259,512**	48,044
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Income from changes in fair value of available-for-sale financial assets		**1,749**	–
Item that will not be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of the Company		**(15,232)**	8,575
Other comprehensive income for the year		**(13,483)**	8,575
Total comprehensive income for the year		**246,029**	56,619
Attributable to:			
Equity shareholders of the Company		**237,698**	73,587
Non-controlling interest		**8,331**	(16,968)
Total comprehensive income for the year		**246,029**	56,619

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	7	**45,587**	49,367
Investment properties	8	**48,788**	172,600
Intangible assets		**660**	815
Long-term receivables	12	**13,995**	–
Deferred tax assets		**140,935**	87,815
		249,965	310,597
Current assets			
Properties under development	10	**2,328,981**	2,333,986
Completed properties held for sale	11	**1,177,299**	1,807,600
Trade and other receivables	12	**162,979**	174,634
Current tax assets		**127,516**	72,208
Available-for-sale financial assets		**209,830**	100,000
Restricted cash	13	**41,235**	14,635
Cash and cash equivalents	14	**896,833**	451,182
		4,944,673	4,954,245
Total assets		**5,194,638**	5,264,842
Current liabilities			
Trade and other payables	15	**1,991,832**	1,828,823
Loans and borrowings	16	**–**	272,511
Current tax liabilities		**740,102**	238,919
		2,731,934	2,340,253
Net current assets		**2,212,739**	2,613,992
Total assets less current liabilities		**2,462,704**	2,924,589

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
(Expressed in Renminbi)

	Note	**31 December 2017** ***RMB'000***	31 December 2016 *RMB'000*
Non-current liabilities			
Loans and borrowings	*16*	**–**	701,342
Deferred tax liabilities		**527,183**	534,733
		527,183	1,236,075
Net assets		**1,935,521**	1,688,514
Equity			
Share capital	*17(b)*	**2,585**	2,585
Reserves		**1,785,860**	1,751,676
Accumulated losses		**(181,874)**	(385,388)
Total equity attributable to equity shareholders of the Company		**1,606,571**	1,368,873
Non-controlling interests		**328,950**	319,641
Total equity		**1,935,521**	1,688,514

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	Share capital RMB'000 Note 17(b)	Share premium RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Changes in fair value of Available-for- sale financial assets 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 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	17(b)	(10,359)	–	(24,757)	–	–	(1,709)	–	(36,825)	36,825	–
Capitalisation issue	17(b)	1,939	(1,939)	–	–	–	–	–	–	–	–
Issue of ordinary shares by initial public offering ("**IPO**"), net of issuance costs	17(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 and 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 2017:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**251,181**	**–**	**251,181**	**8,331**	**259,512**
Other comprehensive income		**–**	**–**	**–**	**–**	**1,749**	**–**	**(15,232)**	**(13,483)**	**–**	**(13,483)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**1,749**	**251,181**	**(15,232)**	**237,698**	**8,331**	**246,029**
Equity settled share-based transactions		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**978**	**978**
Appropriation to statutory reserves		**–**	**–**	**–**	**47,667**	**–**	**(47,667)**	**–**	**–**	**–**	**–**
At 31 December 2017		**2,585**	**236,791**	**1,391,582**	**162,395**	**1,749**	**(181,874)**	**(6,657)**	**1,606,571**	**328,950**	**1,935,521**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Operating activities			
Cash generated from operations		**1,817,861**	1,148,430
Income tax paid		**(136,115)**	(125,876)
Net cash generated from operating activities		**1,681,746**	1,022,554
Investing activities			
Interest received		**8,712**	1,128
Payment for the purchase of property, plant and equipment		**(39)**	(179)
Payment for purchase of available-for-sale financial assets		**(208,081)**	(100,000)
Receipt from redemption of available-for-sale financial assets		**100,255**	–
Proceeds from shares transfer of a subsidiary		**–**	10,000
Proceeds from sales of property, plant and equipment		**74**	532
Proceeds from disposal of other investment		**–**	895
Net cash used in investing activities		**(99,079)**	(87,624)
Financing activities			
Proceeds from issuance of new shares, net of relevant expenses		**–**	239,376
Proceeds from new interest-bearing loans		**–**	769,000
Repayment of bank loans		**(980,000)**	(719,000)
Repayment of loan interests		**(14,207)**	(69,256)
Dividends paid		**–**	(489,630)
Decrease/(Increase) in restricted cash		**12,463**	(10,557)
Net cash to controlling shareholder	*20(c)*	**–**	(328,019)
Net cash to non-controlling shareholder	*20(c)*	**(140,040)**	(27,228)
Net cash used in financing activities		**(1,121,784)**	(635,314)
Net increase in cash and cash equivalents		**460,883**	299,616
Cash and cash equivalents at 1 January		**451,182**	142,991
Effect of foreign exchange rate changes		**(15,232)**	8,575
Cash and cash equivalents at end of year	*14*	**896,833**	451,182

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 Reorganisation 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 SIGNIFICANT ACCOUNTING POLICIES

(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.

(b) Basis of preparation and presentation

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 People's Republic of China (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**"), the Company became the holding company of the companies comprising this group (the "**Group**").

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.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 following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Investment properties

– Financial instruments classified as available-for-sale

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.

As all the companies now comprising the Group that took part in the Reorganisation were controlled by the Ultimate Controlling Shareholder before and after the Reorganisation, there was a continuation of the risks and benefits to the Ultimate Controlling Shareholder. The Reorganisation is considered to be a business combination under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" has been applied. Accordingly, the financial information before the completion of the Reorganisation has been prepared as if the Group had always been in existence.

(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:

	2017	2016
	RMB'000	*RMB'000*
Property development:		
– Development projects (excluding Danzhou Phase I)	**1,805,604**	1,348,212
– Danzhou Phase I	**158,346**	48,462
Investment property rentals	**4,959**	4,153
Gain on revaluation upon properties under development being transferred to investment properties	**36,399**	–
	2,005,308	1,400,827

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

All 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 Group's Chairperson monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Income taxes are managed on a group basis and are not allocated to operating segments.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all assets and liabilities of the Group, which are managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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 earning 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.

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 2017 and 2016 is set out below.

	Development Projects		Danzhou Phase I		Total	
For the year ended	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,846,962**	1,351,507	**158,346**	49,320	**2,005,308**	1,400,827
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**1,846,962**	1,351,507	**158,346**	49,320	**2,005,308**	1,400,827
Reportable segment gross profit	**869,350**	423,110	**21,024**	3,622	**890,374**	426,732
Reportable segment profit/(loss) (adjusted EBIT)	**778,423**	308,840	**10,360**	(5,717)	**788,783**	303,123
As at 31 December						
Reportable segment assets	**4,951,772**	4,865,950	**242,866**	398,892	**5,194,638**	5,264,842
Including:						
Cash and cash equivalents	**895,015**	448,485	**1,818**	2,697	**896,833**	451,182
Properties under development	**2,328,981**	2,333,986	**–**	–	**2,328,981**	2,333,986
Completed properties held for sale	**979,559**	1,476,732	**197,740**	330,868	**1,177,299**	1,807,600
Reportable segment liabilities	**3,067,462**	3,244,055	**191,655**	332,273	**3,259,117**	3,576,328
Including:						
Loans and borrowings	**–**	973,853	**–**	–	**–**	973,853
Trade and other payables	**1,821,907**	1,509,171	**169,925**	319,652	**1,991,832**	1,828,823

(ii) Reconciliation of reportable segment profit or loss

	2017	2016
	RMB'000	*RMB'000*
Reportable segment profit (adjusted EBIT)	**788,783**	303,123
Elimination of inter-segment profits	**–**	–
Reportable segment profits derived from Group's external customers	**788,783**	303,123
Other income	**453**	143
Listing expenses	**–**	(12,855)
Other expenses	**(140)**	(7,003)
Finance income	**8,967**	1,128
Finance costs	**(17,231)**	(53,126)
Consolidated profits before taxation	**780,832**	231,410

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Note	**2017** **RMB'000**	2016 *RMB'000*
Finance income			
Interest income arising from financial assets not measured at fair value through profit or loss	(i)	**(8,967)**	(1,128)
Sub-total		**(8,967)**	(1,128)
Finance costs			
Interest expenses arising from financial liabilities not measured at fair value through profit or loss		**20,354**	93,031
Less: Capitalized interest expenses	(ii)	**(3,123)**	(39,905)
Sub-total		**17,231**	53,126
Net finance costs		**8,264**	51,998

Note (i): Financial assets represent bank deposits.

Note (ii): The borrowing costs have been capitalised at rates 3.97% and 4.20% per annum for the years ended 31 December 2017 and 2016 respectively.

(b) Staff costs

	2017 **RMB'000**	2016 *RMB'000*
Salaries, wages and other benefits	**12,695**	15,999
Equity-settled share-based transactions expenses	**978**	6,837
Contribution to defined contribution retirement plan	**296**	1,119
	13,969	23,955

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "**Schemes**") which are administered and operated by the relevant local government authorities. The Group is required to make contributions to the Schemes at certain percentages of the employee salary as agreed by local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

(c) Other items

	2017 *RMB'000*	2016 *RMB'000*
Depreciation	**3,794**	4,231
Amortisation	**155**	162
Auditor's remuneration	**2,745**	2,300
Cost of properties sold	**1,114,934**	974,095

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

	2017 *RMB'000*	2016 *RMB'000*
Current tax		
PRC corporate income tax ("**CIT**") for the year	**231,811**	110,415
Over-provision in respect of prior years	**–**	(11,091)
PRC land appreciation tax ("**LAT**") for the year	**350,179**	135,367
Sub-total	**581,990**	234,691
Deferred taxation		
Origination and reversal of temporary differences	**(60,670)**	(51,325)
Total	**521,320**	183,366

(i) 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.

(ii) 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 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB251,181,000 (2016: RMB65,012,000) and the weighted average of 300,000,000 shares (2016: 259,631,148 ordinary shares) in issue during the year, calculated as follows:

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, 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 IPO.

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016 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 2017, the Group acquired items of equipment with a cost of RMB39,000 (2016: RMB178,000). There was disposal with a net book value of RMB25,000 during the year ended 31 December 2017 (2016: RMB161,000).

8 INVESTMENT PROPERTIES

	Investment properties *RMB'000*
Net book value:	
At 1 January 2016	165,180
Transfer from properties under development	1,482
Fair value adjustments	5,938
At 31 December 2016	172,600
Representing	
Valuation	172,600
Net book value:	
At 1 January 2017	**172,600**
Transfer from properties under development	**42,188**
Transfer to properties held for sale	**(166,000)**
At 31 December 2017	**48,788**
Representing	
Valuation	**48,788**

As at 31 December 2016, certain of the Group's investment properties were pledged as collaterals for bank loans granted to the Group, and all such pledge was released with the repayment of bank loans in 2017 (Note 16).

9 INVESTMENTS IN SUBSIDIARIES

* In year 2013 and 2014, the Group entered into a series of investment agreements with Nanjing San Long Cement Co., Ltd. ("**Nanjing San Long**") and Danzhou Shuang Lian, where the Group eventually acquired 60% of the equity interests of Danzhou Shuang Lian from Nanjing San Long in January 2014 (the "**Acquisition**"). The Danzhou Shuang Lian project is divided into phase I and II. At the time of the Acquisition, phase I with an area of approximately 89 mu was partially under development and was in the process of pre-sale, while phase II with an area of approximately 569 mu was a piece of undeveloped land. Pursuant to the relevant investment agreements, the non-controlling shareholder Nanjing San Long continued to manage, develop and undertake fully the risk and reward of phase I through its completion and disposal, and separate ledgers and bank accounts were set up for phases I and II. Danzhou phase I is an autonomous and operationally distinct business division that would remain under the direction of Nanjing San Long after the Acquisition.

The assets and liabilities as well as turnover, cost of sales and other items in the consolidated statement of profit or loss and other comprehensive income related to Danzhou Shuang Lian phase I have been included as part of the assets and liabilities as well as profit or loss and other comprehensive income items of Danzhou Shuang Lian as they are not legally separable from other assets and liabilities as well as profit or loss and other comprehensive income items related to phase II of Danzhou Shuang Lian. Notwithstanding the fact that the nominal non-controlling interest percentage of Danzhou Shuang Lian is 40%, the economic interest of the non-controlling shareholder was calculated at 100% of the phase I interest and 40% of the phase II interest.

The acquisition of Danzhou Shuang Lian has been accounted for as a business combination and the net profit or loss, net assets or liabilities arising from phase I are wholly attributable to, and accordingly are deducted through the inclusion of such amounts in, the non-controlling interests in the Group's consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

10 PROPERTIES UNDER DEVELOPMENT

During the year ended 31 December 2017, the Group transferred certain properties under development with a carrying amount of RMB5,789,000 to investment properties (Note 8) with a total fair value of RMB42,188,000 as a result of change of actual use (2016: RMB1,482,000).

As at 31 December 2016, certain of the Group's properties under development were pledged as collaterals for certain bank loans granted to the Group and all such pledge has been released with the repayment of bank loans in 2017 (Note 16).

11 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leasehold land with lease term of 40 years or more. All completed properties held for sale are stated at cost and no impairment is provided for. As at 31 December 2016, certain of the Group's completed properties held for sale were pledged as collaterals for bank loans granted to the Group and such pledge was released in 2017.

During the year ended 31 December 2017, the Group engaged sales agent to promote the selling of the 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.

12 LONG-TERM RECEIVABLES & TRADE AND OTHER RECEIVABLES

	Note	**2017** ***RMB'000***	2016 *RMB'000*
Amounts due from third parties			
– Trade receivables – current		**5,540**	4,074
– Trade receivables – non-current		**13,995**	–
Less: allowance for doubtful debts		**(19)**	(19)
– Non-trade receivables		**67,525**	100,561
Amounts due from related parties	*20(d)*		
– Non-trade receivables		**21,258**	–
Advance payments to contractors			
– To third party contractors		**27,877**	41,695
– To related party contractors	*20(d)*	**–**	1,812
Prepaid business tax and other taxes		**40,798**	26,511
Total		**176,974**	174,634
Including:			
Trade and other receivables		**162,979**	174,634
Long-term receivables		**13,995**	–

13 RESTRICTED CASH

	2017	2016
	RMB'000	*RMB'000*
Pledged for:		
– Properties under development	**41,235**	2,172
– Bank loans *(Note (i))*	**–**	12,463
Total	**41,235**	14,635

Note (i): It represented cash balance in an escrow bank account which is under the supervision of a bank.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2017	2016
	RMB'000	*RMB'000*
Cash at bank and in hand		
– Cash on hand	**14**	91
– Cash at bank	**896,819**	451,091
	896,833	451,182

15 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Amounts due to third parties		
– Trade payables *(Note (i))*	**374,306**	610,877
– Receipts in advance	**704,575**	463,312
– Accrued payroll	**4,208**	2,441
– Other payables and accruals	**138,684**	206,194
– Guarantee deposits *(Note (ii))*	**492,003**	251,022
	1,713,776	1,533,846
Amounts due to related parties *(Note 20(d))*		
– Trade payables *(Note (i))*	**254,944**	153,083
– Non-trade payables	**23,112**	141,894
	278,056	294,977
	1,991,832	1,828,823

Notes:

(i) 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:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**222,070**	482,120
3 to 6 months	**25,475**	45,837
6 to 12 months	**281,275**	55,217
Over 12 months	**100,430**	180,786
	629,250	763,960

Trade payables mainly represent amounts due to contractors. Payment to contractors is by instalments according to progress and agreed milestones. The Group normally retains 5% as retention payment.

(ii) During the year ended 31 December 2017, the Group granted exclusive right to sales agencies for promoting certain completed properties for a period of time, and received the amount of RMB492,003,000 as guarantee deposits (31 December 2016:RMB251,022,000).

16 LOANS AND BORROWINGS

At 31 December 2017, the loans and borrowings were secured as follows:

	2017	2016
	RMB'000	*RMB'000*
Current		
Secured		
– Current portion of non-current bank loans	**–**	272,511
	–	272,511
Non-current		
Secured		
– Bank loans	**–**	408,853
– Loan from non-bank financial institution	**–**	565,000
Less: Current portion of non-current bank loans	**–**	(272,511)
	–	701,342
Total loans and borrowings	**–**	973,853

The bank loans were secured by the following assets:

	2017	2016
	RMB'000	*RMB'000*
Properties under development *(Note 10)*	**–**	573,285
Completed properties held for sale *(Note 11)*	**–**	693,045
Investment properties *(Note 8)*	**–**	115,253
Restricted cash *(Note 13)*	**–**	12,463
Total	**–**	1,394,046

The pledges were released during the year ended 31 December 2017.

17 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTEREST

(a) Dividends

The board of directors does not recommend the distribution of a final dividend for the year ended 31 December 2017 (2016: Nil).

(b) Share capital

Issued share capital

	2017		2016	
	No. of shares *('000)*	***RMB'000***	No. of shares *('000)*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**300,000**	**2,585**	–	–
Shares issued	**–**	**–**	1	–
Capitalisation issue	**–**	**–**	224,999	1,939
Issuance of shares upon Initial public offering	**–**	**–**	75,000	646
At 31 December	**300,000**	**2,585**	300,000	2,585

Notes:

(i) Issuance of shares

On 31 August 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorized share capital of the Company was HK$3,000,000 divided into 300,000,000 Shares of HK$0.01 each and issued 1 unpaid share.

During the Reorganisation 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 April 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$2,249,990 (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 IPO of 75,000,000 shares issued at a price of $3.96 per share. Proceeds of RMB646,000, representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of RMB257,807,000, after deducting issuing expenses of RMB19,077,000, were credited to the share premium account.

18 COMMITMENTS

Capital commitments outstanding at 31 December 2017 not provided for in the consolidated financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Contracted but not provided for	**51,492**	273,925
Authorised but not contracted for	**6,833,208**	6,885,685

19 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:

	2017	2016
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**252,130**	247,737

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) Land use right

On 17 January 2018, a subsidiary of the Group, Hainan Nanhai Xiang Long Properties Development Limited ("**Nanhai Xiang Long**") received a decision from Haikou People's Government in relation to its confiscating of the state-owned construction land use right of of a parcel of land owned by Nanhai Xiang Long located to the north of Bin Hai Xi Lu (濱海西路), Haikou, with a total site area of approximately 88,209.07 square meters (the land certificate number being Hai Kou Shi Guo Yong (2008) No. 001431 (海口市國用(2008)第001431號)) (Haikou Phoenix Aqua City Phase II (the "**Phase II**")) (the "**Decision**") for the reason that the land parcel has not been developed and constructed on schedule.

For Phase II, according to the notice issued by the Haikou Planning Bureau on 2 July 2013, the planned site area of Phase II was decreased from 88,209.07 square meters to 61,761.00 square meters, and the plot ratio was increased from 0.5 to 0.78, for which compensation was to be made to the Group for the land being expropriated, and the nature of land use right was changed to "tourism." As of the date of approval of these financial statements, the government still has not determined the valuation and compensation proposal for Phase II and the Group has not obtained the updated land use right certificate for Phase II hence making the Group unable to further proceed with the developments under Phase II.

However, the Decision deemed that pursuant to the provisions under the Regulations over Management of idle Land (閒置土地處置辦法) and the Regulations over the Identification and Management of idle Land in Hainan District (海南省閒置土地認定與處置規定), since such land parcel has failed to be developed in accordance with the original time schedule and has been delayed for more than two years, it has become idle land and its land use right shall be confiscated. Nanhai Xiang Long shall be entitled to apply for administrative appeal to the Hainan People's Government within 60 days upon the receipt of the Decision, or commence administrative proceedings to the Haikou Intermediate People's Court within six months.

The Group considers that the basis for which the Decision was made by the Haikou People's Government to confiscate the land use right is not fully consistent with the actual circumstances of Phase II. The Group is of the view that the changes in governmental planning and coastline protection policies as well as the delay in updating the change of land use right certificate have objectively resulted in the impediment on the development of Phase II, the consequence being that the land parcel was unable to be developed and constructed on schedule. In addition, it is objectively inconsistent with actual circumstances of Phase II for the government to determine land vacancy by considering Phase II and Haikou Phoenix Aqua City Phase I land parcel, which has been completed, inspected and put into record, to be two separate land parcels.

Up to the approval date of these financial statements, the Group is in the process of preparing to bring a suit to Haikou People's Court for Haikou People's Government's infringing its rights relating to Phase II. The Group has also continued its discussions with the Haikou Planning Bureau indicating its willingness to develop Phase II subject to the Bureau's approval of its design plans. As of the approval date of these financial statements, the directors, after seeking legal opinion, consider that the Group has reasonable grounds to challenge the Decision and that therefore, taking account of all available evidence, it is not more likely than not that a present obligation to surrender the land without compensation exists at the end of the Reporting Period. No provision has therefore been made in respect of the Decision. Should the Decision be successfully enforced by the Haikou People's Government, the Group may suffer a loss on confiscation amounting to RMB179,182,000, being the carrying value of Phase II recognised within the properties under development.

20 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements of the Group, the Group entered into the following significant related party transactions during the year ended 31 December 2017.

(a) Name and relationship with related parties

During the year ended 31 December 2017, transactions with the following parties were considered as related party transactions:

Name of 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
Nanjing Hengjida Engineeting 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 Huiyao Decoration Construction Co., Ltd. ("**Nanjing Huiyao**")	Associate of a group controlled by the Ultimate Controlling Shareholder
Leshan Huizhi Technology Development Co., Ltd. ("**Leshan Huizhi**")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing San Long Cement Company Limited ("**Nanjing San Long**")	Minority shareholder

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	2017	2016
	RMB'000	*RMB'000*
Wages, salaries and other benefits	**3,241**	4,544
Retirement scheme contributions	**–**	–
	3,241	4,544

The above remuneration to key management personnel is included in "staff costs" (Note 4(b)).

(c) Transactions with related parties

	2017	2016
	RMB'000	*RMB'000*
Construction and consultancy services *(Note (i))*	**285,207**	47,004
Funding arrangements with shareholders *(Note (ii))*	**(140,040)**	(355,247)
Interest income	**–**	–
Interest expense	**1,904**	11,487

(i) Construction and consultancy services

During the year ended 31 December 2017, the Group received construction services from the following related parties:

	2017	2016
	RMB'000	*RMB'000*
Nanjing Huizhi	**285,207**	46,083
Nanjing Huiyao	**–**	921
Total	**285,207**	47,004

The above transactions between the Group and its related parties mainly comprised construction services in relation to earth moving, 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 Huizhi, have been ceased since 30 June 2016.

(ii) ***Funding arrangements with shareholders***

During the year ended 31 December 2017, the Group had funding arrangements to the following shareholders, the net cash outflows of which are as follows:

	2017	2016
	RMB'000	*RMB'000*
Zhong Hui Nanjing	**–**	(328,019)
Nanjing San Long	**(140,040)**	(27,228)
Total	**(140,040)**	(355,247)

(d) Balances with related parties

Balances with related parties as at 31 December 2017 are detailed as follows:

Amounts due from related parties

	2017	2016
	RMB'000	*RMB'000*
Non-trade related:		
Nanjing San Long	**21,258**	–
	21,258	–

	2017	2016
	RMB'000	*RMB'000*
Advance payments:		
Nanjing Huizhi	**–**	1,075
Nanjing Hengjida	**–**	737
	–	1,812

Amount due to related parties

	2017	2016
	RMB'000	*RMB'000*
Trade related:		
Nanjing Huizhi	**232,011**	117,831
Nanjing Maoheng	**–**	943
Nanjing Tianhui	**–**	4,978
Lianyungang Hui Neng	**21,236**	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	**221**	420
	254,944	153,083

	2017	2016
	RMB'000	*RMB'000*
Non-trade related:		
Other payables due to:		
Nanjing San Long	**23,112**	141,894
	23,112	141,894

21 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017	2016
	RMB'000	*RMB'000*
Non-current asset		
Interest in subsidiaries	**1,519,742**	1,519,742
	1,519,742	1,519,742
Current assets		
Cash and cash equivalents	**18,893**	248,143
Trade and other receivables	**418**	447
Available-for-sale financial assets	**209,830**	–
	229,141	248,590
Total assets	**1,748,883**	1,768,332
Current liabilities		
Trade and other payables	**(12,094)**	(15,804)
	(12,094)	(15,804)
Net assets	**1,736,789**	1,752,528
Equity		
Share capital	**2,585**	2,585
Reserves	**1,751,624**	1,765,108
Accumulated losses	**(17,420)**	(15,165)
Total equity	**1,736,789**	1,752,528

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 2017.

Business review for the year ended 31 December 2017

In 2017, China's real estate industry experienced a shift from the traditional demand-side restraint to supply-side expansion. On the policy front, the regulatory effect of maintaining macro control, adjusting structure and stabilizing expectation gradually emerged. During the year, the Group made accurate judgement on market changes and, adhering to a prudent and sound operational policy, continued to implement the development strategy for "regional focus, quick turnover and innovative transformation" to achieve a steady growth in the scale of our business.

During the period, the Group completed contract sales of approximately RMB2,164.4 million, representing an increase of 72.4% year-on-year, achieving 133% of the full-year sales target ahead of schedule and marking a new milestone in the development of the Group. At the same time, the Group proceeded steadily in delivering projects, recording a growth of about 78.5% in revenue for the year to RMB2,005.3 million as compared to 2016. Gross profit reached RMB890.4 million, representing an increase of 108.7% year-on-year, and gross profit margin rose from 30.5% to 44.4%.

As business grew, the Group's financial position remained stable, characterized by smooth financing channels and further reduction in financing costs. As of 31 December 2017, the Company completed rapid deleveraging and further optimized its debt structure.

In the land market, the Company accurately judged the macroeconomic and monetary policies and was active in studying and controlling supply and demand in different cities. As of 31 December 2017, the Company had land reserves with a total GFA of 1.47 million sq.m., which is sufficient for development in the coming three to four years.

Prospects for 2018

In 2018, according to the guidelines and positioning for the real estate industry in the report of the 19th National Congress of the Communist Party of China that "houses are for living in, not for speculation", it is expected that market regulation will not be eased while deleveraging and risk prevention will continue. We are also aware that the State introduced policies on the Chinese real estate market from a long-term perspective to pursue stable and healthy development, rather than short- and medium-term goals. The Group will continue to strengthen its policy research and take advantage of the trends, paying close attention to and adapting to changes in the macro-control policies. At the same time, we will grasp customer needs, continuously optimize product mix, undergo active destocking and accelerate the turnover of projects to promote the growth in contract sales.

Acknowledgement

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

Zhou Li
Chairperson

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

As of 31 December 2017, the revenue of the Group was approximately RMB2,005.3 million, representing an increase of approximately 43.2% as compared with the corresponding period of 2016. Gross profit was RMB890.4 million, representing an increase of approximately 108.7% as compared with the corresponding period of 2016. For the year ended 31 December 2017, profit attributable to the equity shareholders of the Company was approximately RMB251.2 million, representing an increase of approximately 286.4% as compared with the corresponding period of 2016. Basic earnings per share was RMB84 cents (the corresponding period of 2016: RMB25.0 cents).

As at 31 December 2017, the net debt-to-equity ratio of the Group was 0.

	As of 31 December		
Performance Highlights	**2017**	2016	Changes %
Contracted sales (RMB million)[3]	**2,164.4**	1,268.6	72.4
Contracted saleable gross floor area (“GFA”) (sq.m.)[2, 3]	**80,688.8**	60,710.6	32.9
Contracted average selling price (“ASP”) (RMB/sq.m.)[2, 3]	**26,824.0**	20,895	29.7
Revenue (RMB million)	**2,005.3**	1,400.8	78.5
Among which: sales of properties			
– Revenue from properties delivered (RMB million)[1]	**1,964.0**	1,396.7	40.6
– GFA of properties delivered (sq.m.)	**93,925**	76,434	22.9
– ASP of properties delivered (RMB average sales)	**20,910**	18,273	15.5
Rental income (RMB million)[1]	**5.0**	4.1	22.0
Gain on revaluation upon properties under development being transferred to investment properties (RMB’000)	**36,399**	–	N/A
Gross profit (RMB million)	**890.4**	426.7	108.7
Profit for the Period			
– Attributable to shareholders (RMB million)	**251.2**	65.0	286.5
– Attributable to non-controlling interests (RMB million)	**8.3**	(17.0)	51.2
Total assets (RMB million)	**5,194.6**	5,264.8	-1.3
Cash and bank balances (including cash, cash equivalents & restricted cash) (RMB million)	**938.1**	465.8	101.4
Total bank and other borrowings (RMB million)	**–**	973.9	–
Total equity (RMB million)	**1,935.5**	1,688.5	14.6
Key financial ratios			
Gross profit margin[(4)]	**44.4%**	30.5%	
Net debt to equity ratio[(5)]	**N/A**	30.1%	
Gearing ratio[(6)]	**–**	57.7%	

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: Gross profit ÷ Gains x 100%

5. Net debt to equity ratio: (Total bank and other borrowings – Cash and bank balances) ÷ Total interests x 100%

6. Gearing ratio: Total bank and other borrowings ÷ Total interests x 100%

Contracted Sales

For the year ended 31 December 2017, the contracted sales of the Group amounted to approximately RMB2,164.4 million, representing an increase of approximately 70.6% from approximately RMB1,268.6 million for the year ended 31 December 2016. Total gross floor area ("**GFA**") sold in 2017 was approximately 80,688.8 sq.m., representing an increase of approximately 32.9% from approximately 60,710.6 sq.m. for the year ended 31 December 2016. In terms of geographical location, the contracted sales of the Group of Sanya and Danzhou amounted to RMB2,004.2 million and RMB160.2 million respectively, representing approximately 92.6% and 7.4% of total contracted sales of the Group in 2017.

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 2017 and 2016:

	Year ended 31 December 2017			**Year ended 31 December 2016**		
Project	**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	1,984.8	53,981.6	36,768.1	1,192.1	51,290.7	23,243.0
Sanya Phoenix Aqua City South Shore Phase I	19.4	454.9	42,646.7	25.9	1,339.4	19,358.0
Danzhou Phase I	160.2	26,252.3	6,102.3	50.5	8,080.0	6,247.0
Total	**2,164.4**	**80,688.8**	**26,824.0**	**1,268.5**	**60,710.1**	**20,894.4**

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 2017, the Group had completed properties with a total GFA of 0.67 million sq.m. and had land reserves with a total GFA of 1.47 million sq.m., comprising (a) a total GFA of 0.07 million sq.m. completed but remaining unsold or held for investment, (b) a total GFA of 0.03 million sq.m. under development, and (c) a total planned GFA of 1.37 million sq.m. with site area of 0.83 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 2017, the Group had investment properties with a total GFA of 12,571 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 2017:

Project	Project Type	Expected Completion Date	Under Development			Held For Future Development		
			Site Area *(sq.m.)*	GFA Under Development *(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	2018.12.25	–	11,967.2	–	–	–	–
Phoenix Aqua City South Shore Phase II	Planning and applying for construction	2021.10.15	356,572.1	–	–	–	617,580.0	100
Phoenix Aqua City Left Shore	Garage and ancillary facilities	2018.12.30	–	18,465.0	–	–	–	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	409,665.2	–	–	–	704,312.8	60
Total Attributable GFA			827,998.3	30,432.2	–	–	1,370,066.6	

Investment Properties

The following table sets out a summary of the Group's investment properties as at 31 December 2017:

Project	Total GFA Held for Investment	Leased GFA	Total Rental Income 2017	Total Rental Income 2016
	(sq.m.)	*(sq.m.)*	***(RMB million)***	*(RMB million)*
Sanya Phoenix Aqua City Left Shore Zone II & III Garage	12,571.0	12,571.0	**1.3**	0.1

Completed Properties

The following table sets out a summary of the Group's completed projects and project phases by projects as at 31 December 2017:

Project	Project Type	Site Area	GFA Completed	Saleable/ Rental GFA	Saleable GFA Not Yet Sold	Rental GFA Held For Property Investment	Ownership Interest
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*%*
Phoenix Aqua City South Shore Phase I	Low-rise apartments	189,921.7	23,853.02	14,661.59	3,869.68	–	100
	Multi-storey apartments		89,756.21	79,658.60	351.90	–	100
	Medium-rise		44,640.25	41,351.56	126.88	–	100
	High-rise		119,997.90	107,279.48	415.91	–	100
Phoenix Aqua City Left Shore	Multi-storey apartments	139,797.7	96,943.80	77,138.74	11,748.87	–	97
	Medium-rise		120,454.76	95,192.84	7,317.65	–	97
Haikou Phoenix Aqua City	Medium-rise	25,490.2	45,790.3	30,157.0	26,371.54	–	100
Danzhou Phase I	Residential	38,465.9	129,628.50	87,654.55	15,354.05	–	–
Total		393,675.5	671,064.74	533,094.36	65,556.48	–	–

Land Reserves

No new project was acquired by the Group for the year ended 31 December 2017.

As the year ended 31 December 2017, 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 2017, turnover of the Group amounted to approximately RMB2,005.3 million, representing an increase of approximately 78.5% from approximately RMB1,400.8 million in 2016, mainly due to the increase in the revenue derived from property development.

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 2017, revenue derived from property development was approximately RMB1,964.0 million, representing an increase of approximately 40.6% from approximately RMB1,396.7 million in 2016. The increase was primarily due to the rapid destocking in Hainan market resulted from the recovery of the domestic real estate market.

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 19.5% to approximately RMB4.9 million in 2017 from approximately RMB4.1 million in 2016. The increase was primarily due to the increased number of car parks contracted for leasing in 2017.

Gross Profit and Margin

Gross profit increased by approximately 108.7% to approximately RMB890.4 million in 2017 from approximately RMB426.7 million in 2016, while the Group's gross profit margin was 44.4% in 2017 as compared to a gross profit margin of 30.5% in 2016. The increase in gross profit margin was mainly attributable to a rise in the property prices resulted from the recovery of the real estate market. The gross profit margin of multi-storey apartments of Sanya Phoenix Aqua City in 2017, which were the majority of GFA delivered in 2017, was higher than the profit margin of medium-rise apartments in 2016, which were the majority of GFA delivered in 2016.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 21.7% to approximately RMB53.1 million in 2017 from approximately RMB67.8 million in 2016. The decrease was mainly attributable to the changes of sales model and the decrease in sales commission.

Administrative Expenses

The Group's administrative expenses decreased by approximately 35.1% to approximately RMB48.4 million in 2017 from approximately RMB74.6 million in 2016, mainly due to the decrease of labor costs, listing expenses and the amortisation cost of the Share Incentive Scheme.

Other Expenses

The Group's other expenses decreased by approximately 98.6% to approximately RMB0.1 million in 2017 from approximately RMB7.0 million in 2016, mainly due to the decrease in interest expense incurred from overdue land premium and the transaction tax on the interest income of the intragroup loan which was paid in one lump sum, which were not incurred in 2017.

Net finance Costs

The Group's net finance costs decreased by approximately 84.0% to approximately RMB8.3 million in 2017 from approximately RMB52.0 million in 2016, mainly due to full repayment of external loans and borrowings in 2017 and more interest income earned from banks in line with the increase in cash balance.

Income Tax Expense

The Group's income tax expense increased by approximately 184.2% to approximately RMB521.3 million in 2017 from approximately RMB183.4 million in 2016, mainly due to increase of 78.5% in revenue in 2017 as compared to 2016 and most of the delivered properties being the foreign-style house in Zone II of Sanya Feng Huang Shui Yun with higher gross profit.

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 increased by approximately 223.0% to approximately RMB237.7 million in 2017 from approximately RMB73.6 million in 2016.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2017, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB938.1 million (2016: approximately RMB465.8 million), representing an increase of approximately 101.4% as compared to that as at 31 December 2016. As at 31 December 2017, bank deposits of RMB41.2 million (2016: RMB14.6 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 2017, the Group had bank and other borrowings of approximately RMB0 million (2016: approximately RMB973.9 million).

As at 31 December 2016, approximately RMB408.9 million were secured by properties under development, completed properties held for sale, investment properties and restricted cash and all these pledges were released during the year ended 31 December 2017.

Net Gearing Ratio

As at 31 December 2017, the gearing ratio (calculated by total debt divided by total equity; total debt includes interest-bearing bank and other borrowings) was –%(31 December 2016: 57.7%).

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 2017, the Group had authorized as budget or committed payment for the construction and land development expenditure amounting to approximately RMB6,884.7 million (2016: approximately RMB7,159.6 million).

Contingent Liabilities

(a) Guarantees in respect of mortgage facilities

As at 31 December 2017, the Group had provided guarantees amounting to approximately RMB252.1 million (2016: approximately RMB247.7 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 or 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 2017 as it is not probable that the Group will sustain a loss under these guarantees.

(b) Land use right

On 17 January 2018, a subsidiary of the Group, Hainan Nanhai Xiang Long Properties Development Limited ("**Nanhai Xiang Long**") received a decision from Haikou People's Government in relation to its confiscating of the state-owned construction land use right of of a parcel of land owned by Nanhai Xiang Long located to the north of Bin Hai Xi Lu (濱海西路), Haikou, with a total site area of approximately 88,209.07 square meters (the land certificate number being Hai Kou Shi Guo Yong (2008) No. 001431 (海口市國用(2008)第001431號)) (Haikou Phoenix Aqua City Phase II (the "**Phase II**")) (the "**Decision**") for the reason that the land parcel has not been developed and constructed on schedule.

The Group is in the process of preparing to bring a suit to Haikou People's Court for Haikou People's Government's infringing its rights relating to Phase II. The Group has also continued its discussions with the Haikou Planning Bureau indicating its willingness to develop Phase II subject to the Bureau's approval of its design plans. The directors, after seeking legal opinion, consider that the Group has reasonable grounds to challenge the Decision and that therefore, taking account of all available evidence, it is not more likely than not that a present obligation to surrender the land without compensation exists at the end of the Reporting Period. No provision has therefore been made in respect of the Decision in the financial statements for the year ended 31 December 2017. Should the Decision be successfully enforced by the Haikou People's Government, the Group may suffer a loss on confiscation amounting to RMB179,182,000, being the carrying value of Phase II recognised within the properties under development.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2017, the Group (including Danzhou Phase I) had approximately 24 employees. For the year ended 31 December 2017, the Group incurred employee costs of approximately RMB13.0 million of which approximately RMB13.0 million was charged to the profit and loss accounts and approximately RMB0 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 RMB1.0 million for the year ended 31 December 2017 (2016: RMB6.8 million) 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 2017 (2016: nil).

USE OF PROCEEDS

Intended Use of Proceeds

It was disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus that the Company intended to use the net proceeds from the Global Offering of approximately HK$262.4 million (assuming an Offer Price of HK$4.15 per Share, being the mid-point of the indicative Offer Price range), after deducting underwriting fees and estimated expenses payable by the Company in relation to the Global Offering, for the following purposes:

- approximately HK$236.2 million, representing approximately 90% of the net proceeds for financing the development of Sanya Phoenix Aqua City South Shore Phase II; and

- approximately HK$26.2 million, representing approximately 10% of the net proceeds, for working capital and other general corporate purposes.

In the event that we suffer any delay in the development of Sanya Phoenix Aqua City South Shore Phase II, we will apply 80% of the net proceeds which was intended to finance the development of Sanya Phoenix Aqua City South Shore Phase II in financing the development of Haikou Phoenix Aqua City Phase II which is estimated to commence construction in January 2017, and 20% of such to Danzhou Phoenix Aqua City which is estimated to commence construction in March 2017.

To the extent that the net proceeds are not immediately used for the purposes described above, they will be placed in short-term demand deposits with licensed banks or financial institutions.

The actual net proceeds from the Listing (the "Net Proceeds") was approximately HK$249 million and the Net Proceeds has not yet been applied to the purposes above as at the date of this announcement.

Change in Use of Proceeds

As stated in the announcement of the Company dated June 1 2017 headed "Proposed Change in Use of Proceeds", the Board has resolved to change the use of proceeds to investing in short-term wealth management products, fund products with high security, and new potential property projects to be identified by the Group from time to time in the foreseeable future.

Reasons for Change in Use Of Proceeds

The Net Proceeds has not yet been applied to the development of Sanya Phoenix Aqua City South Shore Phase II, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City as the projects were at their preliminary stages of applying for the construction planning permits. It is expected that the Sanya Phoenix Aqua City South Shore Phase II, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City will start construction officially in late 2017 or in 2018. Despite the delay in development of the above said projects, the Company also expects that the existing cash flow generated from proceeds from the sales of properties and bank financing will be able to provide sufficient fund for working capital and other general corporate purpose, as well as for the development of Sanya Phoenix Aqua City South Shore Phase II, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City and fulfilling the demand and potential growth for the Group's need in the near future.

The Board is of the view that the reallocation of the Net Proceeds in investing in short-term wealth management products, fund products and new potential property projects will facilitate efficient allocation of financial resources and utilisation of idle finds, which in turn shall further enhance the overall revenue of the Company and pursue better investment return to the Company and the shareholders as a whole. The wealth management products and fund products intended to be subscribed by the Company shall be low risk in nature, so it would not impact the day-to-day capital turnover of the Group, the construction of projects or the operation of the Group's principal businesses.

In view of the recent business development strategies and reasons set out above, the Board has resolved to allocate no more than RMB249 million for the above purpose(s).The table below sets out the applications of the net proceeds and actual usage up to December 31, 2017:

Use of proceeds	**Actual usage up to December 31, 2017** *(HK$ million)*
Subscribed for financial investment management products*	249

Note: Details of the financial products are disclosed in the Company's announcement on August 1 2017 headed "Discloseable Transaction subscriptions of Financial Investment Products."

The Board is of the view that there are no material changes in the nature of business objectives as set out in the Prospectus and that the proposed change in the use of the Net Proceeds is in the interest of the Company and its shareholders as a whole.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Wednesday, 27 June 2018 (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 Friday, 22 June 2018 to Wednesday, 27 June 2018, 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 Thursday, 21 June 2018.

CORPORATE GOVERNANCE PRACTICES

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 Listing Rules as its own code of conduct of corporate governance.

During the period from 1 January 2017 to 31 December 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 CG 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. 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 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. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

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 during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no material events affecting the Group after the end of the Reporting Period.

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 Reporting Period.

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 Yong, Mr. E Junyu and Dr. Chen Shimin (Chairman).

The annual results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 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 2017 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
Zhou Li
Chairperson

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors are Ms. Zhou Li, Ms. Fan Wenyi and Mr. Chen Xiang; the non-executive Director is Ms. Yao Yu; and the independent non-executive Directors are Mr. Li Yong, Mr. E Junyu and Dr. Chen Shimin.