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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 2019

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 2019 (the "**Reporting Period**") with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Expressed in Renminbi)

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*3*	**354,688**	1,410,474
Cost of sales		**(229,386)**	(747,314)
Gross profit		**125,302**	663,160
Other income	*4*	**2,234**	5,029
Changes in fair value of investment properties		**(22,670)**	(21,407)
Changes in fair value of financial assets at FVPL		**–**	6,694
Realised gain arising from financial assets at FVPL, net		**26,139**	36,694
Impairment loss on deposits paid for acquisition of land		**(14,041)**	–
Reversal of (Provision for) credit loss allowance on other receivables		**3,457**	(13,676)
Allowance on advance payments to contractors		**–**	(12,895)
Selling and distribution expenses		**(15,434)**	(55,778)
Administrative expenses		**(116,732)**	(68,576)
Operating (loss) profit		**(11,745)**	539,245
Finance income		**4,335**	4,757
Finance costs		**(1,730)**	–
Finance income, net	*5*	**2,605**	4,757
(Loss) Profit before taxation		**(9,140)**	544,002
Income tax expenses	*6*	**(47,497)**	(362,923)
(Loss) Profit for the year	*7*	**(56,637)**	181,079
(Loss) Profit for the year attributable to:			
Owners of the Company		**(18,897)**	179,538
Non-controlling interests		**(37,740)**	1,541
		(56,637)	181,079
(Loss) Earnings per share attributable to owners of the Company (expressed in RMB per share)			
— Basic and diluted	*9*	**(0.06)**	0.60

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		**5,025**	8,670
Other comprehensive income for the year, net of tax		**5,025**	8,670
Total comprehensive (loss) income for the year		**(51,612)**	189,749
Total comprehensive (loss) income attributable to:			
Owners of the Company		**(14,105)**	188,208
Non-controlling interests		**(37,507)**	1,541
Total comprehensive (loss) income for the year		**(51,612)**	189,749

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**39,212**	42,058
Investment properties		**106,979**	130,058
Intangible assets		**391**	504
Interests in an associate		**104,996**	–
Right-of-use assets		**4,231**	–
Trade and other receivables	*10*	**16,497**	22,717
Financial assets at fair value through profit or loss		**–**	1,726
Deferred tax assets		**39,968**	198,484
		312,274	395,547
Current assets			
Properties under development		**2,882,675**	2,428,600
Completed properties held for sale		**666,137**	485,562
Contract costs		**15,300**	14,117
Trade and other receivables	*10*	**174,369**	105,224
Deposits paid for acquisition of land		**–**	13,760
Current tax assets		**11,615**	27,127
Financial assets at fair value through profit or loss		**3,573**	806,694
Restricted cash		**125,391**	83,412
Cash and cash equivalents		**752,080**	683,197
		4,631,140	4,647,693
Current liabilities			
Trade and other payables	*11*	**1,315,145**	1,205,485
Contract liabilities		**568,928**	345,146
Bank and other borrowings	*12*	**127,953**	–
Lease liabilities		**1,713**	–
Current tax liabilities		**93,536**	820,245
		2,107,275	2,370,876
Net current assets		**2,523,865**	2,276,817
Total assets less current liabilities		**2,836,139**	2,672,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2019
(Expressed in Renminbi)

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Non-current liabilities			
Bank and other borrowings	*12*	**204,032**	–
Lease liabilities		**2,578**	–
Deferred tax liabilities		**512,344**	522,940
		718,954	522,940
NET ASSETS		**2,117,185**	2,149,424
Capital and reserves			
Share capital		**2,585**	2,585
Reserves		**1,849,857**	1,808,672
Equity attributable to owners of the Company		**1,852,442**	1,811,257
Non-controlling interests		**264,743**	338,167
TOTAL EQUITY		**2,117,185**	2,149,424

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.

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 2018 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:

Annual Improvements to HKFRSs	2015-2017 Cycle
Amendments to HKAS 28	Investments in Associates and Joint Ventures
HKFRS 16	Leases

Annual Improvements Project — 2015-2017 Cycle

HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

Amendments to HKAS 28 Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using HKFRS 9.

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

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated losses or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transitional provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee — leases previously classified as operating leases

At the DIA, no right-of-use assets and lease liabilities were recognised as all the existing leases are classified as short-term leases.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	RMB'000
Operating lease commitments as at 31 December 2018	152
Less: Short-term leases recognised on a straight-line basis as expenses	(152)
Total lease liabilities	–

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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:

	2019	2018
	RMB'000	*RMB'000*
Sales of properties:		
— Development projects (excluding Danzhou Phase I)	**349,700**	1,322,881
— Danzhou Phase I	**–**	59,782
Rental income:		
— Development projects (excluding Danzhou Phase I)	**4,214**	20,111
— Danzhou Phase I	**774**	1,505
Gain (loss) on revaluation upon transfer of investment properties:		
— Development projects (excluding Danzhou Phase I)	**–**	6,040
— Danzhou Phase I	**–**	(12)
Consultancy income	**–**	167
	354,688	1,410,474

(i) ***Disaggregation of revenue***

	2019	2018
	RMB'000	*RMB'000*
Other sources of revenue:		
Rental income from investment properties	**4,988**	21,616
Gain on revaluation upon transfer of investment properties	**–**	6,028
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Timing of revenue recognition		
— At a point in time	**349,700**	1,382,663
— Over-time	**–**	167
	354,688	1,410,474

(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 People's Republic of China (the "**PRC**"). The major market of the Group's business segments is 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)

The Company's executive directors consider that the Group's development projects refer to the development and sales of residential property units are principally conducted in the PRC.

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

Information regarding the Group's reportable segments for the years ended 31 December 2019 and 2018 is set out below.

For the year ended 31 December	Development Projects		Danzhou Phase I		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**353,914**	1,349,199	**774**	61,275	**354,688**	1,410,474
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**353,914**	1,349,199	**774**	61,275	**354,688**	1,410,474
Reportable segment gross profit (loss)	**129,004**	652,607	**(3,702)**	10,553	**125,302**	663,160
Reportable segment profit (loss) (adjusted EBIT)	**(35,441)**	482,188	**(4,677)**	8,640	**(40,118)**	490,828
As at 31 December						
Reportable segment assets	**4,709,796**	4,653,886	**233,618**	389,354	**4,943,414**	5,043,240
Including:						
Cash and cash equivalents	**749,778**	682,750	**2,302**	447	**752,080**	683,197
Properties under development	**2,882,675**	2,428,600	**–**	–	**2,882,675**	2,428,600
Completed properties held for sale	**575,237**	388,326	**90,900**	97,236	**666,137**	485,562
Investment properties	**104,860**	125,966	**2,119**	4,092	**106,979**	130,058
Reportable segment liabilities	**2,756,316**	2,769,539	**69,913**	124,277	**2,826,229**	2,893,816
Including:						
Trade and other payables	**1,304,234**	1,138,530	**10,911**	66,955	**1,315,145**	1,205,485
Contract liabilities	**568,928**	345,146	**–**	–	**568,928**	345,146
Other segment information						
Depreciation and amortization	**2,995**	3,616	**5**	119	**3,000**	3,735
Depreciation of right-of-use assets	**1,021**	–	**–**	–	**1,021**	–
Income tax expenses	**36,039**	372,265	**11,458**	(9,342)	**47,497**	362,923
Allowance on advance payments to contractors	**–**	12,895	**–**	–	**–**	12,895
Impairment loss on deposits paid for acquisition of land	**14,041**	–	**–**	–	**14,041**	–
(Reversal of) Provision for credit loss allowance on other receivables	**–**	4,459	**(3,457)**	9,217	**(3,457)**	13,676
Written-down of properties under development	**1,135**	–	–	–	**1,135**	–
Losses on changes in fair value of investment properties	**20,697**	21,407	**1,973**	–	**22,670**	21,407
Gain on changes in fair value of financial assets at FVPL	**–**	(6,694)	**–**	–	**–**	(6,694)
Additions to property, plant and equipment	**64**	63	**–**	6	**64**	69
Transfer (from) to investment properties	**(409)**	98,585	**–**	4,092	**(409)**	102,677

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 2019 and 2018.

Reconciliation of reportable segment profit or loss

	2019	2018
	RMB'000	*RMB'000*
Reportable segment (loss) profit (adjusted EBIT)	**(40,118)**	490,828
Elimination of inter-segment profits	**–**	–
Reportable segment (loss) profit derived from the Group's external customers	**(40,118)**	490,828
Other income	**2,234**	5,029
Changes in fair value of financial assets at FVPL	**–**	6,694
Realised gain arising from financial assets at FVPL, net	**26,139**	36,694
Finance income, net	**2,605**	4,757
Consolidated (loss) profit before taxation	**(9,140)**	544,002

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Corporate management fee income	**536**	–
Exchange gain, net	**724**	2,865
Forfeiture of customers' deposits received	**400**	1,500
Forfeiture of sale agents' deposits received	**345**	590
Others	**229**	74
	2,234	5,029

5. FINANCE INCOME, NET

	2019	2018
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**4,335**	4,757
Finance costs		
Interest on bank and other borrowings	**4,694**	–
Interest on lease liabilities	**137**	–
Others	**7**	–
Less: Capitalised interest expenses	**(3,108)**	–
	1,730	–
Finance income, net	**2,605**	4,757

6. INCOME TAX EXPENSES

	2019 *RMB'000*	2018 *RMB'000*
PRC corporate income tax ("**CIT**")	**(164,171)**	165,371
PRC land appreciation tax ("**LAT**")	**63,748**	265,006
Deferred income tax	**147,920**	(67,454)
	47,497	362,923

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 2019 and 2018 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% (2018: 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. (LOSS) PROFIT FOR THE YEAR

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

	2019 *RMB'000*	2018 *RMB'000*
Cost of properties sold	**229,386**	747,314
Depreciation of property, plant and equipment	**2,887**	3,579
Depreciation of right-of-use assets	**1,021**	–
Amortisation of intangible assets (included in administrative expenses)	**113**	156
Written-down of properties under development (included in administrative expenses)	**1,135**	–

8. DIVIDENDS

The board of directors does not recommend the distribution of a final dividend for the year ended 31 December 2019 (2018: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the Group's loss attributable to owners of the Company of RMB18,897,000 (2018: profit of RMB179,538,000) and the weighted average number of 300,000,000 (2018: 300,000,000) ordinary shares.

There were no dilutive potential ordinary shares during the years ended 31 December 2019 and 2018 and, therefore, the diluted (loss) earnings per share were the same as the basic (loss) earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables — third parties *(note i)*		
— Non-current	**12,808**	22,717
— Current	**3,000**	3,726
	15,808	26,443
Less: Loss allowance *(note 10(a))*	**(19)**	(19)
	15,789	26,424
Other receivables	**185,296**	115,193
Less: Loss allowance *(note 10(b))*	**(10,219)**	(13,676)
	175,077	101,517
Total	**190,866**	127,941
Classified as:		
Non-current assets	**16,497**	22,717
Current assets	**174,369**	105,224
	190,866	127,941

(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 non-current trade 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.

(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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**13,031**	23,719
Over 1 year but less than 2 years	**2,319**	2,178
Over 2 years but less than 3 years	**–**	4
Over 3 years	**458**	542
	15,808	26,443

The ageing analysis of gross trade receivables as at 31 December 2019 and 2018 which were past due but not impaired was as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**2,542**	3,168
Over 1 year but less than 2 years	**–**	12
Over 2 years but less than 3 years	**–**	4
Over 3 years	**458**	542
	3,000	3,726
Neither past due nor impaired	**12,808**	22,717
	15,808	26,443

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 (2018: 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 2019 (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
At 1 January and 31 December	**19**	19

(b) Loss allowance on other receivables

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

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**13,676**	–
(Decrease) Increase in allowance	**(3,457)**	13,676
At 31 December	**10,219**	13,676

The management considers the ECL of other receivables to be insignificant so that loss allowance was recognised during the year, except a net loss allowance of RMB10,219,000 (2018: RMB13,676,000) 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 2019 (2018: Nil).

11. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables *(note i)*		
— Third parties	**317,286**	339,730
— Related parties	**226,197**	241,581
	543,483	581,311
Other payables	**771,662**	624,174
	1,315,145	1,205,485

(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:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**191,801**	220,852
Over 3 months but less than 6 months	**786**	4,436
Over 6 months but less than 12 months	**8,937**	98,925
Over 12 months	**341,959**	257,098
	543,483	581,311

12. BANK AND OTHER BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Bank borrowings		
Secured	**190,000**	–
Other borrowings		
— Third parties		
Secured	**21,060**	–
Unsecured	**17,199**	–
— Related parties		
Unsecured	**103,726**	–
	141,985	–
	331,985	–
Classified as:		
Current liabilities	**127,953**	–
Non-current liabilities	**204,032**	–
	331,985	–

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 2019 (the "**Reporting Period**").

During the Reporting Period, as for the macro environment of the overall property development in the PRC, there was no change to the government's policy of "housing properties for accommodation, not speculation" ("房住不炒") and the implementation of long-term effective system of "policies implementation according to local and urban conditions" ("因城施策") and "stabilization in the price of lands, properties and anticipation" ("穩地價、穩樓價及穩預期") continued. The scale of overall financing environment for the property development in the PRC was under control by the various measures and restrictions of financial regulatory authorities. Since the implementation of property purchase restriction policy in Hainan province in 2018, alongside with slowdown in government approval procedure for residential project, the overall supply and sales of residential properties in Hainan province dramatically decreased during the Reporting Period. Under such business environment, the result of Hailan Holdings was inevitably impacted.

During the Reporting Period, contracted sales of the Group amounted to RMB550.7 million, representing a reduction of 53.3% as compared to 2018. Contracted saleable gross floor area ("**GFA**") was approximately 22,192.0 square meters, representing a decrease of approximately 47.2% as compared to last year. The average selling price ("**ASP**") was about RMB24,817.0 per square meter, representing a decrease of approximately 11.6% as compared to last year. The sharp decrease in sales was mainly attributable to slower approval procedure for residential project by Hainan provincial government, control over residential construction investment and the impact of property purchase restriction policy.

As for the overall property development in the PRC, the investment amount for development across the country increased at a growth rate of more than 10% whereas the annual sales amount reached its all-time high again. Comparing to the industrial data, as the Group's domestic business and its property development projects were located at Hainan region prior to 2018, which made us susceptible to regional policy. Our overall sales volume decreased in 2019. In order to alleviate the regional environmental impact, the Group has started business outside Hainan region since 2019. Given the friendly policy and brillant economic condition in Guangdong-Hong Kong-Macao Greater Bay Area, the Company made presence in Zhanjiang and Meizhou and undertook new development projects. By controlling effective management radius, the Group has acquired greater resilience for corporate development.

Looking ahead, the sales and development plan would be affected by the epidemic for the first quarter of 2020 and it is expected to see a series of loosening policy, including the ease of property purchase, sale and finance restrictions. The numbers of sales and development are anticipated to recover in the second quarter and the second half of the year and it is anticipated that the numbers of annual sales and development would generally remain stable. The Group has adopted online sales method to supplement sales channel in response to the impact of the epidemic. Meanwhile, we have tried hard to ensure the good operation status of the Group through cutting investment in the first quarter and increasing withdrawal amount of finance funding. The Group remains cautiously optimistic about the overall property development in the PRC and will continue to develop the existing projects in Hainan region in 2020 and keep investing and expanding in Guangdong-Hong Kong-Macao Greater Bay Area and peripheral areas. It is our intention to make opportunistic investment in Yangtze River Delta region so as to keep the stable and effective growth in real estate business segment.

Although we remain positive on the long-term development of the PRC's real estate business, the Group has been actively looking for other business opportunities to become an international corporation to diversify its business risks. Development opportunities in overseas regions, mainly including Hong Kong, United States (the "US") and Southeast Asia, especially in Silicon Valley, which is one of the important engines of the US's economy with constantly high housing demand, may be a new income source for the Group's future development. In 2019, we started two projects in Silicon Valley in North America, which are anticipated to gradually deliver considerable return for the Group in future.

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.

Finally, 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

31 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overall Performance

For the Reporting Period, the revenue and gross profit of the Group were approximately RMB354.7 million and RMB125.3 million, representing a decrease of approximately 74.9% and 81.1% as compared with 2018, respectively. Loss attributable to the equity shareholders of the Company was approximately RMB18.9 million, while we recorded profit attributable to the equity shareholders of the Company of approximately RMB179.5 million during last year. Basic loss per share was RMB6 cents (2018: earnings per share of RMB60 cents).

Performance Highlights	**As at 31 December**		
	2019	2018	Changes
Contracted sales (RMB million)[3]	**550.7**	1,179.0	–53.3%
Contracted saleable gross floor area (“**GFA**”) square meter (“**sq.m.**”)[2,3]	**22,192.0**	42,017.1	–47.2%
Contracted average selling price (“**ASP**”) (RMB/sq.m.)[2,3]	**24,817.0**	28,060.0	–11.6%
Revenue[1] (RMB million)	**354.7**	1,410.5	–74.9%
Among which: sales of properties			
— Revenue from properties delivered (RMB million)[1]	**349.7**	1,382.7	–74.7%
— GFA of properties delivered (sq.m.)	**12,263.7**	49,288.9	–75.1%
— ASP of properties delivered (RMB/sq.m.)	**28,514.9**	28,052.9	1.6%
Rental income (RMB million)[1]	**5.0**	21.6	–76.9%
Gain on revaluation upon transfer of investment properties (RMB million)	**–**	6.0	–100.0%
Loss on changes in fair value of investment properties (RMB million)	**(22.7)**	(21.4)	6.1%
Gross profit (RMB million)	**125.3**	663.2	–81.1%
(Loss) Profit for the year			
— Attributable to owners (RMB million)	**(18.9)**	179.5	–110.5%
— Attributable to non-controlling interests (RMB million)	**(37.7)**	1.5	–2,613.3%
Total assets (RMB million)	**4,943.4**	5,043.2	–2.0%
Cash and bank balances (including cash and cash equivalents and restricted cash) (RMB million)	**877.5**	766.6	14.5%
Total equity (RMB million)	**2,117.2**	2,149.4	–1.5%

Key financial ratios			
Gross profit margin[4]	**35.3%**	47.0%	–11.7 p.p.
Gearing ratio[5]	**15.7%**	N/A	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 consolidated into our Group's consolidated 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 consolidated statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity. Contracted sales of Danzhou Phase I is excluded in this analysis for discussion purpose.

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

5. Gearing ratio: Total bank and other borrowings ÷ Total equity x 100%

PROPERTY DEVELOPMENT

Contracted sales

For the Reporting Period, the Group recorded contracted sales of approximately RMB550.7 million, representing a decrease of approximately 53.3% as compared with 2018. The contracted saleable GFA was 22,192.0 sq.m. in 2019, representing a decrease of approximately 47.2% year-on-year. The ASP of contracted sales was RMB24,817.0 per sq.m., representing a decrease of approximately 11.6% year-on-year.

The decrease in contracted sales and contracted saleable gross floor area were mainly due to the strict limitations on purchasing commodity housing and making mortgage loan in Hainan. Since 2018, the country's strictest restrictions on house purchases have been rolled out in Hainan Province (the "Province"). The provincial government has barred non-locals from buying houses unless they can prove they have paid the local social security fund for at least two years. In the Province's hotspot cities like Sanya and Haikou the aforesaid requirement goes up to 60 months and in other areas, non-local buyers are banned completely.

	For the year ended 31 December			
	2019		2018	
Project	**Contracted GFA** *sq.m.*	**Contracted sales** *RMB'million*	Contracted GFA *sq.m.*	Contracted sales *RMB'million*
Sanya Phoenix Aqua City Left Shore	**1,471.1**	**52.6**	20,893.2	727.3
Sanya Phoenix Aqua City South Shore Phase I & II	**9,804.0**	**384.1**	7,723.9	293.1
Haikou Phoenix Aqua City Phase I	**3,921.1**	**67.8**	4,345.3	98.8
Danzhou Phase I	**–**	**–**	9,054.7	59.8
Zhanjiang City Binjianghua Fu	**6,995.8**	**46.2**	–	–
	22,192.0	**550.7**	42,017.1	1,179.0

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. The revenue from sales of properties was approximately RMB349.7 million, representing a decrease of approximately 74.7% as compared with 2018 and accounting for 98.6% 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, new townhouses with saleable area of 18,671.78 sq.m. of Sanya Phoenix Aqua City South Shore Phase II were completed, of which 5,413.85 sq.m. were delivered in 2019.

Projects held for future development and projects under development

As at 31 December 2019, the Group had a total of five (2018: three) projects or project phases held for future development with a total planned GFA of approximately 1.6 million sq.m. (2018: 1.4 million sq.m.).

Land bank

During the Reporting Period, the Group acquired the lands located at Zhangjiang City of the Guangdong Province in the PRC and Mountain View City of State of California of USA with GFA of approximately 239,216.7 sq.m. and 32,657.0 sq.m. respectively.

As at 31 December 2019, the total GFA of the land bank of the Group amounted to approximately 1.6 million sq.m., among which 36.5%, 43.7% and 3.0% are located in Sanya City, Danzhou City and Haikou City of the Hainan Province respectively and 14.8% is located in Zhangjiang City of the Guangdong Province and 2.0% is located in Mountain View City of State of California of USA.

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the Reporting Period amounted to approximately RMB5.0 million which was derived 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 in the amount of RMB4.4 million and the leasing of the serviced apartments located at Mountain View City of State of California of USA in amount of RMB 0.6 million.

Investment properties

As at 31 December 2019, the investment properties of the Group represent the car parking spaces held by the Group for rental purpose. As at 31 December 2019, the carrying amount of investment properties was approximately RMB107.0 million, representing a decrease of approximately 17.7% as compared with 2018, mainly due to the fair value of investment properties was decreased approximately RMB 22.7 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 RMB354.7 million, representing a decrease of approximately 74.9% as compared with 2018, 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 RMB229.4 million and RMB125.3 million respectively, representing a decrease of approximately 69.3% and 81.1% as compared with 2018, mainly due to the decrease in total GFA delivered.

Decrease of gross profit margin from 47.0% to 35.3% was mainly due to the increased ratio of delivered properties of Haikou Phoenix Aqua City Phase I in the Reporting Period, which have relatively low selling price and gross profit.

(III) Selling and distribution expenses and administrative expenses

The Group's selling and distribution expenses for the Reporting Period amounted to approximately RMB15.4 million (2018: approximately RMB55.8 million), mainly due to the decrease in the scale of sales of properties.

Administrative expenses increased by 70.2% to RMB116.7 million, mainly due to the increased number of staff as a result of the development of new property project and legal and professional expenses on legal proceedings.

(IV) Finance income, net

The net finance income of the Group for the Reporting Period amounted to approximately RMB2.6 million (2018: RMB4.8 million). The decrease in net finance income was mainly due to the higher interest expenses incurred on bank loans and other borrowings during the Reporting Period, while no finance cost was incurred by the Group in 2018.

(V) Income tax expenses

The income tax expenses of the Group decreased by 86.9% to approximately RMB47.5million. Among which, the current corporate income tax credit increased by 199.3% to approximately RMB164.2 million in the Reporting Period, while the land appreciation tax decreased by 75.9% to approximately RMB63.7 million. The current corporate income tax credit was primarily attributable to the loss 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) Loss attributable to owners of the Company

The loss attributable to owners of the Company for the Reporting Period amounted to approximately RMB18.9 million, while profit attributable to owners of the Company of approximately RMB179.5 million was recorded in 2018, which were mainly attributable to the decrease in gross profit and increase in administrative expenses in 2019.

(VII) Liquidity and financial resources

As at 31 December 2019, total assets of the Group amounted to approximately RMB4,943.4 million (2018: approximately RMB5,043.2 million), of which current assets amounted to approximately RMB4,631.1 million (2018: approximately RMB4,647.7 million). Total liabilities amounted to approximately RMB2,826.2 million (2018: approximately RMB2,893.8 million), of which non-current liabilities amounted to approximately RMB719.0 million (2018: approximately RMB522.9 million). Total equity amounted to approximately RMB2,117.2 million (2018: approximately RMB2,149.4 million). Total equity attributable to owners of the Company amounted to RMB1,852.4 million (2018: approximately RMB1,811.3 million).

As at 31 December 2019, the Group had cash and bank balances (including restricted cash) of approximately RMB877.5 million (2018: approximately RMB766.6 million). The bank and other borrowings was amount of approximately RMB332.0 million, while there were no borrowings as at 31 December 2018.

(VIII) Commitments

As at 31 December 2019, the Group had capital commitments outstanding but not provided for in consolidated financial statements amounting to approximately RMB825.8 million (2018: approximately RMB828.9 million)

(IX) 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 should be confiscated. Nanhai Xiang Long should 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 was 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* (海口市中級人民法院) (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 Perple'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 Proceeding in relation to Phase II on 28 December 2018.

On 16 October 2019, the Higher People's Court of Hainan Province (the "**Hainan Higher Court**") issued its administrative judgment on the Decision issued by the Haikou People's Government. The Hainan Higher Court ruled that the appeal lodged by the Haikou People's Government against the Administrative Proceeding was not succeeded, and revoke the Haikou Decision issued by the Haikou People's Government in relation to the recovery of the stated-owned construction land use right of Phase II without compensation. The administrative judgment issued by the Hainan Higher Court was final.

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, 26 February 2019 and 18 October 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 stated 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 should be recovered without compensation. Danzhou Shuang Lian should 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 was 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 Hainan Higher Court 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 Hainan Higher Court issued its administrative judgments on the Decisions issued by Danzhou People's Government in relation to the recovery of the Lands. The Hainan Higher Court 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 Hainan Higher Court 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.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

(i) 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.

(ii) Acquisitions of minority interest in Sanya Huixin Trading Company Limited

On 9 October 2019, Lianyungang Longji Properties Co., Ltd. ("**Lianyungang Longji Properties**"), an indirect wholly-owned subsidiary of the Company, entered into share transfer agreements (the "**Share Transfer Agreements**") with each of Mr. Fang Jing ("**Vendor A**") and Mr. Yang Jinhe ("**Vendor B**"), respectively. Pursuant to the Share Transfer Agreements, Lianyungang Longji Properties agreed to acquire, and each of Vendor a and Vendor B agreed to dispose of, 8.75% interest in Sanya Hui Xin Trading for an aggregate consideration of RMB8,470,000.

Since Vendor A and Vendor B owned an aggregate of 17.5% interest in Sanya Hui Xin Trading (an indirect non wholly-owned subsidiary of the Company) on trust for Mr. Yeung, Vendor A and Vendor B are connected persons of the Company at the subsidiary level. As such, the acquisitions constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

For more details, please refer to the announcement of the Company dated 9 October 2019.

(iii) Acquisition of property

On 25 November 2019 (U.S. time), Hylan Investment Inc. ("**Hylan Investment**"), an indirect wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with A-May Investment, LLC, ("**A-May**"), pursuant to which Hylan Investment agreed to acquire and A-May agreed to sell a property located at 200 West Ocean Boulevard, Long Beach, California, U.S. at a consideration of US$19,300,000.

For more details, please refer to the announcements of the Company dated 26 November 2019, 17 January 2020 and 5 February 2020, respectively.

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

GEARING RATIO

As at 31 December 2019, the gearing ratio (calculated by total debt divided by total equity; total debt includes interest-bearing bank and other borrowings) was 15.7%.

The Group had no borrowings and loans as at 31 December 2018, 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, Southeast Asia and the US, 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 2019, taking into account of Danzhou Phase I, the Group had 73 employees (as at 31 December 2018: 25 employees). For the Reporting Period, the Group incurred employee costs of approximately RMB24.3 million. 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.

PLEDGE OF ASSETS

As at 31 December 2019, the restricted cash in amount of approximately RMB91.7 million (2018: RMB45.8 million) was pledged for properties under development. In addition, the carrying amount of properties under development and completed properties held for sale in amount of approximately RMB454.0 million and RMB192.0 million respectively was pledged for bank and other borrowings (2018: 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. The foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in US dollars. The Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currency of those operations. 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 (2018: Nil) to the Company's shareholders.

USE OF PROCEEDS

The net proceeds from the Listing was approximately HKD249.0 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 *HKD Million*	**Change of use of proceeds** *HKD Million*	**Utlisation of proceeds** *HKD Million*	**Unutilised Amount** *HKD Million*
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	–	(24.9)	–
Finance the property development in Hong Kong and USA	–	224.1	(156.8)	67.3
Total	249.0	–	(181.7)	67.3

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 US, 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 US. 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 HKD67.3 million have not been used.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Monday, 1 June 2020 (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 Wednesday, 27 May 2020 to Monday, 1 June 2020, 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, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 26 May 2020.

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 Reporting Period as set out in this 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 Reporting Period. 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 this 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

Acquisitions of land use rights

On 22 January 2020, Foshan Hailu Real Estate Co., Ltd.* (佛山海路置業有限公司) ("**Foshan Hailu**"), an indirect non wholly-owned subsidiary of the Company, entered into a confirmation letter with the Foshan Shunde Public Resources Trading Centre* (佛山市順德區公共資源交易中心) to confirm that Foshan Hailu has successfully won the bid for the auction for the land use rights of a land having a total site area of 11,949.63 square metres, designated for residential usage with a term of land use rights of 70 years. The land is located at the Angle Plot of Wenhua Road, Shibu Residential Committee, Longjiang County, Shunde, Foshan City (佛山市順德區龍江鎮世埠居委會文化路夾角地塊), the PRC at a consideration of RMB179,200,000.

On 21 February 2020, Foshan Hailu entered into a confirmation letter with the Foshan Shunde Public Resources Trading Centre to confirm that Foshan Hailu has successfully won the bid for the auction for the land use rights of a land having a total site area of 10,159.64 square metres, designated for residential usage with a term of land use rights of 70 years. The land is located at the Angle Plot 2 of Wenhua Road, Shibu Residential Committee, Longjiang County, Shunde, Foshan City (佛山市順德區龍江鎮世埠居委會文化路夾角地塊二), the PRC at a consideration of RMB170,870,000.

Acquisitions of properties

On 2 March 2020 (U.S. time), Hylan Investment entered into a purchase and sale agreement with Maple Leaf Investments, LLC, Maple Leaf Investments-II, LLC and Loban Maple Leaf Properties LP (collectively, the "**Vendors**"), pursuant to which Hylan Investment agreed to acquire and the Vendors agreed to sell a property located at 2600-2638 Union Avenue, San Jose, California, U.S. at the consideration of US$16,000,000.

Also on 2 March 2020 (U.S. time), Hylan Investment entered into a purchase and sale agreement with Bascom Union LLC ("**Bascom**"), pursuant to which Hylan Investment agreed to acquire and Bascom agreed to sell a property located at 2590 South Bascom Avenue, San Jose, California, U.S. at the consideration of US$5,125,000.

For more details, please refer to the announcement of the Company dated 3 March 2020.

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 REPORTING PERIOD 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 of Hong Kong Limited (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.

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 in 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, 31 March 2020

As at the date of this announcement, the executive Directors are Ms. Zhou Li, Ms. Fan Wenyi and Mr. Chen Zhonghua; 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*