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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 2018**

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 2018 (the “**Reporting Period**”) with the comparative figures for the year ended 31 December 2017 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2018

(Expressed in Renminbi)

	<i>Notes</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	3	1,410,474	2,005,308
Cost of sales		<u>(747,314)</u>	<u>(1,114,934)</u>
Gross profit		663,160	890,374
Other income	4	5,029	453
Changes in fair value of investment properties		(21,407)	–
Changes in fair value of financial assets at FVPL		6,694	–
Realised gain arising from financial assets at FVPL, net		36,694	–
Selling and distribution expenses		(55,778)	(53,111)
Credit loss allowance on other receivables		(13,676)	–
Allowance on advance payments to contractors		(12,895)	–
Administrative expenses		(68,576)	(48,480)
Other operating expenses		<u>–</u>	<u>(140)</u>
Operating profit		539,245	789,096
Finance income		4,757	8,967
Finance costs		<u>–</u>	<u>(17,231)</u>
Finance income (costs), net	5	4,757	(8,264)
Profit before taxation		544,002	780,832
Income tax expenses	6	<u>(362,923)</u>	<u>(521,320)</u>
Profit for the year	7	181,079	259,512

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*
For the year ended 31 December 2018
(Expressed in Renminbi)

	<i>Notes</i>	2018 RMB'000	2017 RMB'000
Other comprehensive income (loss):			
<i>Items that may be reclassified</i> <i>subsequently to profit or loss:</i>			
Changes in fair value of available-for-sale financial assets, net of tax		–	1,749
<i>Items that will not be reclassified subsequently</i> <i>to profit or loss:</i>			
Exchange differences on translation of financial statements to presentation currency		<u>8,670</u>	<u>(15,232)</u>
Other comprehensive income (loss) for the year, net of tax		<u>8,670</u>	<u>(13,483)</u>
Total comprehensive income for the year		<u>189,749</u>	<u>246,029</u>
Profit for the year attributable to:			
Owners of the Company		179,538	251,181
Non-controlling interests		<u>1,541</u>	<u>8,331</u>
		<u>181,079</u>	<u>259,512</u>
Total comprehensive income attributable to:			
Owners of the Company		188,208	237,698
Non-controlling interests		<u>1,541</u>	<u>8,331</u>
Total comprehensive income for the year		<u>189,749</u>	<u>246,029</u>
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
— Basic and diluted	9	<u>0.60</u>	<u>0.84</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	<i>Notes</i>	2018 RMB'000	2017 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		42,058	45,587
Investment properties		130,058	48,788
Intangible assets		504	660
Trade and other receivables	<i>10</i>	22,717	13,995
Financial assets at fair value through profit or loss	<i>11</i>	1,726	–
Deferred tax assets		198,484	140,935
		<u>395,547</u>	<u>249,965</u>
Current assets			
Properties under development		2,428,600	2,328,981
Completed properties held for sale		485,562	1,177,299
Contract costs		14,117	–
Trade and other receivables	<i>10</i>	105,224	162,979
Deposits paid for acquisition of land		13,760	–
Current tax assets		27,127	127,516
Available-for-sale financial assets		–	209,830
Financial assets at fair value through profit or loss	<i>11</i>	806,694	–
Restricted cash		83,412	41,235
Cash and cash equivalents		683,197	896,833
		<u>4,647,693</u>	<u>4,944,673</u>
Current liabilities			
Trade and other payables	<i>12</i>	1,205,485	1,991,832
Contract liabilities		345,146	–
Current tax liabilities		820,245	740,102
		<u>2,370,876</u>	<u>2,731,934</u>
Net current assets		<u>2,276,817</u>	<u>2,212,739</u>
Total assets less current liabilities		<u>2,672,364</u>	<u>2,462,704</u>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	<u>522,940</u>	<u>527,183</u>
NET ASSETS	<u>2,149,424</u>	<u>1,935,521</u>
Capital and reserves		
Share capital	2,585	2,585
Reserves	<u>1,808,672</u>	<u>1,603,986</u>
Equity attributable to owners of the Company	1,811,257	1,606,571
Non-controlling interests	<u>338,167</u>	<u>328,950</u>
TOTAL EQUITY	<u>2,149,424</u>	<u>1,935,521</u>

NOTES

(Expressed in Renminbi thousands unless otherwise indicated)

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The measurement basis used in the preparation of these consolidated financial statements is historical cost convention, except for investment properties and financial assets at fair value profit or loss (“**FVPL**”) which have been measured at fair value as explained in the accounting policies set out below.

These consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in Note 2.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Amendments to HKAS 40: Transfers of Investment Property

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HK (IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the interpretation does not have any significant impact on the consolidated financial statements.

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.
- FVOCI: fair value through other comprehensive income.
- Designated FVOCI: equity instruments measured at FVOCI.
- Mandatory FVOCI: debt instruments measured at FVOCI.

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below:

- (a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:
 - (i) the determination of the business model within which a financial asset is held;
 - (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and
 - (iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

- (b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.
- (c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Differences between the previous balances of reserves and accumulated losses under HKAS 39 and the current carrying amounts upon adoption of HKFRS 9 are recognised directly in components of equity at 1 January 2018 as summarised below:

	Changes in fair value of available-for- sale financial assets reserve RMB'000	Accumulated losses RMB'000
At 1 January 2018		
Reclassification	(1,749)	1,749
Decrease	(1,749)	1,749

(i) *Classification and measurement of financial assets and financial liabilities*

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

As at 1 January 2018

Measurement category under HKAS 39	Carrying amount under HKAS 39 RMB'000	Measurement category and carrying amount under HKFRS 9	
		Amortised cost RMB'000	FVPL RMB'000
<i>Available-for-sale financial assets</i>			
Wealth management products (<i>note a</i>)	209,830	–	209,830
<i>Loans and receivables (note b)</i>			
Trade and other receivables	70,497	70,497	–
Restricted cash	41,235	41,235	–
Cash and cash equivalents	896,833	896,833	–
	<u>1,218,395</u>	<u>1,008,565</u>	<u>209,830</u>

(*note a*) At the date of initial application, the wealth management products that were previously classified as available-for-sale financial assets at fair value is now reclassified to financial assets at FVPL. It does not meet the criteria to be classified as financial assets at amortised cost or Mandatory FVOCI in accordance with HKFRS 9, because its cash flows do not represent solely payment of principal and interest and it is not equity investment. The related fair value gain of RMB1,749,000 as at 1 January 2018 were transferred from changes in fair value of available-for-sale financial assets reserve to accumulated losses on 1 January 2018.

(*note b*) These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these investments to collect the contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding. Impairment based on expected credit loss model on these financial assets has no significant financial impacts.

(ii) *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including restricted cash, cash and cash equivalents and trade and other receivables).

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 January 2018 in accordance with the transitional provisions therein.

The effects of transition to HKFRS 15 on the components of equity at 1 January 2018 are summarised below:

	At 1 January 2018		
	Accumulated losses	Non-controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capitalisation of sales commissions	21,970	680	22,650
Tax impact (current and deferred)	(5,492)	(170)	(5,662)
Net changes	<u>16,478</u>	<u>510</u>	<u>16,988</u>

The following tables show how the amounts for the year ended 31 December 2018 reported under HKFRS 15 would be affected if HKFRS 15 were not adopted:

	Amounts reported if HKFRS 15 were not adopted	Effect on adoption of HKFRS 15	Amounts reported under HKFRS 15
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2018			
Selling and distribution expenses	69,895	(14,117)	55,778
Income tax expenses	366,452	(3,529)	362,923
At 31 December 2018			
Contract costs	–	14,117	14,117
Current tax liabilities	823,774	(3,529)	820,245
Non-controlling interests	338,156	11	338,167

Before the adoption of HKFRS 15, the Group recognised sales commissions paid or payable as a result of obtaining sales contracts for the Group when incurred. However, under HKFRS 15, the Group is required to capitalise such commissions as costs of obtaining contracts when they are incremental and recoverable, except when the practical expedient in paragraph 94 of HKFRS 15 is applied. The capitalised commissions are charged to profit or loss over the term of the specific existing and anticipated contracts to which the costs relate and are included in “selling and distribution expenses”.

Effect of initial adoption of new/revised HKFRSs

The tables below summarise the impact as a result of the initial adoption of all the above new/revised HKFRSs as at 1 January 2018.

At 1 January 2018	As previously reported RMB'000	Effect of adoption of HKFRS 9 RMB'000	Effect of adoption of HKFRS 15 RMB'000	As restated RMB'000
Deferred tax assets	140,935	–	(5,662)	135,273
Contract costs	–	–	22,650	22,650
Available-for-sale financial assets	209,830	(209,830)	–	–
Financial assets at fair value through profit or loss	–	209,830	–	209,830
Contract liabilities	–	–	649,193	649,193
Trade and other payables	1,991,832	–	(649,193)	1,342,639
Reserves	1,785,860	(1,749)	–	1,784,111
Accumulated losses	(181,874)	1,749	16,478	(163,647)
Total equity attributable to owners of the Company	1,606,571	–	16,478	1,623,049
Non-controlling interests	328,950	–	510	329,460

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are development, sales and lease of properties in the People's Republic of China (the “PRC”).

Revenue mainly represented income from sales and rental 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:

	2018 RMB'000	2017 RMB'000
Sales of properties:		
— Development projects (excluding Danzhou Phase I)	1,322,881	1,805,604
— Danzhou Phase I	59,782	158,346
Rental income from investment properties:		
— Development projects (excluding Danzhou Phase I)	20,111	4,959
— Danzhou Phase I	1,505	–
Gain (loss) on revaluation upon transfer of investment properties:		
— Development projects (excluding Danzhou Phase I)	6,040	36,399
— Danzhou Phase I	(12)	–
Consultancy income	167	–
	<u>1,410,474</u>	<u>2,005,308</u>

(i) *Disaggregation of revenue*

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Other sources of revenue:		
Rental income from investment properties	21,616	4,959
Gain on revaluation upon transfer of investment properties	6,028	36,399
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Timing of revenue recognition		
— At a point in time	1,382,663	1,963,950
— Over-time	167	—
	<u>1,410,474</u>	<u>2,005,308</u>

The amount of revenue recognised for the year ended 31 December 2018 that was included in the contract liabilities at the beginning of the year is RMB645,094,000.

(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.

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 ("**Danzhou Phase I**") refers to the development and sales of residential property units under Phase I developed by Danzhou Shuang Lian Property Development Company Limited ("**Danzhou Shuang Lian**") in Hainan Province.

The executive directors of the Company, being the chief operating decision maker, monitor 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.

Segment results, assets and liabilities

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 earnings are further adjusted for items not specifically attributed to individual segments.

Information regarding the Group’s reportable segments for the years ended 31 December 2018 and 2017 is set out below.

For the year ended 31 December	Development Projects		Danzhou Phase I		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue from external customers	1,349,199	1,846,962	61,275	158,346	1,410,474	2,005,308
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	<u>1,349,199</u>	<u>1,846,962</u>	<u>61,275</u>	<u>158,346</u>	<u>1,410,474</u>	<u>2,005,308</u>
Reportable segment gross profit	652,607	869,350	10,553	21,024	663,160	890,374
Reportable segment profit (adjusted EBIT)	<u>482,188</u>	<u>778,423</u>	<u>8,640</u>	<u>10,360</u>	<u>490,828</u>	<u>788,783</u>
As at 31 December						
Reportable segment assets	4,653,886	4,951,772	389,354	242,866	5,043,240	5,194,638
<i>Including:</i>						
Cash and cash equivalents	682,750	895,015	447	1,818	683,197	896,833
Properties under development	2,428,600	2,328,981	–	–	2,428,600	2,328,981
Completed properties held for sale	388,326	979,559	97,236	197,740	485,562	1,177,299
Reportable segment liabilities	2,769,539	3,067,462	124,277	191,655	2,893,816	3,259,117
<i>Including:</i>						
Trade and other payables	1,138,530	1,821,907	66,955	169,925	1,205,485	1,991,832
Contract liabilities	345,146	–	–	–	345,146	–
Other segment information						
Depreciation and amortization	3,616	3,698	119	251	3,735	3,949
Income tax expenses	372,265	511,877	(9,342)	9,443	362,923	521,320
Allowance on advance payments to contractors	12,895	–	–	–	12,895	–
Credit loss allowance on other receivables	4,459	–	9,217	–	13,676	–
Changes in fair value of investment properties	21,407	–	–	–	21,407	–
Changes in fair value of financial assets at FVPL	(6,694)	–	–	–	(6,694)	–
Realised gain arising from financial assets at FVPL, net	(36,694)	–	–	–	(36,694)	–
Additions to property, plant and equipment	63	39	6	–	69	39
Transfer to investment properties	98,585	42,188	4,092	–	102,677	42,188

Information about major customers

There was no sale to a single customer which accounted for 10% or more of the Group's revenue for the years ended 31 December 2018 and 2017.

Reconciliation of reportable segment profit or loss

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Reportable segment profit (adjusted EBIT)	490,828	788,783
Elimination of inter-segment profits	—	—
Reportable segment profits derived from the Group's external customers	490,828	788,783
Other income	5,029	453
Changes in fair value of financial assets at FVPL	6,694	—
Realised gain arising from financial assets at FVPL, net	36,694	—
Other operating expenses	—	(140)
Finance income	4,757	8,967
Finance costs	—	(17,231)
Consolidated profit before taxation	<u>544,002</u>	<u>780,832</u>

4. OTHER INCOME

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Exchange gain	2,865	—
Forfeiture of customers' deposits received	1,500	403
Forfeiture of sale agents' deposits received	590	—
Others	74	50
	<u>5,029</u>	<u>453</u>

5. FINANCE INCOME (COSTS), NET

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Finance income		
Bank interest income	<u>4,757</u>	8,967
Finance costs		
Interest expenses on loans and borrowings	—	(20,354)
Less: Capitalised interest expenses	—	3,123
	<u>—</u>	<u>(17,231)</u>
Finance income (costs), net	<u>4,757</u>	<u>(8,264)</u>

6. INCOME TAX EXPENSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
PRC corporate income tax (“CIT”)	165,371	231,811
PRC land appreciation tax (“LAT”)	265,006	350,179
Deferred income tax	<u>(67,454)</u>	<u>(60,670)</u>
	<u>362,923</u>	<u>521,320</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The Group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2018 and 2017 as the Group’s entities had no assessable profits arising in or derived from Hong Kong for the years.

CIT

CIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2017: 25%).

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

7. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging/(crediting):

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Total staff costs (including directors’ emoluments):		
— Salaries, wages and other benefits	7,985	12,695
— Share-based payments expenses	–	978
— Contribution to defined contribution retirement plan	<u>528</u>	<u>296</u>
	<u>8,513</u>	<u>13,969</u>
Depreciation of property, plant and equipment	3,579	3,794
Amortisation of intangible assets (included in administrative expenses)	156	155
Auditors’ remuneration	4,748	2,000
Cost of properties sold	747,314	1,114,934
Credit loss allowance on other receivables	13,676	–
Allowance on advance payments to contractors	12,895	–
Gain on disposal of property, plant and equipment	(74)	(49)
Write-off of property, plant and equipment	8	–
Operating lease payments in respect of land and building	<u>213</u>	<u>11</u>

8. DIVIDENDS

The board of directors does not recommend the distribution of a final dividend for the year ended 31 December 2018 (2017: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of RMB179,538,000 (2017: profit of RMB251,181,000) and the weighted average number of 300,000,000 (2017: 300,000,000) ordinary shares.

There were no dilutive potential ordinary shares during the years ended 31 December 2018 and 2017 and, therefore, the diluted earnings per share were the same as the basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade receivables — third parties (<i>note i</i>)		
— Non-current	22,717	13,995
— Current	3,726	5,540
	<u>26,443</u>	<u>19,535</u>
Less: Loss allowance (<i>note 10(a)</i>)	(19)	(19)
	<u>26,424</u>	<u>19,516</u>
Other receivables — third parties	19,747	17,134
Less: Loss allowance (<i>note 10(b)</i>)	(13,676)	—
	<u>6,071</u>	<u>17,134</u>
Amounts due from related parties (<i>note ii</i>)	194	—
Amount due from a non-controlling shareholder (<i>note iii</i>)	1,413	21,258
Advance payments to contractors (<i>note iv</i>)	4,746	27,877
Community facilities deposits	9,242	7,764
Interest receivables on financial assets at FVPL/available-for-sale financial assets	6,914	4,825
Expenditures incurred for construction of community facilities (<i>note v</i>)	30,004	30,004
Prepaid utilities expenses	3,479	7,798
Prepaid other taxes	39,454	40,798
	<u>95,446</u>	<u>140,324</u>
Total	<u>127,941</u>	<u>176,974</u>
Classified as:		
Non-current assets	22,717	13,995
Current assets	105,224	162,979
	<u>127,941</u>	<u>176,974</u>

- (i) Trade receivables comprise receivables due from customers in relation to sales of properties and rental income. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding sale and purchase agreements. Receivables to be recovered more than one year are reclassified to long-term receivables. The remaining balance of trade receivables are expected to be recovered within one year. The Group does not hold any collaterals over these balances. In respect of the sale of properties, no credit terms are granted to customers.
- (ii) Amounts due from related parties are unsecured, interest-free and repayable on demand.
- (iii) Amount due from a non-controlling shareholder is unsecured, interest-free and repayable on demand. The amount is relating to Danzhou Phase I, whose operation is under the direction of the non-controlling shareholder, Nanjing San Long Cement Company Limited.
- (iv) Advance payments to contractors are made in accordance with the payment terms as agreed in the construction contracts signed with building contractors. They are to be transferred to properties under development with regard to stage of completion for relevant construction. During the year, an allowance on advance payment to a contractor of RMB12,895,000 (2017: Nil) has been recognised because the contractor is under the process of liquidation and is unlikely to have financial capacity to repay the advance payment.
- (v) It represents the construction cost of community facilities which is deductible for the community facility funds charged by the local government or will be refunded to the Group when the construction of the property project is completed.

As at 31 December 2018 and 2017, the carrying amounts of trade and other receivables approximates their fair values.

(a) Loss allowance on trade receivables

As of the end of the Reporting Period, the ageing analysis of gross trade receivables based on the invoice date that trade receivables were recognised, is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 year	23,719	18,989
Over 1 year but less than 2 years	2,178	4
Over 2 years but less than 3 years	4	169
Over 3 years	542	373
	<u>26,443</u>	<u>19,535</u>

The ageing analysis of gross trade receivables as at 31 December 2018 and 2017 which were past due but not impaired was as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 year	3,168	4,994
Over 1 year but less than 2 years	12	4
Over 2 years but less than 3 years	4	169
Over 3 years	542	373
	<u>3,726</u>	<u>5,540</u>
Neither past due nor impaired	22,717	13,995
	<u>26,443</u>	<u>19,535</u>

The management considers the ECL of trade receivables to be insignificant so that no significant loss allowance was recognised during the year, except a loss allowance of RMB19,000 (2017: RMB19,000) was made on the balance due from a customer which the management considered as credit impaired. The Group does not hold any collateral over trade receivables as at 31 December 2018 (2017: Nil).

The movement in the loss allowance for trade receivables during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

The movement in the ECL allowance of trade receivables is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
At 1 January and 31 December	<u>19</u>	<u>19</u>

(b) Loss allowance on other receivables

The movement in the ECL allowance on other receivables is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
At 1 January	–	–
Loss allowance recognised during the year	<u>13,676</u>	–
At 31 December	<u>13,676</u>	–

The management considers the ECL of other receivables to be insignificant so that loss allowance was recognised during the year, except a loss allowance of RMB13,676,000 (2017: Nil) was made on the balances due from counterparties which the management considered as credit impaired. The Group does not hold any collateral over other receivables as at 31 December 2018 (2017: Nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the following:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Unlisted securities:		
Equity securities — outside Hong Kong	1,726	–
Structured deposits — outside Hong Kong (<i>note a</i>)	<u>806,694</u>	–
	<u>808,420</u>	–
Classified as:		
Non-current assets	1,726	–
Current assets	<u>806,694</u>	–
	<u>808,420</u>	–

- (a) The Group has principal-protected floating income structured deposits issued by banks in the PRC. As the directors of the Company evaluate the performance of the structured deposits on a fair value basis, the structured deposits are classified financial assets at fair value through profit or loss on initial recognition because their cash flows do not represent solely payments of principal and interest. The fair value of the structured deposits was determined by reference to recent market transaction.

12. TRADE AND OTHER PAYABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade payables (<i>note i</i>)		
— Third parties	339,730	374,306
— Related parties	241,581	254,944
	<u>581,311</u>	<u>629,250</u>
Amounts due to related parties	13,131	—
Amount due to a non-controlling shareholder	11,181	23,112
Receipt in advance for rental income (<i>note ii</i>)	58,878	55,382
Receipts in advance	—	649,193
Accrued audit fees	5,009	1,250
Accrued payroll	2,002	4,208
Other payables and accruals	25,511	16,962
Temporary receipts from customers (<i>note iv</i>)	76,710	93,645
Tender deposits receipts from contractors	4,313	4,956
Other tax payables	12,941	21,871
Guarantee deposits (<i>note iii</i>)	414,498	492,003
	<u>624,174</u>	<u>1,362,582</u>
	<u>1,205,485</u>	<u>1,991,832</u>

(i) Trade payables

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.

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:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 3 months	220,852	222,070
Over 3 months but less than 6 months	4,436	25,475
Over 6 months but less than 12 months	98,925	281,275
Over 12 months	257,098	100,430
	<u>581,311</u>	<u>629,250</u>

(ii) Receipt in advance for rental income

Receipt in advance for rental income represented the lump sum payment received from the tenants for lease of car parks. The amounts are recognised to profit or loss as rental income over the lease terms. At 31 December 2018, the receipt in advance for rental income that are expected to be utilised after more than 12 months are RMB55,861,000 (2017: RMB46,573,000).

(iii) Guarantee deposits

During the year ended 31 December 2018, the Group granted exclusive right to sales agencies for promoting certain completed properties for a period of time, and received the amount of RMB414,498,000 as guarantee deposits (2017: RMB492,003,000). The guarantee deposits are interest-free and will be returned to the sales agencies when the sale targets have been met as stipulated in the agencies' agreements or when the agencies' agreements ended. The amount is expected to be settled within 12 months.

(iv) Temporary receipts from customers

The amount represents the temporary receipts from the customers for processing a certificate of property ownership of the completed properties. The balances are interest-free and will be paid to the government authorities when the certificates are prepared.

13. CONTINGENT LIABILITIES/GUARANTEES ISSUED

(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:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>189,840</u>	<u>252,130</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. In addition, the Group has not encountered any incidents of default in payment of mortgage by the purchasers since 2017, the directors consider that the likelihood of default of payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

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

(i) Haikou Phoenix Aqua City Phase II

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 a parcel of land owned by Nanhai Xiang Long located to the north of Bin Hai Xi Lu (濱海西路) in 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 “**Haikou Decision**”) for the reason that the land parcel has not been developed and constructed on schedule.

According to a 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”. The directors of the Company are 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 the Phase II, the consequence being that the land parcel was unable to be developed and constructed on schedule.

On 15 June 2018, the Group has formally instituted an application of administrative proceeding on the Haikou Decision to the Intermediate People’s Court of Haikou City (海口市中級人民法院) (“**Haikou Court**”). On 28 December 2018, Haikou Court issued its administrative judgment (the “**Haikou Administrative Judgment**”) on the administrative proceeding in relation to Phase II. Haikou Court ruled that the Group succeeded in its administrative proceeding against Haikou People’s Government and dismissed the Haikou Decision in relation to the recovery of the land use right of Haikou project without compensation by the Haikou People’s Government for the reasons that Haikou Decision was made without sufficient evidence and was not applied with the applicable laws. On 13 February 2019, Nanhai Xiang Long received an appeal notice (the “**Appeal Notice**”) from Higher People’s Court of Hainan Province that the Haikou People’s Government has made an application to appeal against the Haikou Administrative Judgment. On 4 March 2019, Nanhai Xiang Long filed a defence in respect of the Appeal Notice to the Haikou Court.

The directors of the Company consider that the Group, after consulted the Group’s external counsels, has reasonable grounds to justify that the Haikou Administrative Judgment is still valid and has a view of that 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 impairment has been made in respect of the investment cost on the land use right of Phase II. The directors of the Company expect that the final decision from Higher People’s Court of Hainan Province on this legitimation will be issued in the second half of 2019. Should the appeal from Haikou People’s Government be succeeded, the Group may suffer a loss from the confiscation amounting to approximately RMB132.4 million being the carrying value of the land use right of Phase II recognised within the properties under development.

(ii) *Danzhou Phoenix Aqua City*

A subsidiary of the Company, Danzhou Shuang Lian, received state-owned construction land use right decisions (the “**Danzhou Decisions**”) issued by the Danzhou People’s Government in May 2018, which state that on 30 December 2017, 13 February 2018 and 2 March 2018, total five land parcels in relation to a property development project of Danzhou Shuang Lian, namely Danzhou Phoenix Aqua City (“**Danzhou Phoenix Aqua City**”) located on the section of Binhai Avenue, Southern Area, Baimajing Town (the land certificate number being Dan Guo Yong (2010) Nos. 710, 711, 712, 713 and 714* (儋國用(2010)第710、711、712、713及714號)), with a total site area of approximately 385,395.83 square meters (the “**Lands**”) were confiscated without compensation for the reason that the Lands was unable to be developed and constructed on schedule.

The directors are of the view that the changes in governmental planning and the delay in processing relevant procedures have objectively resulted in the impediment to the development of the Danzhou Phoenix Aqua City, which cause the Group unable to further proceed with the development of Danzhou Phoenix Aqua City on schedule.

On 20 July 2018, the Group has formally instituted an application of administrative proceeding on the Danzhou Decisions to the Second Intermediate People’s Court of Hainan Province (the “**Danzhou Administrative Proceedings**”). On 14 December 2018, Hainan Court issued its administrative judgments on the Danzhou Administrative Proceedings in relation to the Lands (the “**Danzhou Administrative Judgments**”). Hainan Court ruled that the Group succeeded in its Danzhou Administrative Proceedings against Danzhou People’s Government and dismissed the Danzhou Decisions in relation to the three land parcels with a total site area of approximately 272,046.53 square metres for the reasons (among others) that the Danzhou Decisions were made without sufficient evidence and not fully consistent with the actual circumstances. However, Hailan Court ruled that the Danzhou People’s Government succeeded in the Danzhou Administrative Proceedings regarding the remaining two land parcels with site area of approximately 113,349.30 square metres.

On 25 December 2018, the Group lodged an appeal at the Hainan Court against the Danzhou Administrative Judgments in relation to two of the aforesaid five land parcels with a total site area of approximately 113,349.30 square metres. Also, the Group received summons dated 15 February 2019 from the Higher People’s Court of Hainan Province that the Danzhou People’s Government lodged appeals against the Danzhou Administrative Judgments in relation to the three land parcels with a total site area of approximately 272,046.53 square metres. On 22 April 2019, the Higher People’s Court of Hainan Province issued its administrative judgments on the Danzhou Decisions and ruled that the appeals lodged by the Group against the Danzhou Administrative Judgments were succeeded and the appeals lodged by Danzhou People’s Government against the Danzhou Administrative Judgments were not succeeded, and revoke the Danzhou Decisions issued by Danzhou People’s Government in relation to the confiscation of the Lands. The administrative judgments issued by the Higher People’s Court of Hainan Province were final.

The Group is undergoing a study on re-development of the project of Danzhou Phoenix Aqua City and negotiating with the local government for obtaining necessary licenses/certificates for the project of Danzhou Phoenix Aqua City.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Director(s)**”) of Hailan Holdings Limited (the “**Company**” or “**Hailan Holdings**”, together with its subsidiaries, collectively known as the “**Group**”), I am pleased to present the audited financial results for the year ended 31 December 2018 (the “**Reporting Period**”).

In retrospect of the Reporting Period, under the strategic regulation of the real estate market by the Chinese government, the real estate investment, saleable area and sales in Hainan Province recorded a year-on-year drop of 16.5%, 37.5% and 23.2%, respectively. Facing the headwinds stemming from the operating environment, the performance of Hailan Holdings was also inevitably affected.

For the Reporting Period, contracted sales of the Group amounted to RMB1,179.0 million, representing a reduction of 45.5% as compared to 2017. Contracted saleable gross floor area (“**GFA**”) was approximately 42,017.1 square meters, representing a decrease of approximately 47.9% as compared to last year. The average selling price (“**ASP**”) was about RMB28,060.0 per square meter, representing an increase of approximately 4.6% as compared to last year.

Although we remain positive on the long-term development of China's real estate business, the Group has been actively looking for other business opportunities to diversify its business risks. We are pleased to announce that at the end of October 2018, the Company entered into a shareholders' agreement to establish a joint venture company, which principally engaged in real estate investment and development in Silicon Valley, the United States, representing an important milestone for Hailan Holdings to expand its business overseas. Given the current economic prosperity in the United States, the more stable real estate industry as compared to China, and the relatively high demand from real estate developers, the establishment of a joint venture company will enable the Group to enter into the US real estate industry more smoothly and thus create a new source of long-term income. As one of the important motivators for the US economy, Silicon Valley has assembled a large number of high-tech industry talents, making it one of the areas with the highest housing prices in the United States under a huge real estate market.

Looking ahead, we believe that the global economy will remain unstable under the Sino-US trade disputes and the Chinese government implements real estate regulations, which may constrain the development of the Group. However, we believe that the excellent track record of our valued assets, property management and property construction execution in Hainan Province, China and the stable sales revenue from housing contracts will support the sustainable growth of our business. The Group will promote the growth in contract sales by paying close attention to the changes in the macro-economic environment and policies, so as to grasp customer's demand, optimize product mix and undergo destocking as well as to accelerate the turnover of projects.

To further facilitate the development of the Group, we have been exploring different investment opportunities. In addition to our expansion of coverage in the overseas market, we will make our best endeavours to diversify our business and explore different emerging industries, including industries closely related to cutting-edge technology, city, population and real estate, such as artificial intelligence and high-tech manufacturing, health and biomedicine, emerging Internet and communication technology, in order to create synergies with the Group's core real estate business.

The management has formulated the future development plan. By basing in Hong Kong, delving into the Mainland, expanding the market in North America and spreading global footprints, it will further promote the development of the Group's business and create the best return for shareholders.

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

Zhou Li
Chairperson

18 September 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overall Performance

For the Reporting Period, the revenue and gross profit of the Group were approximately RMB1,410.5 million and RMB663.2 million, representing a decrease of approximately 29.7% and 25.5% as compared with 2017, respectively. Profit attributable to the equity shareholders of the Company was approximately RMB179.5 million, while we recorded profit attributable to the equity shareholders of the Company of approximately RMB251.2 million during last year. Basic earning per share was RMB60 cents (2017: RMB84 cents).

Performance Highlights

	As at 31 December		
	2018	2017	Changes
Contracted sales (RMB million) ³	1,179.0	2,164.4	-45.5%
Contracted saleable gross floor area ("GFA") (sq.m.) ^{2,3}	42,017.1	80,688.8	-47.9%
Contracted average selling price ("ASP") (RMB/sq.m.) ^{2,3}	28,060.0	26,824.0	4.6%
Revenue ¹ (RMB million)	1,410.5	2,005.3	-29.7%
Among which: sales of properties			
— Revenue from properties delivered (RMB million) ¹	1,382.7	1,964.0	-29.6%
— GFA of properties delivered (sq.m.)	49,288.9	93,925.0	-47.5%
— ASP of properties delivered (RMB/sq.m.)	28,052.9	20,910.0	34.2%
Rental income (RMB million) ¹	21.6	5.0	332.0%
Gain on revaluation upon transfer of investment properties (RMB million)	6.0	36.4	-83.5%
Loss on changes in fair value of investment properties (RMB million)	(21.4)	—	100.0%
Gross profit (RMB million)	663.2	890.4	-25.5%
Profit for the Year			
— Attributable to owners (RMB million)	179.5	251.2	-28.5%
— Attributable to non-controlling interests (RMB million)	1.5	8.3	-81.9%
Total assets (RMB million)	5,043.2	5,194.6	-2.9%
Cash and bank balances (including cash and cash equivalents and restricted cash) (RMB million)	766.6	938.1	-18.3%
Total equity (RMB million)	2,149.4	1,935.5	11.1%
Key financial ratios			
Gross profit margin ⁴	47.0%	44.4%	2.6p.p.
Net debt to equity ratio ⁵	N/A	N/A	N/A
Gearing ratio ⁶	—	—	N/A

Notes:

1. Representing the amount of income after deduction of business tax and other sales related taxes.
2. Excluding the GFA of car parking spaces.
3. Pursuant to the agreement between the shareholders of Danzhou Shuang Lian Properties Development Company Limited (“**Danzhou Shuang Lian**”), one of the shareholders of Danzhou Shuang Lian shall continue to manage, develop and undertakes fully the risk and reward of phase I of the development project located at Danzhou (“**Danzhou Phase I**”). The acquisition of Danzhou Shuang Lian has been accounted for as a business combination with Danzhou Shuang Lian fully combined into our Group’s combined financial statements from the date of acquisition. As the Group does not share any risks and rewards relating to Danzhou Phase I pursuant to the abovementioned agreement, the net profit or loss, net assets or liabilities arising from Danzhou Phase I are wholly attributable to the non-controlling interests in the Group’s combined statements of profit or loss and other comprehensive income and the combined statements of changes in equity. Contracted sales of Danzhou Phase I is excluded in this analysis for discussion purpose.
4. Gross profit margin: $\text{Gross profit} \div \text{revenue} \times 100\%$
5. Net debt to equity ratio: $(\text{Total bank and other borrowings} - \text{cash and bank balances}) \div \text{total equity} \times 100\%$
6. Gearing ratio: $\text{Total bank and other borrowings} \div \text{Total equity} \times 100\%$

PROPERTY DEVELOPMENT

Contracted sales

For the Reporting Period, the Group recorded contracted sales of approximately RMB1,179.0 million, representing a decrease of approximately 45.5% as compared with 2017. The contracted saleable GFA was 42,017.1 sq.m. in 2018, representing a decrease of approximately 47.9% year-on-year. The ASP of contracted sales was RMB28,060.0 per sq.m., representing an increase of approximately 4.6% year-on-year.

The decrease in contracted sales and contracted saleable GFA were mainly due to the slow progress of approval in relation to the planning construction and the strict limitations on purchasing commodity housing and making mortgage loan in the Hainan Province. In April 2018, the “Notice of the Hainan Provincial Communist Party Committee and the General Office of the People’s Government of Hainan Province on Further Stabilizing the Real Estate Market” (《中共海南省委辦公廳海南省人民政府辦公廳關於進一步穩定房地產市場的通知》) clearly stated that Hainan Province has implemented a purchase restriction in the whole-province on the basis of the issued purchase restriction policy. The Housing and Development Department of the province made further clarification on the restrictions on purchasing and transferring commodity housing, and making mortgage loans, which has prevented the speculation on housing and land more effectively.

Project	For the year ended 31 December			
	2018		2017	
	Contracted GFA sq.m.	Contracted sales RMB'million	Contracted GFA sq.m.	Contracted sales RMB'million
Sanya Phoenix Aqua City Left Shore	20,893.2	727.3	53,981.6	1,984.8
Sanya Phoenix Aqua City South Shore Phase I & II	7,723.9	293.1	454.9	19.4
Haikou Phoenix Aqua City Phase I	4,345.3	98.8	–	–
Danzhou Phase I	9,054.7	59.8	26,252.3	160.2
	<u>42,017.1</u>	<u>1,179.0</u>	<u>80,688.8</u>	<u>2,164.4</u>

REVENUE FROM SALES OF PROPERTIES

For the Reporting Period, the GFA of delivered properties decreased due to the promulgation of whole-province limitation on purchase of commodity housing in the Hainan Province and fierce competition among the peers. As the ASP of delivered properties for the sale of multi-storey apartments for the Reporting Period was higher as compared with 2017, the revenue from the sales of property offset the effects of the promulgation of whole-province limitation in the Hainan Province and the keen market competition. The revenue from sales of properties was approximately RMB1,382.7 million, representing a decrease of approximately 29.6% as compared with 2017 and accounting for 98.0% of total revenue, which continues to be the main source of revenue and growth momentum for the Group.

Completed projects held for sale

During the Reporting Period, the Group has not registered any newly completed properties.

Projects held for future development and projects under development

As at 31 December 2018, the Group had a total of three projects or project phases held for future development with a total planned GFA of approximately 1.4 million sq.m. (At 31 December 2017: 1.4 million sq.m.).

Land bank

No new project was acquired by the Group during the Reporting Period.

As at 31 December 2018, the total GFA of the land bank of the Group amounted to approximately 1.4 million sq.m., among which 43% is located in Sanya City, 53.4% is located in Danzhou City and 3.6% is located in Haikou City of the Hainan Province.

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the Reporting Period amounted to approximately RMB21.6 million, deriving from the leasing of the serviced apartments and car parking spaces located at Sanya Phoenix Aqua City Left Shore and the shops located at Danzhou Phase I.

Investment properties

As at 31 December 2018, the investment properties of the Group represent the car parking spaces held by the Group for rental purpose. As at 31 December 2018, the carrying amount of investment properties was approximately RMB130.1 million, representing an increase of approximately 166.6% as compared with 2017, mainly due to certain properties under development and completed properties held for sale have been transferred into investment properties with a total fair value of approximately RMB102.7 million (2017: approximately RMB42.2 million).

Financial Review

(I) Revenue

Revenue of the Group is mainly derived from property development and property investment. During the Reporting Period, revenue of the Group amounted to approximately RMB1,410.5 million, representing a decrease of approximately 29.7% as compared with 2017, primarily due to the slow progress of approval in relation to the planning construction of the development projects in Hainan Province and the restrictions under the new policy on purchasing property in Hainan Province.

(II) Cost of sales and gross profit margin

The cost of sales and gross profit of the Group was approximately RMB747.3 million and RMB663.2 million respectively, representing a decrease of approximately 32.9% and 25.5% as compared with 2017, mainly due to the decrease in total GFA delivered.

Increase of gross profit margin from 44.4% to 47.0% was mainly due to the fact that the delivered properties of Haikou Phoenix Aqua City Phase I in the Reporting Period was a project with higher gross profit margin.

(III) Selling and distribution expenses and administrative expenses

The Group's selling and distribution expenses for the Reporting Period amounted to approximately RMB55.8 million (2017: approximately RMB53.1 million), mainly due to the increase in commission expenses as the Company has signed an exclusive and undertaking agency agreement with a property agency with higher commission rate in order to boost up the sales.

Administrative expenses increased by 41.5% to RMB68.6 million, mainly due to the increase of auditor's remuneration and legal and professional expenses on legal proceedings.

(IV) Finance income (costs), net

The net finance income of the Group for the Reporting Period amounted to approximately RMB4.8 million, while a net finance costs of approximately RMB8.3 million was recorded in 2017. In 2018, the finance income was mainly due to decrease in interest income resulted from the decrease in bank deposits, while no financing cost incurred by the Group in 2018 was due to full repayment of external loans and borrowings in 2017.

(V) Income tax expenses

The income tax expenses of the Group decreased by 30.4% to approximately RMB362.9 million. Among which, the current corporate income tax expenses decreased by 28.7% to approximately RMB165.3 million in the Reporting Period, while the land appreciation tax decreased by 24.3% to approximately RMB265.0 million. The decrease in the current corporate income tax expenses was primarily attributable to the decrease of profit before taxation (net of land appreciation tax expense), while the decrease in the land appreciation tax was the result of decrease in sales of properties.

(VI) Profit attributable to owners of the Company

The profit attributable to owners of the Company for the Reporting Period amounted to approximately RMB179.5 million, representing a decrease of approximately 28.5% as compared to 2017, which was mainly because sales of properties were less than in 2018.

(VII) Liquidity and financial resources

As at 31 December 2018, total assets of the Group amounted to approximately RMB5,043.2 million (2017: approximately RMB5,194.6 million), of which current assets amounted to approximately RMB4,647.7 million (2017: approximately RMB4,944.7 million). Total liabilities amounted to approximately RMB2,893.8 million (2017: approximately RMB3,259.1 million), of which non-current liabilities amounted to approximately RMB522.9 million (2017: approximately RMB527.2 million). Total equity amounted to approximately RMB2,149.4 million (2017: approximately RMB1,935.5 million). Total equity attributable to owners of the Company amounted to RMB1,811.3 million (2017: approximately RMB1,606.6 million).

As at 31 December 2018, the Group had cash and bank balances (including restricted cash) of approximately RMB766.6 million (2017: approximately RMB938.1 million). The Group has no borrowing as at 31 December 2018 and 31 December 2017.

(VIII) Commitments

As at 31 December 2018, the Group had capital commitments outstanding but not provided for in consolidated financial statements amounting to approximately RMB828.9 million (2017: approximately RMB51.5 million).

(IX) Contingent liabilities

Guarantees in respect of mortgage facilities

As at 31 December 2018, the Group provided guarantees (the “**Guarantees**”) of approximately RMB189.8 million (2017: approximately RMB252.1 million) to banks in respect of the mortgage loans granted to purchasers of the properties of the Group. Pursuant to the terms of the Guarantees, if there is any default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with the 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 Directors consider that it is not probable that the Group will sustain a loss under the Guarantees as during the relevant periods, the Group can take over the ownerships of the related properties and sell the properties to recover the 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 that the purchasers default payments to the banks.

The Group has not recognised the deferred income in respect of the Guarantees as its fair value is considered to be minimal by the Directors.

(X) Legal Proceedings

Haikou Phoenix Aqua City Phase II

On 17 January 2018, Nanhai Xiang Long, a subsidiary of the Group, received a decision from Haikou People’s Government in relation to its confiscation of the state-owned construction land use right 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**”)) without compensation (the “**Haikou Decision**”) for the reason that the land parcel has not been developed and constructed on schedule.

Reference is made to the Section headed “Business — Description of our property development projects — Haikou” in the prospectus of the Company dated 30 June 2016 (the “**Prospectus**”), for the Phase II, according to the notice issued by the Haikou Planning Bureau on 2 July 2013, the planned site area of the 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 at the date of this announcement, the government still has not determined the valuation and compensation proposal for the Phase II and the Group has not obtained the updated land use right certificate for the Phase II hence making the Group unable to further proceed with the developments under the Phase II.

However, the Haikou 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 Haikou Decision, or commence administrative proceedings to the Haikou Intermediate People's Court within six months.

The Group considered that the basis for which the Haikou Decision was made by the Haikou People's Government to confiscate the land use right is not fully consistent with the actual circumstances of the Phase II. The Group was 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 the Phase II, the consequence being that the land parcel was unable to be developed and constructed on schedule. In addition, it was objectively inconsistent with actual circumstances of the Phase II for the government to determine land vacancy by considering the 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.

The Group has also continued its discussions with the Haikou Planning Bureau indicating its willingness to develop the Phase II subject to the Bureau's approval of its design plans. As at the date of this announcement, the Directors consider that the Group has reasonable grounds to challenge the Haikou Decision and that therefore, taking account of all available evidence, it is unlikely that a present obligation to surrender the land without compensation exists at the end of the Year. On 15 June 2018, the Group has formally instituted an application of administrative proceeding on the Haikou Decision (the "**Administrative Proceeding**") to the Intermediate People's Court of Haikou City* (海口市中级人民法院) (the "**Haikou Court**"). On 28 December 2018, the Haikou Court issued its administrative judgment on the Administrative Proceeding in relation to Phase II. Haikou Court ruled that the Group succeeded in its Administrative Proceeding against Haikou People's Government and dismissed the Haikou Decision in relation to the recovery of the land use right of Haikou project without compensation by the Haikou People's Government for the reasons (among others) that the Haikou Decision was made without sufficient evidence and was not applied with the applicable laws.

On 13 February 2019, Nanhai Xiang Long has received a notice of appeal from the Haikou Court, notifying Nanhai Xiang Long that the Haikou People's Government has submitted an application for appeal against the administrative judgment made by the Haikou Court regarding the administrative proceedings of the Phase II on 28 December 2018.

No impairment provision has therefore been made in respect of the Haikou Decision. Should the Haikou Decision be successfully enforced by the Haikou People's Government, the Group may suffer a loss from confiscation amounting to approximately RMB132.4 million being the carrying value of the Phase II recognised within the properties under development for the current year. For details of the Haikou Decision, please refer to the announcements of the Company date 25 January 2018, 31 January 2018, 26 June 2018, 9 January 2019 and 26 February 2019, respectively.

Danzhou Phoenix Aqua City

A subsidiary of the Group, Danzhou Shuang Lian Properties Development Company Limited (“**Danzhou Shuang Lian**”), collected the state-owned construction land use right decisions issued by the Danzhou People’s Government in May 2018 (the “**Danzhou Decisions**”), which state that on 30 December 2017, 13 February 2018 and 2 March 2018, Danzhou Phoenix Aqua City, the five land parcels developed by Danzhou Shuang Lian located on the section of Binhai Avenue, Southern Area, Baimajing Town (the land certificate number being Dan Guo Yong (2010) Nos. 710, 711, 712, 713 and 714* (儋國用(2010)第710、711、712、713及714號)), with a total site area of approximately 385,395.83 square meters (the “**Lands**”) was recovered without compensation for the reason that the Lands was unable to be developed and constructed on schedule.

Reference is made to the section headed “Business — Description of our property development projects — Danzhou” in the Prospectus, Danzhou Phoenix Aqua City occupies an aggregate site area of approximately 399,657.2 square meters and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 704,312.8 square meters. As at the date of this announcement, the relevant government authorities have not yet granted the relevant planning and construction permits, hence making the Group unable to proceed with the development of Danzhou Phoenix Aqua City.

However, the Danzhou Decisions deemed that pursuant to the provisions under the 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 the Lands have failed to be developed in accordance with the original time schedule and relevant construction work has been delayed for more than two years, they have become idle lands and their land use rights shall be recovered without compensation. Danzhou Shuang Lian shall be entitled to apply for administrative review to Hainan People’s Government within 60 days upon receipt of the Danzhou Decisions or initiate administrative proceedings with the Second Intermediate People’s Court of Hainan Province (the “**Hainan Court**”) within six months.

The Board considered that the basis on which the Danzhou Decisions were made by Danzhou People’s Government to recover the land use rights without compensation is not fully consistent with actual circumstances of the Danzhou Phoenix Aqua City. The Board was of the view that the changes in governmental planning and the delay in processing relevant procedures have objectively resulted in the impediment to the development of the Danzhou Phoenix Aqua City, the consequence of which was that the Lands are unable to be developed and constructed on schedule.

On 20 July 2018, the Group has formally instituted an application of administrative proceeding on the Danzhou Decisions to the Hainan Court and the case was accepted on 24 July 2018.

On 25 December 2018, the Group submitted an application of appeal against the administrative judgment made by the Hainan Court regarding two land parcels of the above five land parcels with a total site area of approximately 113,349.30 square meters. In addition, the Company has received a summons from the Higher People's Court of Hainan Province on 15 February 2019, stating that the Danzhou People's Government has submitted an application of appeal against the administrative judgment regarding the other three land parcels with a total site area of approximately 272,046.53 square meters.

On 22 April 2019, the Higher People's Court of Hainan Province issued its administrative judgments on the Decisions issued by Danzhou People's Government in relation to the recovery of the Lands. The Higher People's Court of Hainan Province ruled that the appeals lodged by the Group against the administrative judgments made by the Hainan Court were succeeded and the appeals lodged by Danzhou People's Government against the administrative judgments made by the Hainan Court were not succeeded, and revoke the Decisions issued by Danzhou People's Government in relation to the recovery of the Lands. The administrative judgments issued by the Higher People's Court of Hainan Province were final.

For details of the Danzhou Decisions, please refer to the announcements of the Company dated 11 May 2018, 24 July 2018, 21 December 2018, 26 February 2019 and 26 April 2019, respectively.

Board Acknowledgment and actions to be taken

The Board would like to draw the attention of the shareholders and potential investors of the Company to the administrative proceedings in relation to the Decisions.

The Proceedings are still in progress. The management of the Company considers that the Company is unlikely to surrender the relevant land use rights without compensation exists at the end of the Reporting Period. However, at this moment the audit committee of the Company (the “**Audit Committee**”) is not able to assess the impact of the Proceedings on the financial results of the company for the Reporting Period or the subsequent periods. The Board is highly concerned about the progress of the Proceedings.

The Board will continue to monitor and assess the impacts of the Proceedings to the Company, and will make further announcement to inform the investors of the Company when necessary if there is any development. Depending on the progress of the legal proceedings, it is expected that the Audit Committee can recommend the management to set aside the provision for the land use rights concerned at the end of the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

On 9 April 2018, the Company fully redeemed the Wing Lung Ortus Fund from Wing Lung Asset Management Limited (“**WLAM**”) and the redemption proceeds were amounted to USD7,964,648.27, incurring a loss of USD802.79. On 17 April 2018, the Company also redeemed the Discretionary Segregated Managed Accounts (Investment Management) from WLAM and the redemption proceeds were amounted to USD23,981,418.43, generating a profit of USD85,065.43. The total amount of the above redemption proceeds amounted to USD31.95 million (equivalent to approximately HK\$250 million) which were transferred to the fund-raising account of the Company on 17 April 2018. For details, please refer to the announcement of the Company dated 18 April 2018.

On 30 October 2018, the Company entered into a shareholders’ agreement with Ms. Han Yurong (“**Ms. Han**”) and Mr. Huang Heng (“**Mr. Huang**”), pursuant to which the parties agreed to establish a joint venture company (the “**JV Company**”) in the United States of America (the “**USA**”) to principally engage in real estate investment and development in the USA. The aggregate capital contribution (“**Capital Contribution**”) to be made by the Company, Ms. Han and Mr. Huang (the “**JV Parties**”) was US\$10,000,000, which were contributed as to 58% (equivalent to US\$5,800,000) in cash by the Company, as to 40% (equivalent to US\$4,000,000) in cash by Ms. Han and as to 2% (equivalent to US\$200,000) in cash by Mr. Huang. Accordingly, upon completion of the formation of the JV Company, the JV Company were owned as to 58% by the Company, as to 40% by Ms. Han and as to 2% by Mr. Huang. The JV Company became a subsidiary of the Company, the results of which were consolidated into the financial statements of the Group. For details, please refer to the announcement of the Company dated 30 October 2018.

Save as disclosed in this announcement, there are no other material acquisitions, disposals and significant investments during the Reporting Period.

GEARING RATIO

The Group had no borrowings and loans as at 31 December 2018 and 31 December 2017, the gearing ratio as at the dates were not applicable.

FUTURE PLAN FOR MATERIAL INVESTMENTS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, taking into account of Danzhou Phase I, the Group had 25 employees (as at 31 December 2017: 24 employees). For the Reporting Period, the Group incurred employee costs of approximately RMB8.5 million, and was fully recognised as expenses. The remuneration of the employees generally includes salary and performance-based bonuses. According to the applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

DEBT TO ASSETS RATIO

As at 31 December 2018, the debt to asset ratio (calculated by total debt divided by total equity) was Nil (2017: Nil).

PLEDGE OF ASSETS

As at 31 December 2018, the Group had no pledge of assets except for the restricted cash pledged for properties under development approximately RMB45.8 million (2017: Nil).

FOREIGN CURRENCY RISKS

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

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (2017: Nil) to the Company's shareholders.

USE OF PROCEEDS

The net proceeds from the Listing was approximately HKD249 million. As at the date of this announcement, the net proceeds from the Listing were applied as follows:

	Use of proceeds adjusted according to actual gross proceeds less estimated listing expense <i>HKD Million</i>	Change of use of proceeds <i>HKD Million</i>	Utilisation of proceeds <i>HKD Million</i>	Unutilised Amount <i>HKD Million</i>
Finance the development of Sanya Phoenix Aqua City South Shore Phase II	224.1	(224.1)	–	–
Working capital and other general corporate use	24.9	–	(16.4)	8.5
Finance the property development in Hong Kong and USA	–	224.1	(43.9)	180.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>249.0</u>	<u>–</u>	<u>(60.3)</u>	<u>188.7</u>

The use of proceeds has not yet been applied to the development of Sanya Phoenix Aqua City South Shore Phase II, as the project is at the preliminary stage of applying for the construction planning permit. The Company expects that the proceeds from the sale of Company's properties will be able to provide sufficient cash flow for the development of Sanya Phoenix Aqua City South Shore Phase II. The Company has changed the use of proceeds to include the investment in property development in Hong Kong and USA, and general working capital of the Group. For further details, please refer to the announcement of the Company dated 3 June 2019.

The Board will continue to implement the established strategy of the Group prudently with a focus on high-end property development in tourist areas. To this end, it will act as an excellent developer with the view of era's development, expanding its presence in the property markets in Hong Kong and USA. The development of the properties project could be financed by the proceeds from the sales of aforesaid properties.

The Board is of the view that the expansion in the use of the net proceeds will facilitate the allocation of financial resources and diversify the business of the Group, which in turn shall further enhance the revenue of the Company, increase the income stream of the Group and pursue better investment return to the Company and the shareholder as a whole.

As at the date of this announcement, the net proceeds of approximately HK\$188.7 million have not been used.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 31 October 2019 (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 of Hong Kong Limited (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 Monday, 28 October 2019 to Thursday, 31 October 2019, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 25 October 2019.

CODE ON 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 Reporting Period, 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance and Accounting Department which is under the supervision of the Chief Financial Officer of the Company, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2018. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

(i) Renewal of construction cooperation framework agreement

The framework construction services agreement dated 8 April 2016 (“**Construction Cooperation Framework Agreement**”) entered into among the Company, Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun, Hainan Nanhai Xiang Long, Danzhou Shuang Lian and Nanjing Huizhi (collectively the “**Relevant Parties**”) as disclosed in the Prospectus has been expired on 31 December 2018.

On 25 January 2019, the Relevant Parties have agreed to continue with the arrangement under the Construction Cooperation Framework Agreement after the expiry of its term upon similar terms and/or covering similar scope of services as in the Construction Cooperation Framework Agreement by entering into of the new construction cooperation framework agreement entered into among the Relevant Parties (“**2019 Renewal Framework Agreement**”), of which it extends the Construction Cooperation Framework Agreement for three financial years commencing from 1 January 2019 to 31 December 2021. The 2019 Renewal Framework Agreement was approved in the extraordinary general meeting on 29 April 2019.

For more details of the 2019 Renewal Framework Agreement, please refer to the announcements of the Company dated 25 January 2019, 20 February 2019 and 13 March 2019, respectively and the circular of the Company dated 26 March 2019.

(ii) Formation of subsidiaries

- (a) On 24 April 2019, Nanjing Hailan Estate Co., Ltd.* (南京海藍置業有限公司) (“**Nanjing Hailan**”), an indirect wholly-owned subsidiary of the Company incorporated in the PRC in 2019 entered into a cooperation agreement A (the “**Cooperation Agreement A**”) with 廣州瑞豐房地產開發有限公司 (Guangzhou Ruifeng Property Development Co., Ltd.*) (“**Guangzhou Ruifeng**”), pursuant to which the both parties agreed to establish a joint venture company (the “**Company A**”) in the PRC to principally engage in real estate development in the PRC.

Pursuant to the Cooperation Agreement A, Nanjing Hailan will advance up to RMB500 million to the Company A in 2019 in the form of shareholders’ loan with an annual interest rate of 12%, subject to capital needs of the Company A. The Company A shall principally engage in real estate investment, development and management in the PRC. Pursuant to the terms of the Cooperation Agreement A, the registered capital of the Company A is RMB50 million. Nanjing Hailan shall contribute RMB27,500,000, representing 55% of the registered capital of the Company A, whereas Guangzhou Ruifeng shall contribute RMB22,500,000, representing 45% of the registered capital of the Company A.

- (b) On 24 April 2019, Nanjing Hailan also entered into another cooperation agreement B (the “**Cooperation Agreement B**”) with Zhou Xiaojun (“**Mr. Zhou**”), pursuant to which both parties agreed to establish a joint venture company (the “**Company B**”) in the PRC to principally engage in real estate development in the PRC.

Pursuant to the Cooperation Agreement B, Nanjing Hailan will advance up to RMB500 million to the Company B in 2019 in the form of shareholders’ loan with an annual interest rate of 12%, subject to the capital needs of the Company B. The Company B shall principally engage in real estate investment, development and management in the PRC. Pursuant to the terms of the Cooperation Agreement B, the registered capital of the Company B is RMB50 million. Nanjing Hailan shall contribute RMB32,500,000, representing 65% of the registered capital of the Company B, whereas Mr. Zhou shall contribute RMB17,500,000, representing 35% of the registered capital of the Company B.

For more details of the Cooperation Agreement A and Cooperation Agreement B, please refer to the announcement of the Company dated 24 April 2019.

(iii) Acquisition of land use rights in Zhanjiang, the PRC

On 28 June 2019, Guangzhou Hailan Property Development Limited* (廣州海藍房地產開發有限公司) (“**Guangzhou Hailan**”) an indirect non wholly-owned subsidiary of the Company incorporated in the PRC in 2019, entered into a confirmation letter (the “**Confirmation Letter**”) with the Zhanjiang Public Resources Trading Centre to confirm that Guangzhou Hailan has successfully won the bid for the auction for the land use rights of the Land which is located at the southwest of Binhe New District Section (濱河新區路段), Yingbin Avenue (迎賓大道), Suicheng Town (遂城鎮), Suixi County (遂溪縣), Zhanjiang City (湛江市), Guangdong Province, the PRC at a consideration of RMB357,390,000.

As a result of successfully winning the bid for the auction, the State-owned Construction Land Use Rights Assignment Contract (國有建設用地使用權出讓合同) was entered into by Guangzhou Hailan and the Suixi County Natural Resources Bureau (遂溪縣自然資源局) on 9 July 2019.

For more details, please refer to the announcements of the Company dated 5 July 2019 and 2 September 2019, respectively.

(iv) Provision of shareholder loan to a joint venture company

On 15 July 2019, Nanjing Hailan entered into the shareholder loan agreement (the “**Shareholder Loan Agreement**”) with Shenzhen Aolan Estate Co., Ltd* (深圳奧藍置業有限公司) (“**Shenzhen Aolan**”), a company established in the PRC with limited liability, which is owned as to 51% by Aoyuan Group (Meizhou) Company Limited* (奧園集團(梅州)有限公司) (“**Aoyuan Meizhou**”), a company established in the PRC with limited liability and 49% by Nanjing Hailan. Aoyuan Meizhou is an indirect wholly-owned subsidiary of China Aoyuan Group Limited (中國奧園集團股份有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3883).

Shenzhen Aolan is solely engaged in the holding of 50% equity interest in Meizhou Aochuang Estate Co., Ltd.* (梅州市奧創置業有限公司), a company established in the PRC with limited liability which is solely engaged in development of a land parcel at Meijiang District (梅江區), Meizhou City (梅州市), Guangdong Province.

Pursuant to the Shareholder Loan Agreement, Nanjing Hailan, as lender, agreed to provide a shareholder loan of up to RMB150.0 million (equivalent to approximately HK\$169.9 million) at an interest rate of 12% per annum to Shenzhen Aolan. The first drawdown in the principal amount of approximately RMB66.1 million (equivalent to approximately HK\$74.9 million) was made on 15 July 2019, and the amounts drawn and outstanding under the Shareholder Loan Agreement do not have a fixed term of repayment.

The details of the Shareholder Loan Agreement are detailed in the Company's announcement dated 16 July 2019.

(v) Pledge of assets

On 5 June 2019, Sanya Fenghuang Xincheng pledged its certain properties under development to Hainan branch of Bank of Communications Co., Limited as to guarantee a secured term loan facility (the “**Facility**”) of RMB300,000,000. Hainan Nanhai Xiang Long is the guarantor of the Facility.

Save as disclosed in this announcement, there is no material event affecting the Group which has occurred after 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 AND REVIEW OF FINANCIAL STATEMENTS

The annual results of the Group for the Reporting Period has been reviewed and approved by the Audit Committee. The Audit Committee has been established in compliance with Rule 3.21 of the Listing Rules with written terms of reference following the guidelines as set out in C.3 of the CG Code for the purpose of assisting the Board in fulfilling their audit duties through the review and supervision of financial reporting, risk management and internal control systems, the review of financial information, and the consideration of issues relating to external auditor and their appointment. The Audit Committee consists of three independent non-executive Directors, namely Dr. Zhao Guoqing (Chairman), Mr. Li Yong and Mr. E Junyu. The Audit Committee has reviewed the accounting principles and practices adopted by the Group together with the management of the Company.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is available for viewing on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.hailanholdings.com). The annual report for the Reporting Period containing all the information required by the Listing Rules will be despatched to the shareholders and published on the above websites in due course.

CHANGE OF AUDITORS AND RESUMPTION PROGRESS

Reference is made to the announcements of the Company dated 11 January 2019, 17 June 2019 and 6 September 2019 respectively in relation to, among other things, the change of auditors and the resumption progress (collectively, the "Announcements"). Unless otherwise defined, capitalised items used herein shall have the same meanings as those defined in the Announcements.

In the announcement dated 17 June 2019 in relation to change in auditor, Grant Thornton Hong Kong Limited ("GT") has resigned as auditor of the Company with effect from 14 June 2019 and Mazars CPA Limited ("Mazars") was appointed as the new auditor of the Company on 21 June 2019. In the resignation letter from GT to the Company dated 14 June 2019, as there were still outstanding materials/information (the "Outstanding Matters") to be provided by the Company to GT before it could proceed with the annual audit and as such, additional time and audit fees would be incurred for GT to complete the annual audit. Given that the Company and GT could not reach a consensus on the audit timeline and the additional audit fees to be charged by GT, GT resigned as the auditor.

Set out below is the actions taken by the Company to address the Outstanding Matters and the audit committee's view on how the Outstanding Matters are properly addressed:

The Company has communicated with KPMG, the former auditor, to obtain additional information on calculation method of some historical cost allocation of the Company and provided to Mazars for audit purpose.

The audit committee considered that the Outstanding Matters are properly addressed as no material findings in relation to the Outstanding Matters are identified by Mazars.

The Company has been actively undertaking the all necessary actions to procure the compliance of the resumption guidance by the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 1 April 2019 and will remain suspended until further notice.

ACKNOWLEDGEMENT

I would like to extend my heartfelt gratitude to the Directors, senior management and all staff members of the Group for their hard work and dedication in the past year. Their excellence performance and contribution are the utmost important for the sustainable enhancement of the Group. At the same time, I also thank all our Shareholders and stakeholders for their enduring trust and support.

By order of the Board
Hailan Holdings Limited
Zhou Li
Chairperson

Hong Kong, 18 September 2019

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

* *for identification purposes only*