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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Director(s)**") of Hailan Holdings Limited (the "**Company**") is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively known as the "**Group**") for the six months ended 30 June 2019 (the "**Period**"), together with the comparative figures for the corresponding period in 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019
(Expressed in Renminbi)

	Notes	For the six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**78,810**	898,413
Cost of sales		**(36,948)**	(441,185)
Gross profit		**41,862**	457,228
Other income		**630**	903
Realised gain arising from financial assets at FVPL		**9,414**	–
Selling and distribution expenses		**(8,106)**	(60,296)
Administrative expenses		**(63,329)**	(22,980)
Other operating expenses		**–**	(14,996)
Operating (loss) profit		**(19,529)**	359,859
Finance income		**9,590**	21,917
Finance costs		**(16)**	(3,552)
Finance income, net	*6*	**9,574**	18,365
(Loss) Profit before taxation		**(9,955)**	378,224
Income tax expenses	*7*	**(9,832)**	(279,458)
(Loss) Profit for the period	*8*	**(19,787)**	98,766

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the six months ended 30 June 2019
(Expressed in Renminbi)

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Other comprehensive (loss) income:			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		**(81)**	1,975
Other comprehensive (loss) income for the period, net of tax		**(81)**	1,975
Total comprehensive (loss) income for the period		**(19,868)**	100,741
(Loss) Profit for the period attributable to:			
Owners of the Company		**(8,591)**	120,466
Non-controlling interests		**(11,196)**	(21,700)
		(19,787)	98,766
Total comprehensive (loss) income for the period attributable to:			
Owners of the Company		**(8,672)**	122,441
Non-controlling interests		**(11,196)**	(21,700)
		(19,868)	100,741
(Loss) Earnings per share attributable to owners of the Company during the period (expressed in RMB per share)			
— Basic and diluted	*9*	**(0.03)**	0.40

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019
(Expressed in Renminbi)

	Notes	**At 30 June 2019** *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**40,576**	42,058
Rights-of-use assets		**5,043**	–
Investment properties	*11*	**130,058**	130,058
Intangible assets		**467**	504
Interests in an associate	*10*	**24,500**	–
Trade and other receivables	*13*	**21,859**	22,717
Financial assets at fair value through profit or loss	*12*	**1,726**	1,726
Deferred tax assets		**95,890**	198,484
		320,119	395,547
Current assets			
Properties under development		**2,643,244**	2,428,600
Completed properties held for sale		**443,764**	485,562
Contract costs		**20,803**	14,117
Trade and other receivables	*13*	**108,568**	105,224
Deposits paid for acquisitions of land		**161,760**	13,760
Current tax assets	*14*	**30,312**	27,127
Financial assets at fair value through profit or loss	*12*	**–**	806,694
Restricted cash		**134,397**	83,412
Cash and cash equivalents		**1,047,355**	683,197
		4,590,203	4,647,693
Current liabilities			
Trade and other payables	*15*	**1,213,378**	1,205,485
Contract liabilities		**672,931**	345,146
Lease liabilities		**1,666**	–
Current tax liabilities	*14*	**294,779**	820,245
		2,182,754	2,370,876
Net current assets		**2,407,449**	2,276,817
Total assets less current liabilities		**2,727,568**	2,672,364

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019

(Expressed in Renminbi)

	Notes	**At 30 June 2019** ***RMB'000*** **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Non-current liabilities			
Bank borrowings	*16*	**70,000**	–
Lease liabilities		**3,385**	–
Deferred tax liabilities		**522,377**	522,940
		595,762	522,940
NET ASSETS		**2,131,806**	2,149,424
Capital and reserves			
Share capital	*17*	**2,585**	2,585
Reserves		**1,800,000**	1,808,672
Equity attributable to owners of the Company		**1,802,585**	1,811,257
Non-controlling interests		**329,221**	338,167
TOTAL EQUITY		**2,131,806**	2,149,424

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Attributable to owners of the Company										
	Share capital *RMB'000* *(Note 17(b))*	Share premium *RMB'000*	Other reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Changes in fair value of available-for-sale financial assets reserve *RMB'000*	Accumulated losses *RMB'000*	Exchange reserve *RMB'000*	Total reserves *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2018 (audited)	2,585	236,791	1,391,582	162,395	1,749	(181,874)	(6,657)	1,603,986	1,606,571	328,950	1,935,521
Impact on initial application of HKFRS 9	–	–	–	–	(1,749)	1,749	–	–	–	–	–
Impact on initial application of HKFRS 15	–	–	–	–	–	16,478	–	16,478	16,478	510	16,988
Adjusted balance at 1 January 2018	2,585	236,791	1,391,582	162,395	–	(163,647)	(6,657)	1,620,464	1,623,049	329,460	1,952,509
Profit for the period	–	–	–	–	–	120,466	–	120,466	120,466	(21,700)	98,766
Other comprehensive income for the period:											
Exchange differences on translation of financial statements to presentation currency	–	–	–	–	–	–	1,975	1,975	1,975	–	1,975
Total comprehensive income for the period	–	–	–	–	–	120,466	1,975	122,441	122,441	(21,700)	100,741
Transactions with owners:											
Contributions and distributions											
Equity settled share-based transactions	–	–	–	–	–	–	–	–	–	2,493	2,493
Balance as at 30 June 2018 (unaudited)	2,585	236,791	1,391,582	162,395	–	(43,181)	(4,682)	1,742,905	1,745,490	310,253	2,055,743
Balance as at 1 January 2019 (audited)	**2,585**	**236,791**	**1,391,582**	**182,986**	**–**	**(4,700)**	**2,013**	**1,808,672**	**1,811,257**	**338,167**	**2,149,424**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(8,591)**	**–**	**(8,591)**	**(8,591)**	**(11,196)**	**(19,787)**
Other comprehensive loss for the period:											
Exchange differences on translation of financial statements to presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**(81)**	**(81)**	**(81)**	**–**	**(81)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(8,591)**	**(81)**	**(8,672)**	**(8,672)**	**(11,196)**	**(19,868)**
Transactions with owners:											
Changes in ownership interest											
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,250**	**2,250**
Balance as at 30 June 2019 (unaudited)	**2,585**	**236,791**	**1,391,582**	**182,986**	**–**	**(13,291)**	**1,932**	**1,800,000**	**1,802,585**	**329,221**	**2,131,806**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019
(Expressed in Renminbi)

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows (used in) from operating activities		
Cash (used in) generated from operations	**(69,120)**	871,472
Income tax paid	**(436,452)**	(216,356)
Net cash (used in) generated from operating activities	**(505,572)**	655,116
Cash flow from investing activities		
Purchase of property, plant and equipment	**–**	(62)
Proceeds from disposal of property, plant and equipment	**105**	–
Purchase of financial assets at fair value through profit or loss	**(1,548,600)**	–
Proceeds from sale of financial assets at fair value through profit or loss	**2,364,708**	209,830
Interest received	**9,590**	–
Loan to an associate	**(24,500)**	–
Loan to non-controlling shareholders	**(3,592)**	–
Other cash flow arising from investing activities	**–**	23,666
Net cash generated from investing activities	**797,711**	233,434
Cash flow from financing activities		
New bank borrowings	**70,000**	–
Net cash borrowed from Nanjing San Long	**–**	3,000
Increase in restricted cash pledged for bank loans	**–**	(4,535)
Capital contribution from non-controlling interests	**2,250**	–
Repayment of lease liabilities	**(150)**	–
Net cash generated from (used in) financing activities	**72,100**	(1,535)
Net increase in cash and cash equivalents	**364,239**	887,015
Cash and cash equivalents as at 1 January	**683,197**	896,833
Effect of foreign exchange rate changes	**(81)**	1,975
Cash and cash equivalents at end of the period, represented by cash and bank balances	**1,047,355**	1,785,823

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019
(Expressed in Renminbi thousands unless otherwise indicated)

1. GENERAL INFORMATION

Hailan Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 31 August 2015 as an exempted company with limited liability under the Company Law Chapter 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands. The principal place of business of the Company in the People's Republic of China (the "**PRC**") and Hong Kong are 2/F, No. 1 Building Hampton by Hilton, No. 169 Yu Lin Road, Tianya District, Sanya, the Hainan Province, the PRC and Room 2212, 22/F, The Center, 99 Queen's Road Central, Central, Hong Kong respectively.

The Company is an investment holding company. Its subsidiaries are principally engaged in investment holding, property development, sale and rental of developed properties. The Company and its subsidiaries are collectively referred to as the "Group".

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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

This interim condensed consolidated financial information contains interim condensed consolidated financial statements of the Group and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual consolidated financial statements. The interim condensed consolidated financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2018 have been applied consistently to these interim condensed consolidated financial statements, except for the adoption of the following new/revised HKFRSs that are effective from 1 January 2019.

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
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

Except for HKFRS 16 as described below, the adoption of the above new/revised HKFRSs does not have any significant impacts on the interim condensed consolidated financial statements of the Group.

HKFRS 16 "Leases"

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the interim condensed consolidated statement of cash flows applying HKAS 7 Statement of Cash Flows.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 January 2019. Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

The reconciliation of operating lease commitments to lease liabilities is set out below:

	At 1 January 2019 *RMB'000* (Unaudited)
Operating lease commitments	152
Less: Short-term leases recognised on a straight-line basis as expenses	(152)
Total lease liabilities	–

4. REVENUE AND SEGMENT INFORMATION

4.1. Revenue

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

Revenue mainly represented income from sales and rental of properties after deduction of any trade discounts.

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of properties:		
— Development projects (excluding Danzhou Phase I)	**76,854**	861,423
— Danzhou Phase I	**–**	31,299
Rental income from investment properties:		
— Development projects (excluding Danzhou Phase I)	**1,610**	3,157
— Danzhou Phase I	**346**	–
Changes in fair value of investment properties	**–**	2,534
	78,810	898,413

(a) ***Disaggregation of revenue***

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other sources of revenue:		
Rental income from investment properties	**1,956**	3,157
Changes in fair value of investment properties	**–**	2,534
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Timing of revenue recognition		
— At a point in time	**76,854**	892,722
	78,810	898,413

4.2. 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 interim condensed 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 PRC.

The executive directors of the Company, being the chief operating decision makers, 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 (loss) 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 periods ended 30 June 2019 and 2018 is set out below.

For the six months ended 30 June (unaudited)	Development Projects 2019 RMB'000	Development Projects 2018 RMB'000	Danzhou Phase I 2019 RMB'000	Danzhou Phase I 2018 RMB'000	Total 2019 RMB'000	Total 2018 RMB'000
Revenue from external customers	**78,464**	867,114	**346**	31,299	**78,810**	898,413
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**78,464**	867,114	**346**	31,299	**78,810**	898,413
Reportable segment gross profit	**41,516**	471,136	**346**	(13,908)	**41,862**	457,228
Reportable segment (loss) profit (adjusted EBIT)	**(28,884)**	381,817	**(689)**	(22,861)	**(29,573)**	358,956

	Development Projects At 30 June 2019 RMB'000 (Unaudited)	Development Projects At 31 December 2018 RMB'000 (Audited)	Danzhou Phase I At 30 June 2019 RMB'000 (Unaudited)	Danzhou Phase I At 31 December 2018 RMB'000 (Audited)	Total At 30 June 2019 RMB'000 (Unaudited)	Total At 31 December 2018 RMB'000 (Audited)
Reportable segment assets	**4,523,083**	4,653,886	**387,239**	389,354	**4,910,322**	5,043,240
Including:						
Cash and cash equivalents	**1,045,594**	682,750	**1,761**	447	**1,047,355**	683,197
Properties under development	**2,643,244**	2,428,600	**–**	–	**2,643,244**	2,428,600
Completed properties held for sale	**346,493**	388,326	**97,271**	97,236	**443,764**	485,562
Reportable segment liabilities	**2,654,141**	2,769,539	**124,375**	124,277	**2,778,516**	2,893,816
Including:						
Trade and other payables	**1,147,913**	1,138,530	**65,465**	66,955	**1,213,378**	1,205,485
Contract liabilities	**672,931**	345,146	**–**	–	**672,931**	345,146

Reconciliation of reportable segment profit or loss

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment (loss) profit (adjusted EBIT)	**(29,573)**	358,956
Elimination of inter-segment profits	**–**	–
Reportable segment (loss) profit derived from the Group's external customers	**(29,573)**	358,956
Other income	**630**	903
Realised gain arising from financial assets at FVPL	**9,414**	–
Finance income	**9,590**	21,917
Finance costs	**(16)**	(3,552)
Consolidated (loss) profit before taxation	**(9,955)**	378,224

5. SEASONABILITY OF OPERATION

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

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

6. FINANCE INCOME, NET

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income		
Bank interest income	**9,590**	21,917
Finance costs		
Interest on lease liabilities	**(16)**	–
Others	**–**	(3,552)
	(16)	(3,552)
Finance income, net	**9,574**	18,365

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Corporate Income Tax ("**CIT**") *(Note)*	**(101,152)**	125,739
PRC Land Appreciation Tax ("**LAT**")	**8,953**	205,765
Deferred income tax *(Note)*	**102,031**	(52,046)
	9,832	279,458

Note: During the six months ended 30 June 2019, the Group has paid the LAT amounting to RMB426,537,000 which are deductible under CIT when they are paid. As a result, CIT payable of RMB106,634,000 recognised in prior years was derecognised and the respective temporary difference arising from LAT provision of RMB106,634,000 was charged to profit or loss during the period.

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 ("**BVI**") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from BVI income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for the periods ended 30 June 2019 and 2018 as the Group's entities has no assessable profits arising in or derived from Hong Kong for the periods.

CIT

CIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (six months ended 30 June 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.

8. (LOSS) PROFIT FOR THE PERIOD

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Total staff costs (including directors' emoluments and share-based payments expenses)	**5,647**	5,362
Deprecation of property, plant and equipment	**1,461**	1,765
Depreciation of rights-of-use assets	**142**	–
Amortisation of intangible assets (included in administrative expenses)	**37**	68

9. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the (loss) profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
(Loss) Profit attributable to owners of the Company (RMB)	**(8,591,000)**	120,466,000
Weighted average number of ordinary shares in issue	**300,000,000**	300,000,000
Basic (loss) earnings per share (RMB)	**(0.03)**	0.40

There were no dilutive potential ordinary shares during the periods ended 30 June 2019 and 2018 and, therefore, the diluted (loss) earnings per share were the same as the basic (loss) earnings per share.

10. INTERESTS IN AN ASSOCIATE

As at 30 June 2019, the Group held 49% equity interest in 深圳奧藍置業有限公司 (Shenzhen Aolan Estate Co., Ltd., "**Shenzhen Aolan**"). The registered share capital of Shenzhen Aolan is RMB10,000,000, both shareholders have not injected any capital contribution up to date of this interim condensed consolidated financial statements.

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted shares, at cost	**–**	–
Loan to an associate *(Note)*	**24,500**	–
	24,500	–

Note: The loan to an associate is unsecured, interest-free and the settlement of which is neither planned nor likely to occur in the foreseeable future.

11. INVESTMENT PROPERTIES

As at 30 June 2019 and 31 December 2018, the Group's investment properties represent the car parks held by the Group for rental purpose.

The fair value of investment properties is categorised as a Level 3 measurement in accordance with HKFRS 13 Fair Value Measurement. There were no transfers between Level 1 and Level 2 fair value measurements or transfers into or out of Level 3 fair value measurements.

The valuations of the leased car parks were carried out at 31 December 2018 by the Group's independent valuer and the directors using the income capitalisation approach. As management believes that there is no material change of fair value per car park from 31 December 2018 to 30 June 2019, accordingly, no independent valuation of investment properties was performed on 30 June 2019.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	At 30 June 2019 ***RMB'000*** **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Unlisted securities:		
Equity securities — outside Hong Kong *(Note b)*	**1,726**	1,726
Structured deposits — outside Hong Kong *(Note a)*	**–**	806,694
	1,726	808,420
Classified as:		
Non-current assets	**1,726**	1,726
Current assets	**–**	806,694
	1,726	808,420

Note a: The structured deposits were matured and fully redeemed during the period.

Note b: The fair value of unlisted equity securities is categorised as a Level 2 measurement in accordance with HKFRS 13 Fair Value Measurement. There were no transfers between Level 1 and Level 2 fair value measurements or transfers into or out of Level 3 fair value measurements. The fair value of the unlisted equity securities is evaluated by the directors with reference to latest financial statements of the investee.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Trade receivables — third parties *(note i)*		
— Non-current	**18,267**	22,717
— Current	**3,198**	3,726
	21,465	26,443
Less: Loss allowance	**(19)**	(19)
	21,446	26,424
Other receivables — third parties	**29,605**	19,747
Less: Loss allowance	**(13,676)**	(13,676)
	15,929	6,071
Amounts due from related parties	**284**	194
Amount due from a non-controlling shareholder	**–**	1,413
Advance payments to contractors	**3,863**	4,746
Community facilities deposits	**11,227**	9,242
Interest receivables on financial assets at FVPL	**–**	6,914
Expenditures incurred for construction of community facilities	**30,004**	30,004
Prepaid utilities expenses	**3,534**	3,479
Prepaid business tax and other taxes	**40,548**	39,454
	105,389	101,517
Loan to non-controlling shareholders — Non-current *(note ii)*	**3,592**	–
Total	**130,427**	127,941
Classified as:		
Non-current assets	**21,859**	22,717
Current assets	**108,568**	105,224
	130,427	127,941

Notes:

(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.

(ii) Loan to non-controlling shareholders of a subsidiary is secured by an equity interest in the subsidiary of the Company, interest-free and repayable on 26 February 2029.

As at 30 June 2019 and 31 December 2018, the carrying amounts of trade and other receivables approximates their fair values.

As at 30 June 2019 and 31 December 2018, the ageing analysis of trade receivables based on the invoice date that trade receivables were recognised, is as follows:

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**20,779**	23,719
Over 1 year but less than 2 years	**128**	2,178
Over 2 years but less than 3 years	**12**	4
Over 3 years	**546**	542
	21,465	26,443

14. CURRENT TAX ASSETS (LIABILITIES)

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepaid CIT	**11,818**	11,818
Prepaid LAT	**18,494**	15,309
Current tax assets recognised in the interim condensed consolidated statement of financial position	**30,312**	27,127
Current CIT payable	**(135,656)**	(240,553)
Current LAT payable	**(159,123)**	(579,692)
Current tax liabilities recognised in the interim condensed consolidated statement of financial position	**(294,779)**	(820,245)

Provision for LAT has been made pursuant to applicable tax laws in the PRC. The Group considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of LAT, the provisions have been recorded as current liabilities as at 30 June 2019 and 31 December 2018.

15. TRADE AND OTHER PAYABLES

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Trade payables *(Note a)*		
— Third parties	**397,890**	339,730
— Related parties	**222,530**	241,581
	620,420	581,311
Amounts due to related parties	**321**	13,131
Amounts due to a non-controlling shareholder	**18,544**	11,181
Receipt in advance for rental income	**57,038**	58,878
Accrued audit fees	**5,090**	5,009
Accrued payroll	**1,461**	2,002
Other payables and accruals	**40,654**	25,511
Temporary receipts from customers	**63,093**	76,710
Tender deposits receipts from contractors	**4,743**	4,313
Other tax payables	**10,659**	12,941
Guarantee deposits	**391,355**	414,498
	592,958	624,174
	1,213,378	1,205,485

(a) 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 at 30 June 2019 and 31 December 2018, the ageing analysis of trade payables based on the date the trade payables were recognised, is as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Within 3 months	**278,454**	220,852
Over 3 months but less than 6 months	**44,227**	4,436
Over 6 months but less than 12 months	**188,614**	98,925
Over 12 months	**109,125**	257,098
	620,420	581,311

16. BANK BORROWINGS

As at 30 June 2019, the bank borrowings were secured by certain properties under development with carrying amount of RMB161,198,000, interest bearing at rates of RMB Loan rates of 3–5 years (including 5 years) times 115% per annum, repayable between 20 October 2020 and 5 June 2023 and guaranteed by a subsidiary of the Company.

The directors estimate the fair value of the Group's borrowings at 30 June 2019 approximate to their carrying amounts (31 December 2018: Nil).

17. SHARE CAPITAL AND DIVIDENDS

(a) Dividends

The Board does not recommend the distribution of a final dividend in respect of the previous financial year or any interim dividend for the six months ended 30 June 2019 (six month ended 30 June 2018: Nil).

(b) Share capital

	At 30 June 2019		At 31 December 2018	
	Number of shares (Unaudited)	***RMB'000* (Unaudited)**	Number of shares (Audited)	*RMB'000* (Audited)
Issued and fully paid:				
At beginning of the reporting period and at end of the reporting period	**300,000,000**	**2,585**	300,000,000	2,585

18. CAPITAL EXPENDITURE COMMITMENTS

Capital commitments outstanding at 30 June 2019 and 31 December 2018 not provided for in interim condensed consolidated financial statements were as follows:

	At 30 June 2019 ***RMB'000*** **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Contracted but not provided for	**1,033,740**	828,885

19. CONTINGENT LIABILITIES/GUARANTEES ISSUED

(a) Guarantees in respect of mortgage facilities

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 30 June 2019 and 31 December 2018 was as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**103,372**	189,840

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 Company, Hainan Nanhai Xiang Long Properties Development Limited ("**Hainan 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 Hainan Nanhai Xiang Long located to the north of Bin Hai Xi Lu 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) (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.

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 ("**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, Hainan 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, Hainan 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. At the end of reporting period, no impairment has been made in respect of the investment cost on the land use right of Phase II. On 16 October 2019, the Higher People's Court of Hainan Province issued its administrative judgment on the Haikou Decision and revoked the Haikou Decision issued by Haikou People's Government in relation to the confiscation of the land parcel. The administrative judgment issued by the Higher People's Court of Hainan Province was final.

(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), 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 Group had lodged legal proceedings to against the Danzhou Decisions. On 22 April 2019, the Higher People's Court of Hainan Province issued its administrative judgments on the Danzhou Decisions and revoked 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 redevelopment 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.

20. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

In addition to the related party information disclosed elsewhere in the interim condensed consolidated financial statements of the Group, the Group entered into the following significant related party transactions during the period ended 30 June 2019.

(a) Name and relationship with related parties/connected parties

During the period, transactions with the following parties were considered as related party transactions:

Name of party	**Relationship with the Group**
Yeung Man	Ultimate Controlling Shareholder
Nanjing Huizhi Construction Installation Engineering Co., Ltd. ("**Nanjing Huizhi**")	Entity controlled by the Ultimate Controlling Shareholder
Nanjing Zhonghui Construction Engineering Co., Ltd. ("**Nanjing Zhonghui Construction**")	Entity controlled by the Ultimate Controlling Shareholder
Zhonghui (Nanjing) Property Development Co., Ltd. ("**Zhong Hui Nanjing**")	Entity controlled by the Ultimate Controlling Shareholder
Nanjing Diken Engineering Design Consultancy Co., Ltd. ("**Nanjing Diken**")	Entity controlled by the Ultimate Controlling Shareholder
Nanjing Hengjida Engineering Design Consultancy Company Limited ("**Nanjing Hengjida**")	Entity controlled by the Ultimate Controlling Shareholder
Lianyungang Hui Neng Foundation Construction Engineering Co., Ltd. ("**Lianyungang Hui Neng**")	Entity controlled by the Ultimate Controlling Shareholder

Name of party	Relationship with the Group
Nanjing Maoheng Engineering Design Consultancy Company Limited ("**Nanjing Maoheng**")	Entity controlled by the Ultimate Controlling Shareholder
Hainan Zhonghuan Property Development Company Limited ("**Hainan Zhonghuan**")	Entity controlled by the Ultimate Controlling Shareholder
Nanjing Boken Corporate Planning Consultation Company Limited ("**Nanjing Boken**")	Entity controlled by the Ultimate Controlling Shareholder
Nanjing Huiyao Decoration Construction Co., Ltd. ("**Nanjing Huiyao**")	Associate of a group controlled by the Ultimate Controlling Shareholder
Leshan Huizhi Technology Development Co., Ltd. ("**Leshan Huizhi**")	Entity controlled by the Ultimate Controlling Shareholder
Chung Wai (Jiangsu) Decoration Park Project Company Limited ("**Chung Wai (Jiangsu)**")	Entity controlled by the Ultimate Controlling Shareholder
Nanjing Tianhui ATongda Corporate Planning Consultation Co., Ltd. ("**Nanjing Tianhui**")	Entity controlled by the Ultimate Controlling Shareholder
Nanjing San Long, Cement Company Limited ("**Nanjing San Long**")	Non-controlling shareholder of a subsidiary
Di Geng (Hong Kong) Investment Development Company Limited ("**Di Geng**")	Entity controlled by the Ultimate Controlling Shareholder
Huang Heng	Non-controlling shareholder of a subsidiary
Han Yurong	Non-controlling shareholder of a subsidiary
Shenzhen Aolan	Associate
Chung Wai (Hong Kong) Investment Construction Company Limited ("**Chung Wai (Hong Kong)**")	Entity controlled by the Ultimate Controlling Shareholder
Zhou Li	Executive director and Chief executive office of the Group

(b) Transactions with related parties/connected parties

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Construction and consultancy services *(Note (i))*	**83,234**	14,109
Repayment of lease liabilities *(Note (ii))*	**150**	–
Management fee income *(Note (iii))*	**73**	–

(i) Construction and consultancy services

During the period, the Group received construction services from the following related party:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Nanjing Huizhi	**83,234**	14,109

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

(ii) Repayment of lease liabilities

During the period, the Group rented a premise from the following related party:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Chung Wai (Hong Kong)	**150**	–

(iii) Management fee income

During the period, the Group provided management services to the following related party:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Chung Wai (Hong Kong)	**73**	–

(c) Balances with related parties/connected parties

(i) Amounts due from related parties

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-trade related:		
Nanjing San Long	**–**	1,413
Nanjing Huizhi	**–**	20
Di Geng	**174**	174
Huang Heng	**171**	–
Han Yurong	**3,421**	–
Shenzhen Aolan	**24,500**	–
Chung Wai (Hong Kong)	**110**	–
	28,376	1,607

The amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment except for the amounts due from Huang Heng and Han Yurong are secured by an equity interest in the subsidiary of the Company, interest-free and repayable on 26 February 2029.

(ii) Amounts due to related parties

	At **30 June 2019** ***RMB'000*** **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Trade related:		
Nanjing Huizhi	**139,441**	157,459
Lianyungang Hui Neng	**21,221**	21,221
Chung Wai (Jiangsu)	**1,426**	1,426
Leshan Huizhi	**50**	50
Nanjing Zhonghui Construction	**53,214**	54,167
Nanjing Hengjida	**516**	516
Nanjing Diken	**4,351**	4,351
Nanjing Huiyao	**2,311**	2,391
	222,530	241,581
Non-trade related:		
Other payables due to:		
Nanjing San Long	**18,544**	11,181
Chung Wai (Hong Kong) Property Company Limited	**2**	2
Zhong Jia (Hong Kong) Investment Limited	**166**	166
中惠（中國）投資有限公司	**–**	5
Zhou Li	**–**	12,958
Chung Wai (Hong Kong)	**153**	–
	18,865	24,312

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

21. EVENTS AFTER THE REPORTING PERIOD

(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 Land Use Rights Assignment Contract is entered into by Guangzhou Hailan and the Suixi County Natural Resources Bureau (遂溪縣自然資源局) on 9 July 2019.

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

On 15 July 2019, Nanjing Hailan Estate Co., Ltd. ("**Nanjing Hailan**") entered into the shareholder loan agreement (the "**Shareholder Loan Agreement**") with the Shenzhen Aolan, a company established in the PRC with limited liability, which is owned as to 51% by 奧園集團(梅州)有限公司 (Aoyuan Group (Meizhou) Company Limited) ("**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 梅州市奧創置業有限公司 (Meizhou Aochuang Estate Co., Ltd.), 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.

(iii) Acquisitions of minority interests in Sanya Huixin Trading Company Limited ("Sanya Huixin")

On 9 October 2019, Lianyungang Long Ji Properties Co., Ltd. ("**Lianyungang Long Ji Properties**"), an indirect wholly-owned subsidiary of the Company entered into a share transfer agreement A and a share transfer agreement B (the "**Share Transfer Agreements**") with Mr. Fang Jing and Mr. Yang Jinhe (the "**Vendors**") pursuant to which the Lianyungang Longji Properties has agreed to acquire and the Vendors have agreed to dispose of in aggregate of 17.5% equity interests in Sanya Huixin for an aggregate consideration of RMB8.47 million (the "**Acquisitions**").

Upon completion of the Acquisitions, Sanya Huixin will become an indirect wholly-owned subsidiary of the Company.

The principal terms of the Share Transfer Agreements and details of the Acquisitions are summarised in the Company's announcement dated 9 October 2019.

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 the "**Group**"), I hereby present the unaudited financial results for the six months ended 30 June 2019 (the "**Period**").

During the Period, given the implementation of restrictive policy in Hainan Province since last year, and the slow approval process for residential projects by the government, the overall sales and supply of properties in Hainan Province dropped significantly in the first half of 2019. Under such business environment, the result of Hailan Holdings inevitably suffered.

During the Period, contracted sales of the Group amounted to RMB234.0 million, representing a reduction of 72.0% as compared to the corresponding period in 2018. Contracted saleable gross floor area ("**GFA**") was approximately 7,282.0 square meters, representing a regression of approximately 75.3% over the corresponding period last year. The contracted average selling price ("**ASP**") was about RMB32,134.0 per square meter, representing an increase of about 13.0% over the corresponding period last year. The significant decrease in sales amount was mainly attributable to Hainan Province government's restriction on housing planning and approval, control over construction and investment of residential properties and the impact of restrictive policy.

To further facilitate the continuing development of the Group, we have been exploring different exciting investment opportunities. In the first half of 2019, the Group started to expand to other regions other than Hainan Province and invested and developed in Meizhou and Zhanjiang. Meanwhile, the Group also actively looked for new opportunity in the US and Hong Kong by planning small projects in order to gain experience and slowly increase its overseas investment. Although these investment projects could not generate net cash inflow in the second half of 2019, it is anticipated that such projects will contribute to the Group to a certain extent in the coming 2 years.

Looking ahead, the global economy will remain unstable under the Sino-US trade disputes. The real estate market in Hainan Province will be affected by the restrictive policy. The Chinese government thoroughly implements real estate regulations, which may constrain the development of the Group. The supply of inventory in Hainan Province for the year is affected due to slow approval process for residential housing planning. In long run, however, by virtue of Hainan Island's premium climate and environment as well as the state policies, which support the business and development in Hainan Province, we remain optimistic about the long-term development of real estate operation in Hainan Province. We believe that the location of our valued assets, excellent track record of property management and property construction execution in Hainan Province, the PRC, and the highly supportive industry development policy in Hainan Province, will help sustain the Group's business development and property development in Hainan Province in future.

To materialise international development, the Group has been seeking development opportunity in foreign regions, mainly in Hong Kong and the US. The Group actively identifies real estate investment and development opportunity in the US, especially in Silicon Valley, one of the important engines of the US's economy with constantly high housing demand, which may be a new income source for the Group's future development.

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

18 October 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overall Performance

For the Period, the revenue and gross profit of the Group were approximately RMB78.8 million and approximately RMB41.9 million respectively, representing an decrease of approximately 91.2% and 90.8% as compared with the corresponding period of 2018, respectively. Loss for the Period attributable to owners of the Company was approximately RMB8.6 million, representing an decrease of approximately 107.1% as compared with the corresponding period of 2018. Basic loss per share were RMB3 cents (the corresponding period of 2018: Basic earnings per share RMB40 cents).

	For the six months ended 30 June		
Performance Highlights	**2019**	2018	Changes
Contracted sales (RMB million)[3]	**234.0**	836.9	–72.0%
Contracted saleable gross floor area ("**GFA**") (sq.m.)[2,3]	**7,282.0**	29,440.0	–75.3%
Contracted average selling price ("**ASP**") (RMB/sq.m.)[2,3]	**32,134.0**	28,427.3	13.0%
Revenue[1] (RMB million)	**78.8**	898.4	–91.2%
Among which: sales of properties			
— Revenue from properties delivered (RMB million)[1]	**76.9**	892.7	–91.4%
— GFA of properties delivered (sq.m.)	**2,892.0**	30,347.0	–90.5%
— ASP of properties delivered (RMB/sq.m.)	**26,590.6**	29,416.4	–9.6%
Rental income (RMB million)[1]	**1.9**	3.2	–40.6%
Gain on changes in fair value investment properties (RMB million)[1]	**–**	2.5	–100.0%
Gross profit (RMB million)	**41.9**	457.2	–90.8%
(Loss) Profit for the Period			
— Attributable to owners (RMB million)	**(8.6)**	120.5	–107.1%
— Attributable to non-controlling interests (RMB million)	**(11.2)**	(21.7)	48.4%

	At 30 June 2019	At 31 December 2018	Changes
Total assets (RMB million)	**4,910.3**	5,043.2	–2.6%
Cash and bank balances (including cash and cash equivalents and restricted cash) (RMB million)	**1,181.8**	766.6	54.2%
Total equity (RMB million)	**2,131.8**	2,149.4	–0.8%
Key financial ratios			
Gross profit margin[4]	**53.1%**	50.9%	2.2 p.p.
Net debt to equity ratio[5]	**N/A**	N/A	N/A
Gearing ratio[6]	**3.3%**	–	3.3 p.p.

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 the Group's combined financial statements from the date of acquisition. As the Group does not share any risks and rewards relating to Danzhou Phase I pursuant to the abovementioned agreement, the net profit or loss, net assets or liabilities arising from Danzhou Phase I are wholly attributable to the non-controlling interests in the Group's combined statements of profit or loss and other comprehensive income and the combined statements of changes in equity. Contracted sales of Danzhou Phase I is excluded in this analysis for discussion purpose.

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

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

6. Gearing ratio: Total bank and other borrowing ÷ Total equity x 100%

PROPERTY DEVELOPMENT

Contracted sales

For the Period, the Group recorded contracted sales of approximately RMB234.0 million, representing a significant decrease of approximately 72.0% as compared with approximately RMB836.9 million in the corresponding period of 2018. The contracted saleable GFA was 7,282.0 sq.m. in the first half of 2019, representing a decrease of approximately 75.3% as compared with 29,440.0 sq.m. in the corresponding period of 2018. The ASP of contracted sales for the Period was RMB32,134.0 per sq.m., representing an increase of approximately 13.0% as compared with RMB28,427.3 per sq.m. in the corresponding period of 2018.

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 in 2018, Hainan Province (the "**Province**") roll out the country's strictest restrictions on house purchases. 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.

The ASP of contracted sales increased by 13.0% was mainly due to the increase in contracted sales in the project of Sanya Phoenix Aqua City South Shore Phase II for the Period, which has a higher unit selling price.

Contract liabilities

As at 30 June 2019, the balance of contract liabilities increased by 95.0% or approximately RMB327.8 million as compared with balance as at 31 December 2018, which was primarily contributed by the contracted sales in the project of Sanya Phoenix Aqua City South Shore Phase II for the Period.

REVENUE FROM SALES OF PROPERTIES

For the Period, the revenue from sales of properties amounted to approximately RMB76.9 million, representing an decrease of approximately 91.4% as compared with approximately RMB892.7 million in the corresponding period of 2018 and accounting for 97.6% of the total revenue. GFA of properties delivered decreased by approximately 90.5% to 2,892.0 sq.m. for the Period from 30,347.0 sq.m. in the corresponding period of 2018. It was primarily attributable to Hainan Province governments restriction on housing planning and approval, control over construction and investment of residential properties and the impact of restrictive policy. The ASP of properties delivered for the Period was RMB26,590.6 per sq.m., representing an decrease of 9.6% as compared with the corresponding period of 2018.

Completed projects held for sale

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

Projects held for future development and projects under development

At 30 June 2019, 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. (31 December 2018: 1.4 million sq.m.).

Land bank

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

As at 30 June 2019, the total GFA of the land bank of the Group amounted to approximately 1.4 million sq.m. Among the total land bank of the Group, 43.0% is located in Sanya City, 53.4% is located in Danzhou City and 3.6% is located in Haikou City of the Province.

Deposit paid for acquisition of land

As at 30 June 2019, the deposit paid for acquisitions of land of the Group was approximately RMB161.8 million (31 December 2018: approximately RMB13.8 million), mainly representing the deposit paid for acquisition of land use rights in Zhanjiang.

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the Period amounted to approximately RMB1.9 million, deriving from the rental income of the leasing car parking spaces located at Sanya Phoenix Aqua City Left Shore and the shops located at Danzhou Phase I, representing an decrease of approximately 40.6% or RMB1.3 million as compared with the corresponding period of 2018, by an decrease of rental income from the leasing of serviced apartment located at Sanya Phoenix Aqua City Left Shore.

Investment properties

As at 30 June 2019, the investment properties of the Group represent the car parking spaces held by the Group for rental purpose.

Financial Review

(I) Revenue

Revenue of the Group for the Period amounted to approximately RMB78.8 million, representing an decrease of approximately RMB819.6 million, or approximately 91.2%, as compared with the corresponding period of 2018, primarily due to the implementation of restrictive policy in Hainan Province since last year, and the slow approval process for residential projects by the government.

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

Project	**For the six months ended**			
	30 June 2019		30 June 2018	
	GFA delivered	**Revenue**	GFA delivered	Revenue
	Sq.m.	***RMB in Million***	Sq.m.	*RMB in Million*
Sanya Phoenix Aqua City Left Shore	**530**	**26.6**	89	2.7
Sanya Phoenix Aqua City South Shore Phase I & II	**267**	**7.8**	25,677	858.5
Haikou Phoenix Aqua City Phase I	**2,095**	**42.5**	–	–
Danzhou Phase I	**–**	**–**	4,581	31.5
	2,892	**76.9**	30,347	892.7

(II) Cost of sales and gross profit margin

For the Period, the cost of sales of the Group decreased by approximately RMB404.2 million, or approximately 91.6%, as compared with the corresponding period of 2018. The decrease was attributable to the 90.5% decrease in total GFA of properties delivered in the first half of 2019 (i.e. 2,892.0 sq.m.) when compared to the first half of 2018 (i.e. 30,347.0 sq.m.).

Gross profit margin increased from 50.9% for the six months ended 30 June 2018 to 53.1% for the Period primarily attributable to the fact that the delivered properties of Haikou Phoenix Aqua City Phase I was a project with higher gross profit margin in the first half of 2019.

(III) Selling and distribution expenses and administrative expenses

The selling and distribution expenses for the Period amounted to approximately RMB8.1 million representing an decrease of 86.6% from approximately RMB60.3 million in the same period of 2018, which was mainly due to the decrease in sale commission expenses as a result of decrease in revenue from sale of properties. The sales commission amounts to 94.5% (2018: 98.9%) of the total selling and distribution expenses for the Period.

Administrative expenses increased by 175.2% from RMB23.0 million in the same period of 2018 to approximately RMB63.3 million which mainly due to the increase in legal and professional cost on the legal proceedings in Haikou Province.

(IV) Finance income, net

The net finance income of the Group for the Period amounted to approximately RMB9.6 million (the corresponding period of 2018: approximately RMB18.4 million). The finance cost of the Group has been significantly reduced RMB3.5 million while the finance income has also been significantly decreased RMB12.3 million as compared to the corresponding period in 2018, which due to the income of amounting approximately RMB9.4 million generated from the structural products during the Period was recognised in profit and loss under realised gain arising from financial assets at FVPL.

(V) Income tax expenses

The income tax expenses of the Group decreased by 96.5% to approximately RMB9.8 million for the Period from approximately RMB279.5 million for the six months ended 30 June 2018. The significant decrease of current corporate income tax expense and the land appreciation tax for the Period were mainly contributed by the decrease of revenue from sale of properties and taxable profit for the Period.

(VI) Loss attributable to owners of the Company

The loss attributable to owners of the Company for the Period amounted to approximately RMB8.6 million, representing an decrease of approximately RMB129.1 million as compared with the corresponding period of 2018. The decrease was mainly attributable to the decrease of gross profit, net finance income, selling and distribution expenses and income tax expenses, and increase of realised gain arising from financial assets at FVPL and administrative expenses.

(VII) Liquidity and financial resources

As at 30 June 2019, total assets of the Group amounted to approximately RMB4,910.3 million (31 December 2018: approximately RMB5,043.2 million), of which current assets amounted to approximately RMB4,590.2 million (31 December 2018: approximately RMB4,647.7 million). Total liabilities amounted to approximately RMB2,778.5 million (31 December 2018: approximately RMB2,893.8 million), of which non-current liabilities amounted to approximately RMB595.8 million (31 December 2018: approximately RMB522.9 million). Total equity amounted to approximately RMB2,131.8 million (31 December 2018: approximately RMB2,149.4 million). Total equity attributable to owners of the Company amounted to RMB1,802.6 million (31 December 2018: approximately RMB1,811.3 million).

As at 30 June 2019, the Group had cash and bank balances (including restricted cash) of approximately RMB1,181.8 million (31 December 2018: approximately RMB766.6 million). The Group had bank borrowing of RMB70 million (31 December 2018: Nil).

(VIII) Commitments

As at 30 June 2019, the Group had capital commitments outstanding but not provided for amounting to approximatively RMB1,033.7 million (31 December 2018: approximately RMB828.9 million).

(IX) Contingent liabilities

Guarantees in respect of mortgage facilities

As at 30 June 2019, the Group provided guarantees (the "**Guarantees**") of approximately RMB103.4 million (31 December 2018: approximately RMB189.8 million) to bank in respect of the mortgage loans granted to purchasers of the properties of the Group. Pursuant to the terms of the Guarantees, if there is any default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty 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 these Guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

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

(X) Legal Proceedings

Haikou Phoenix Aqua City Phase II

On 17 January 2018, Hainan Nanhai Xiang Long Properties Development Limited ("**Hainan 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 Hainan 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. Hainan 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 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. The Directors considered that the Group has reasonable grounds to challenge the Haikou Decision and that therefore, taking account of all available evidence, it was unlikely that an obligation to surrender the land without compensation existed. On 15 June 2018, the Group 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 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.

On 16 October 2019, the Higher People's Court of Hainan Province* (海南省高級人民法院) issued its administrative judgment on the Haikou Decision and revoked the Haikou Decision issued by Haikou People's Government in relation to the confiscation of the land parcel. The administrative judgment issued by the Higher People's Court of Hainan Province 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 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 formally instituted an application of administrative proceeding on the Danzhou Decisions to the Hainan Court and the case was accepted on 24 July 2018.

* *for identification purpose only*

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.

MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS

For the Period, the Group fully redeemed the investment of structured deposits and the redemption proceeds were amounted to approximately RMB 2,364.8 million, generating a profit of approximately RMB9.4 million, while the Group made additional investment with amount of approximately RMB1,548.6 million.

Save as disclosed above, the Group had no significant investments, material acquisition or disposal of subsidiaries and affiliated companies during the Period.

GEARING RATIO

As at 30 June 2019, the Group's gearing ratio was 3.3%. As at 31 December 2018, the gearing ratio was not applicable as a result of the Group had no borrowings and loans.

EVENTS AFTER THE PERIOD

Save as disclosed in the note 21 of Notes to the Interim Condensed Consolidated Financial Information, there was no significant events occurring after the end of the Period up to the date of this announcement.

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 of the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, taking into account of Danzhou phase I, the Group had approximately 47 employees (as at 31 December 2018: 25 employees). For the Period, the Group incurred employee costs of approximately RMB6.1 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. Employee costs of the Group also included the amortisation cost of the share incentive granted.

NET DEBT TO EQUITY RATIO

As at 30 June 2019, the net debt to equity ratio (calculated by total bank and other borrowings less cash and bank balance divided by total equity) was Nil (31 December 2018: Nil).

PLEDGE OF ASSETS

As at 30 June 2019, the Group had certain properties under development with carrying amount of approximately RMB161.2 million (31 December 2018: Nil) were pledged for the bank borrowings and the restricted cash with carrying amount of approximately RMB96.7 million (31 December 2018: 45.8 million) for properties under development.

FOREIGN CURRENCY RISKS

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

INTERIM DIVIDEND

The Board does not recommend to declare any interim dividend for the Period (six months ended 30 June 2018: Nil).

USE OF PROCEEDS

The net proceeds from the Listing was approximately HK$249 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 *HK$ million*	**Change of use of proceeds** *HK$ million*	**Utilisation of proceeds** *HK$ million*	**Unutilised Amount** *HK$ 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	–	(16.4)	8.5
Finance the property development in Hong Kong and USA	–	224.1	(43.9)	180.2
Total	249.0	–	(60.3)	188.7

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.

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 is fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders and the Board considers that sound corporate governance can maximize the Shareholders' interest.

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

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

During the Period, the Company has applied the principles and has complied with code provisions of the CG Code (the "**Code Provision(s)**") as contained in Appendix 14 to the Listing Rules, except for certain deviations as specified and explained below with considered reasons for such deviation.

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.

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

CHANGE OF DIRECTORS AND CHIEF EXECUTIVES

As at the date of this announcement, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors of the Company are as follows:

— Mr. Chen Zhonghua has been appointed as an executive Director with effect from 26 September 2019.

Save as disclosed above, the Directors are not aware of any other change in the Information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this announcement.

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

For the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange.

PRE-IPO SHARE INCENTIVE SCHEME

The Company had adopted a pre-IPO share incentive scheme on 5 January 2016 (the "**Pre-IPO Share Incentive Scheme**") to recognize and reward the contribution of certain directors and senior management(the "**Target Participant(s)**") who have or may have made to the growth and development of the business(es) of the Group.

As no Target Participant had satisfied the achievement targets, the Company has terminated the Pre-IPO Share Incentive Scheme on 9 October 2019.

Save as disclosed above, no further Incentive Equity Interest has been offered under the Pre-IPO Share Incentive Scheme and no further Incentive Equity Interest will be offered thereunder on or after the Listing Date.

None of the Directors waived any emoluments during the Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (http://www.hailanholdings.com) and the Stock Exchange (http://www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2019 will be despatched to the Shareholders and made available for review on the above websites in due course.

By order of the Board
Hailan Holdings Limited
Chairperson
Zhou Li

The PRC, 18 October 2019

As at the date of this announcement, the executive Directors are Ms. Zhou Li, Mr. Chen Xiang, Ms. Fan Wenyi, Ms. Chan Si Yu 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.