



# Hailan Holdings Limited 海藍控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2278



## Interim Report 2016

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Yeung Man (*Chairman*)  
Mr. Huang Annan (*Chief Executive Officer*)  
Ms. Zhou Li  
Ms. Fan Wen Yi

### Non-executive Director

Mr. Wang Pei

### Independent Non-executive Directors

Mr. Li Zhong  
Mr. E Jun Yu  
Dr. Chen Shimin

## COMPANY SECRETARY

Mr. Leung Wai Fung Joseph

## AUTHORIZED REPRESENTATIVES UNDER THE LISTING RULES

Mr. Leung Wai Fung Joseph  
Mr. Yeung Man

## AUDIT COMMITTEE

Dr. Chen Shimin (*Chairman*)  
Mr. Li Zhong  
Mr. E Jun Yu

## REMUNERATION COMMITTEE

Mr. E Jun Yu (*Chairman*)  
Mr. Huang Annan  
Ms. Zhou Li  
Mr. Li Zhong  
Dr. Chen Shimin

## NOMINATION COMMITTEE

Mr. Yeung Man (*Chairman*)  
Ms. Zhou Li  
Mr. Li Zhong  
Mr. E Jun Yu  
Dr. Chen Shimin

## AUDITOR

KPMG

## COMPLIANCE ADVISOR

Haitong International Capital Limited

## PRINCIPAL BANKS

Industrial and Commercial Bank of China Limited  
Bank of Communications Co., Ltd

## LEGAL ADVISORS

As to Hong Kong law  
Loong & Yeung Solicitors  
As to PRC law  
Beijing Dentons Law Offices, LLP (Guangzhou)

## REGISTERED OFFICE

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

2/F, No. 1 Building Hampton by Hilton  
No. 169 Yu Lin Road  
Tianya District  
Sanya, the Hainan Province  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F  
China Building  
29 Queen's Road Central  
Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

## COMPANY WEBSITE

[www.hailanholdings.com](http://www.hailanholdings.com)

# Chairman's Statement

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Dear Shareholders,

On behalf of the Board, I am pleased to present the business review and prospects of the Group for the six months ended 30 June 2016.

## SUCCESSFUL ENTRY TO THE INTERNATIONAL CAPITAL MARKET

The Group was the tenth (10th) largest property developer in Sanya in terms of sales for the years of 2014 and 2015 which primarily engaged in property development focusing on development projects of residential properties. The Group commenced its property development operations in Hainan Province in 2008 with the development of Sanya Phoenix Aqua City South Shore Phase I. For the eight years since its commencement, it has been faithful to its motto of “building a beautiful city with an operation based in the forefront of the world-famous tourism island, and concentrating on the development of quality properties in tourist spots in order to craft a new landscape for the city with modern development insight of a phenomenal operator.” The Group has successfully expanded its business development strategies to include Haikou City and Danzhou City of the Hainan Province in its geographical presence. The core values of the Group are to “maintain high standard, be creative, create mutual benefits and stay excellent” and the Group focuses on the development of high quality properties at high-profile locations to cater for the demands of customers seeking properties in Hainan. The Group offers a wide range of residential properties, including high-rise apartments, medium-rise apartments, multi-storey apartments and low-rise apartments. Also, the Group has been preparing for the development of “Sanya Phoenix Aqua City South Shore Phase II”, a quality large-scale living community equipped with multi-functional ancillary facilities for commercial and residential purposes, in the central region of Sanya. Currently, the designated area will comprise of retail and commercial streets, kindergartens, clubhouses, swimming pools and serviced apartment so as to provide high-quality living and consumption options for the customers.

The year of 2016 is a landmark year in the development history of the Group. On 15 July 2016, the Company was successfully listed (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock Code: 2278). While entering into the international capital market, the Company achieved transformation from asset operation to capital operation. The successful Listing had bolstered the Group with sufficient funding, enhanced its social reputation and offered precious business opportunities. This not only marked the recognition of the Company from the international capital market but also brought stronger momentum for the further development of the Company in the future.

## BUSINESS REVIEW

Facing an unfavourable environment of relatively weak external economies, the central government of the People's Republic of China (the “PRC”) kept on increasing support from the policies stabilising growth, promoting urbanization and deepening reforms to generate benefits, which were conducive to strengthen the fundamental trend of a stable economy in China. In the first half of 2016, the gross domestic product growth of the PRC remained relatively stable at 6.7%. With the support of multiple favourable policies including cutting down payment, tax reduction and credit easing, the real estate market of the PRC experienced increases in both transaction volumes and prices. Contracted sales of the Group amounted to approximately RMB751.1 million, representing a significant growth of approximately 165.1% over the corresponding period last year. Contracted sales area was approximately 35,386 sq.m, representing a significant growth of approximately 136.2% over the corresponding period last year. “Inventory reduction” in the housing sector achieved remarkable results which was a key driving force in stabilising macroeconomic growth during the first half of 2016.

## PROSPECTS FOR THE SECOND HALF OF 2016

The Group will leverage the Listing for further development of its existing projects. By capitalising on its competitive land costs, good brand image, sustainable profitability, diversified sales channels and efficient marketing teams, the Company will further sharpen its core competitive edges. While strengthening its current leading market position in Sanya and identifying and capturing quality locations and new business opportunities in other regions of Hainan Island, the Company will continue to conduct in-depth researches on national and regional government policies and analyse the economic and urbanization trends so as to strategically expand its business into regions that the Group believes to have a high growth potentials.

## ACKNOWLEDGEMENT

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

**Yeung Man**  
*Chairman*

# Management Discussion and Analysis

## OVERALL PERFORMANCE

For the six months ended 30 June 2016, the revenue and gross profit of the Group were approximately RMB779.3 million and approximately RMB216.7 million, representing a decrease of approximately 29.1% and 21.9% as compared with the corresponding period of 2015, respectively. Profit for the six months ended 30 June 2016 attributable to the equity shareholders was approximately RMB9.0 million, representing a decrease of approximately 95.0% as compared with the corresponding period of 2015. Basic earnings per share was RMB4.0 cents (the corresponding period of 2015: RMB80.0 cents).

As at 30 June 2016, the net debt-to-equity ratio of the Group was 92.6%.

Performance Highlights	For the six months ended 30 June		
	2016	2015	Changes
Contracted sales (RMB million) <sup>3</sup>	751.1	283.4	165.1%
Contracted saleable gross floor area ("GFA") (sq.m.) <sup>2,3</sup>	35,386	14,981	136.2%
Contracted average selling price ("ASP") (RMB/sq.m.) <sup>2,3</sup>	21,226	18,915	12.2%
<b>Revenue<sup>1</sup> (RMB million)</b>	<b>779.3</b>	1,099.1	(29.1)%
Among which: sales of properties			
– Revenue from properties delivered (RMB million) <sup>1</sup>	777.3	1,099.1	(29.3)%
– GFA of properties delivered (sq.m.)	46,859	53,082	(11.9)%
– ASP of properties delivered (RMB/sq.m.)	16,590	20,655	(19.7)%
Rental income (RMB million) <sup>1</sup>	2.0	–	N/A
<b>Gross profit (RMB million)</b>	<b>216.7</b>	277.3	(21.9)%
<b>Profit for the Period</b>			
– Attributable to shareholders (RMB million)	9.0	180.3	(95)%
– Attributable to non-controlling interests (RMB million)	(5.1)	0.6	N/A

	As at 30 June 2016	As at 31 December 2015	Changes
<b>Total assets (RMB million)</b>	<b>5,099.5</b>	5,666.9	(10.0)%
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits) (RMB million)	<b>95.2</b>	147.1	(35.2)%
Total bank and other borrowings (RMB million)	<b>1,385.6</b>	927.3	49.4%
<b>Total equity (RMB million)</b>	<b>1,393.2</b>	1,385.7	0.5%
<b>Key financial ratios</b>			
Gross profit margin <sup>(4)</sup>	<b>27.8%</b>	25.2%	
Net debt to equity ratio <sup>(5)</sup>	<b>92.6%</b>	56.3%	
Gearing ratio <sup>(6)</sup>	<b>99.5%</b>	66.9%	

## Notes:

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

## PROPERTY DEVELOPMENT

### Contracted sales

For the six months ended 30 June 2016, the Group recorded contracted sales of approximately RMB751.1 million, representing a significant increase of approximately 165.1% as compared with approximately RMB283.4 million in the corresponding period of 2015. The contracted saleable GFA was 35,386 sq.m. in the first half of 2016, representing an increase of approximately 136.2% as compared with 14,981 sq.m. in the corresponding period of 2015. The ASP for the six months ended 30 June 2016 was RMB21,226 per sq.m., representing an increase of approximately 12.2% as compared with RMB18,915 per sq.m. in the corresponding period of 2015. The increase was mainly due to a significant increase in contracted GFA sold in Sanya Phoenix Aqua City Left Shore and the increase in ASP due to an increase in market demand and the additional effort spent by the property sales agents as sales commission rate increased from an average of 1%–2% in the first half of 2015 to 5% for the six months ended 2016.



## REVENUE FROM SALES OF PROPERTIES

For the six months ended 30 June 2016, the revenue from sales of properties amounted to approximately RMB777.3 million, representing a decrease of approximately 29.3% as compared with approximately RMB1,099.1 million as compared with the corresponding period of 2015 and accounting for 99.7% of the total revenue. GFA delivered decreased by approximately 11.9% to 46,859 sq.m. for the six months ended 30 June 2016 from 53,211 sq.m. in the corresponding period of 2015. It was primarily attributable to the decrease in the GFA delivered for the first half of 2016 as majority of the units in Sanya Phoenix Aqua City South Shore Phase I were delivered on or before 2015 whereas majority of the units in Sanya Aqua City Left Shore Zone III will be delivered to customers in the second half of 2016.

### Completed projects held for sale

During the first six months of 2016, the Group completed the construction of Haikou Phoenix Aqua City Phase I and Sanya Phoenix Aqua City Left Shore Zone III with a total completed GFA of approximately 114,991 sq.m..

### Projects held for future development

As at 30 June 2016, the Group had a total of 3 projects or project phases are held for future development with a total planned GFA of approximately 1.4 million sq.m. (As at 31 December 2015: 1.4 million sq.m.).

### Land bank

No new project was acquired by the Group during the six months ended 30 June 2016.

As at 30 June 2016, the total GFA of the land bank of the Group amounted to approximately 1.6 million sq.m.. Among the total land bank of the Group, 50.2% is located in Sanya City, 44.8% is located in Danzhou City and 5.0% is located in Haikou City of the Hainan province of the PRC.

## PROPERTY INVESTMENTS

### Rental income

The rental income of the Group for the six months ended 30 June 2016 amounted to approximately RMB2.0 million, representing the rental income receivable from the rental of an 18-storey serviced apartment building (located in Sanya Phoenix Aqua City Left Shore) since December 2015 and the rental income received from car parks leased to property owners.

### Investment properties

As at 30 June 2016, the Group had investment properties with a total GFA of approximately 11,952 sq.m..

## Financial Review

### (I) Revenue

Revenue of the Group for the six months ended 30 June 2016 amounted to approximately RMB779.3 million, representing a decrease of approximately RMB319.8 million, or approximately 29.1%, as compared with the corresponding period of 2015, primarily due to the decrease in sales of properties as compared with the corresponding period in 2015. Revenue from sales of properties for the six months ended 30 June 2016 amounted to approximately RMB777.3 million, representing a decrease of approximately 29.3% as compared with approximately RMB1,099.1 million of the corresponding period of 2015. It was primarily attributable to the decrease in the GFA delivered for the first half of 2016 as majority of the units in Sanya Phoenix Aqua City South Shore Phase I were delivered on or before 2015 whereas majority of the units in Sanya Aqua City Left Shore Zone III will be delivered to customers in the second half of 2016.

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

Project	For the six months ended 30 June			
	2016		2015	
	GFA delivered s.q.m.	Revenue RMB'million	GFA delivered s.q.m.	Revenue RMB'million
Sanya Phoenix Aqua City South Shore Phase I	123	2.6	30,432	976.7
Sanya Phoenix Aqua City Left Shore	43,031	752.1	–	–
Danzhou Phase I	3,705	22.6	22,650	122.4
	<b>46,859</b>	<b>777.3</b>	53,082	1099.1

**(II) Cost of sales and gross profit margin**

For the six months ended 30 June 2016, the cost of sales of the Group decreased by approximately RMB259.1 million, or approximately 31.5%, as compared with the corresponding period of 2015. The decrease was attributable to the 11.7% decrease in total GFA delivered in the first half of 2016 (46,859 sq.m.) when compared to the first half of 2015 (53,082 sq.m.) and the 22.4% decrease in average cost of sales as a result of the change in sales mix from higher cost multi-storey apartments delivered in the first half of 2015 to the lower cost medium-rise apartments delivered in the first half of 2016.

Gross profit margin increased from 25.2% for the six months ended 30 June 2015 to 27.8% for the six months ended 30 June 2016 primarily attributable to the shifting of sales mix from higher average costs of sales multi-storey apartments delivered in the first half of 2015 to lower cost medium-rise apartments delivered in the first half of 2016.

**(III) Selling and distribution expenses and administrative expenses**

The selling and distribution expenses for the six months ended 30 June 2016 amounted to approximately RMB39.5 million (the corresponding period of 2015: approximately RMB16.6 million). As a result of the significant increase in proceeds received from contract sales and the increase in sales agent commission percentage (from between 1% to 2% in 2015 to 5% in 2016), selling and distribution expenses increased by 137.9% as compared to the corresponding period in 2015.

Despite the increase in sales commission rate, the percentage of selling and marketing expenses to contracted sales of the Group decreased from 5.9% for the six months ended 30 June 2015 to 5.3% for the six months ended 30 June 2016, respectively. The decrease was attributable to the decrease in advertising and other sales staff related costs as a result of the streamlining of our sales department and focusing on the closer partnership with our external sales agent.

Administrative expenses increased by 105.5% from RMB20.1 million for the six months ended 30 June 2015 to RMB41.3 million for the same period in 2016. The significant increase was primarily attributable to the increase in non-recurring listing expenses of RMB13.1 million incurred by the Group in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange of the Group and the increase in share based payment bonus accrued for senior management for the six months ended 30 June 2016.

**(IV) Finance costs**

The net finance costs of the Group for the six months ended 30 June 2016 increased to approximately RMB34.4 million (the corresponding period of 2015: net finance income of approximately RMB5.1 million). The significant increase was attributable to the decrease in interest capitalization as a result of the completion of majority our ongoing development projects during the first half of 2016.

**(V) Income tax**

The income tax of the Group for the six months ended 30 June 2016 increased by 32.8% to approximately RMB93.6 million from approximately RMB70.4 million for the six months ended 30 June 2015. The increase was primarily contributed by the land appreciation tax of approximately RMB26.1 million paid after the final assessment performed by the tax bureau on Sanya Phoenix Aqua City South Shore Phase I during the first half of 2016. The increase was also contributed by the fact that certain amount of the land acquisition costs of Sanya Phoenix Aqua City Left Shore were not deductible under PRC tax law.

**(VI) Profit attributable to equity shareholders of the Company**

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 amounted to approximately RMB9.0 million, representing a decrease of approximately RMB171.2 million as compared with the corresponding period of 2015. The decrease was attributable to the items discussed from the sub-paragraphs (I) to (V) above.

**(VII) Liquidity and financial resources**

As at 30 June 2016, total assets of the Group amounted to approximately RMB5,099.5 million (31 December 2015: approximately RMB5,666.9 million), of which current assets amounted to approximately RMB4,805.9 million (31 December 2015: approximately RMB5,406.5 million). Total liabilities amounted to approximately RMB3,706.3 million (31 December 2015: approximately RMB4,281.2 million), of which non-current liabilities amounted to approximately RMB1,368.1 million (31 December 2015: approximately RMB981.1 million). Total equity amounted to approximately RMB1,393.2 million (31 December 2015: approximately RMB1,385.7 million). Total equity attributable to equity shareholders amounted to RMB1,065.0 million (31 December 2015: approximately RMB1,091.0 million).

As at 30 June 2016, the Group had cash and bank balances (including restricted cash) of approximately RMB95.2 million (31 December 2015: approximately RMB147.1 million) and total interest-bearing loans and borrowings of approximately RMB1,385.6 million (31 December 2015: approximately RMB927.3 million). The increase in interest-bearing loans and borrowings of approximately RMB458.3 million represented additional bank loans borrowed for the settlement of amounts due to related parties. The Group's bank loans and other borrowings bear annual interest ranging from 4.13% to 6.89% as at 30 June 2016 (31 December 2015: from 6.00% to 7.38%).

The Group's current and non-current bank loans are repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year or on demand	567,772	485,000
After 1 year but within 2 years	682,875	442,290
After 2 years but within 5 years	135,000	–
	<u>1,385,647</u>	<u>927,290</u>

Details of the Group's assets pledged for the its bank loans are as follows:

	At 30 June 2016 RMB' million	At 31 December 2015 RMB' million
Investment properties	165.8	165.2
Properties under development	828.7	1,802.9
Completed properties held for sale	1,872.2	762.0
Restricted cash	1.9	1.9
	<u>2,868.6</u>	<u>2,732.0</u>

#### (VIII) Commitments

As at 30 June 2016, details of the Group's capital commitments outstanding but not provided for are as follow:

	At 30 June 2016 RMB' million	At 31 December 2015 RMB' million
Contracted but not provided for	320.6	126.8
Authorised but not contracted for	6,866.0	512.7

Capital commitments authorised but not provided for as of 30 June 2016 primarily represented the estimated development costs for Sanya Phoenix South Shore Phase II, Haikou Phase II and Danzhou Phase II.

### **(IX) Contingent liabilities**

#### *Guarantees in respect of mortgage facilities*

As at 30 June 2016, the Group provided guarantees of approximately RMB141.1 million (31 December 2015: approximately RMB65.1 million) to banks in respect of the mortgage loans granted to purchasers of the properties of the Group. Pursuant to the terms of the guarantees, if there is any default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with 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 favor of the bank and the full settlement of mortgage loans by the buyer.

Management of the Group considered that the risk of loss borne by the Group for the guarantees is insignificant as the market value of the mortgaged properties will not fall below the payments to be settled by the Group due to default.

## **MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS**

Apart from the reorganisation as disclosed in the Prospectus in preparation for the listing of the shares of the Company (the "Listing") on the Main Board of the Stock Exchange, there were no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2016.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2016, the Group had approximately 39 employees. For the six months ended 30 June 2016, the Group incurred employee costs of approximately RMB11.9 million of which approximately RMB10.8 million was charged to the profit and loss accounts and approximately RMB1.1 million was capitalised in properties under development. Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity occupational injury and unemployment benefit plans. Remuneration also includes share-based payment expenses, which incurred approximately RMB3.6 million for the six months ended 30 June 2016 (2015: nil) in relation to the Pre-IPO Share Incentive Scheme (as deformed in the Prospectus).

## **GEARING RATIO**

As at 30 June 2016, the gearing ratio (calculated by total debt divided by total equity; total debt includes interest-bearing bank and other borrowings) was 99.5% (31 December 2015: 66.9%).

## 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 six months ended 30 June 2016.

## USE OF NET PROCEEDS FROM THE LISTING

The net proceeds of the Company from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK\$282.8 million, will be applied in the manner consistent with that set out in the Prospectus.

# Disclosure of Interest

## INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As the Company was not yet listed on the Stock Exchange on 30 June 2016, the requirements of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) and section 352 of the SFO were not applicable. Upon Listing and as at the date of this report, so far as the Directors are aware, the interests or short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in the Listing Rules, are as follows.

### (i) Long position of the Shares

Name of Directors or chief executive	Capacity/Nature of Interest	Long/Short Position	Number of Shares held	Approximate percentage of the issued share capital
Yeung Man (“Mr. Yeung”)	Interest in controlled corporation	Long position	225,000,000 (Note 1)	75%
Zhou Li (“Ms. Zhou Li”)	Interest of spouse	Long position	225,000,000 (Note 2)	75%

Notes:

1. Among the 225,000,000 shares, 224,325,000 shares are held by Zhong Jia (International) Investment Construction Company Limited (“Zhong Jia (International)”) and 675,000 shares are held by Zhong Ze (International) Investment Limited (“Zhong Ze (International)”). Mr. Yeung beneficially owns 100% of the issued share capital of both Zhong Jia (International) and Zhong Ze (International). Therefore, Mr. Yeung is deemed, or taken to be interested in 224,325,000 shares and 675,000 our shares held by Zhong Ze (International) for the purpose of the SFO. Mr. Yeung is the sole director of both Zhong Jia (International) and Zhong Ze (International).
2. Mr. Yeung and Ms. Zhou Li have declared that they are cohabiting as spouse. Accordingly, Ms. Zhou Li is deemed, or taken to be, interested in the shares in which Mr. Yeung is interested for the purpose of the SFO.

**(ii) Long position in the ordinary shares of associated corporation**

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Long/Short Position	Number and class of securities held/interested in	Approximate shareholding percentage
Mr. Yeung	Zhong Jia (International)	Beneficial owner (Note 1)	Long position	1 ordinary share	100%
	Zhong Ze (International)	Beneficial owner (Note 1)	Long position	7,000 ordinary shares	100%
Ms. Zhou Li	Zhong Jia (International)	Interest of spouse (Note 2)	Long position	1 ordinary share	100%
	Zhong Ze (International)	Interest of spouse (Note 2)	Long position	7,000 ordinary shares	100%

*Notes:*

1. Mr. Yeung, the Chairman and an executive Director, owns 100% interest in Zhong Jia (International) and Zhong Ze (International). Mr. Yeung is also the sole director of Zhong Jia (International) and Zhong Ze (International).
2. Mr. Yeung and Ms. Zhou Li have declared that they are cohabiting as spouse. Accordingly, Ms. Zhou Li is deemed, or taken to be, interested in the shares of Zhong Jia (International) and Zhong Ze (International) in which Mr. Yeung is interested for the purpose of the SFO.



## INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

As the Company was not yet listed on the Stock Exchange on 30 June 2016, the requirements of Divisions 2 and 3 of Part XV of the SFO were not applicable. Upon Listing and as at the date of this report, the following corporations/individuals (other than the directors and chief executives of the Company) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of Interest	Long/Short Position	Number of Shares held	Approximate percentage of the issued share capital
Zhong Jia (International)	Beneficial owner	Long Position	224,325,000	74.78%

Save as disclosed above, upon Listing and as at the date of this report, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

# Corporate Governance and Other Information

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 the 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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance.

The Board consists of four 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. Mr. Yeung Man (“**Mr. Yeung**”) is an executive Director and Chairman of the Board. He is responsible for the management of the Board and the overall strategic planning, business development and corporate governance functions of the Company. The Company believes that Mr. Yeung has been serving as the Director and Chairman of the Board since its establishment, which facilitates the Company in formulating appropriate development strategies. Mr. Huang Annan (“**Mr. Huang**”) is an executive Director and the Chief Executive Officer of the Group. Mr. Huang is responsible for leading the senior management of the Group in its day-to-day operations, management and businesses. Together with the Company's senior management, which comprises experienced and high caliber individuals from various sectors, Mr. Huang will ensure decisions made by the Board are thoroughly implemented. 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. The Company had complied with all the code provisions as set out in the CG Code from 15 July 2016, being the date on which dealings in the shares of the Company is first commenced on the Stock Exchange (the “**Listing Date**”) up to the date of this report.

## 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 to the Listing Rules. Having made specific enquiry, the Company confirmed that all the Directors have complied with the required standards set out in the Model Code since the Listing Date up to the date of this report.

## 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. Chen Shimin, Mr. Li Zhong and Mr. E Junyu. The Audit Committee is chaired by Dr. Chen Shimin.

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 six months ended 30 June 2016.

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

For the period from the Listing Date up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange.

## **SUBSEQUENT EVENTS**

On 15 July 2016, the Company's shares were listed on the Main Board of the Stock Exchange. On the same date, the Company issued 75,000,000 shares with a par value of HK\$0.01 each under the Global Offering (as defined in the Prospectus) at HK\$3.98 per share.

## **CAPITALIZATION ISSUE**

Pursuant to the written resolutions of the Shareholders passed on 22 June 2016, conditional on the share premium account of the Company being credited as a result of the global offering of the shares of the Company as set out in the section headed "Share Capital" of the Prospectus, the directors were authorised to allot and issue of a total of 224,999,000 shares, by way of capitalisation of the sum of HK\$2,250,000 (equivalent to approximately RMB1,939,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the Shareholders as appearing on the register of members of the Company on 30 June 2016. The capitalisation issue was completed on 15 July 2016 in connection with the Listing.

## **LEGAL PROCEEDINGS**

The Directors have confirmed that there had been no material change to the legal proceedings as stated in the paragraph headed "Legal Proceedings" in the section headed "Business" in the Prospectus.

Save as disclosed above, the Group was not involved in any actual or pending legal or arbitration proceedings that the Directors believe would have a material adverse impact on the financial condition or results of operations of the Group for the six months ended 30 June 2016.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2016 – unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Turnover	6	779,318	1,099,075
Cost of sales		(562,659)	(821,730)
<b>Gross profit</b>		<b>216,659</b>	277,345
Change in fair value of investment properties	11	379	–
Other income		–	350
Selling and distribution expenses		(39,543)	(16,625)
Administrative expenses		(41,282)	(20,087)
Other expenses		(4,260)	(2,408)
<b>Operating profit</b>		<b>131,953</b>	238,575
Finance income	7(a)	240	13,307
Finance costs	7(a)	(34,663)	(8,159)
<b>Net finance (cost)/income</b>		<b>(34,423)</b>	5,148
Share of losses of an associate		–	(407)
Gains from disposal of joint ventures		–	6,922
<b>Profit before taxation from continuing operations</b>		<b>97,530</b>	250,238
Income tax	8	(93,560)	(70,442)
<b>Profit from continuing operations</b>		<b>3,970</b>	179,796
<b>Discontinued operation</b>			
Profit from discontinued operation, net of tax		–	1,051
<b>Profit and total comprehensive income for the period</b>		<b>3,970</b>	180,847
Attributable to:			
– Equity shareholders of the Company		9,043	180,284
– Non-controlling interests		(5,073)	563
<b>Profit and total comprehensive income for the period</b>		<b>3,970</b>	180,847
Basic and diluted earnings per share	9	0.04	0.80

# Consolidated Statement of Financial Position

at 30 June 2016 – unaudited  
(Expressed in Renminbi Yuan)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	51,545	53,581
Investment properties	11	165,800	165,180
Intangible assets		898	977
Available-for-sale financial assets		–	17
Deferred tax assets		75,330	40,606
		<b>293,573</b>	260,361
<b>Current assets</b>			
Properties under development	12	2,298,404	3,672,318
Completed properties held for sale	12	2,149,095	1,244,114
Trade and other receivables	13	233,761	301,287
Current tax assets		29,415	41,710
Restricted cash	14	4,077	4,074
Cash and cash equivalents	15	91,160	142,991
		<b>4,805,912</b>	5,406,494
<b>Total assets</b>		<b>5,099,485</b>	5,666,855
<b>Current liabilities</b>			
Trade and other payables	16	1,646,528	2,715,553
Loans and borrowings	17	567,772	485,000
Current tax liabilities		123,843	99,481
		<b>2,338,143</b>	3,300,034
<b>Net current assets</b>		<b>2,467,769</b>	2,106,460
<b>Total assets less current liabilities</b>		<b>2,761,342</b>	2,366,821

## Consolidated Statement of Financial Position

 at 30 June 2016 – unaudited  
 (Expressed in Renminbi Yuan)

	<i>Note</i>	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Non-current liabilities</b>			
Loans and borrowings	17	817,875	442,290
Deferred tax liabilities		550,239	538,849
		<u>1,368,114</u>	<u>981,139</u>
<b>Net assets</b>			
		<u>1,393,228</u>	<u>1,385,682</u>
<b>Equity</b>			
Share capital	18(b)	–	10,359
Reserves		1,476,738	1,501,495
Accumulated losses		(411,785)	(420,828)
<b>Total equity attributable to equity shareholders of the Company</b>			
		<u>1,064,953</u>	1,091,026
Non-controlling interests		<u>328,275</u>	294,656
<b>Total equity</b>			
		<u>1,393,228</u>	<u>1,385,682</u>

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2016 – unaudited  
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Other reserve	Statutory surplus reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2015</b>	410,359	1,488,066	80,300	(578,117)	1,400,608	301,105	1,701,713
<b>Changes in equity for the six months ended 30 June 2015:</b>							
Profit and total comprehensive income for the period	-	-	-	180,284	180,284	563	180,847
Dividends declared during the period*	-	-	-	(29,667)	(29,667)	-	(29,667)
<b>Balance at 30 June 2015 and 1 July 2015</b>	410,359	1,488,066	80,300	(427,500)	1,551,225	301,668	1,852,893
<b>Changes in equity for the six months ended 31 December 2015:</b>							
Profit and total comprehensive income for the period	-	-	-	11,528	11,528	(7,012)	4,516
Appropriation to statutory reserve	-	-	4,856	(4,856)	-	-	-
Arising from re-organization	(400,000)	(71,727)	-	-	(471,727)	-	(471,727)
<b>Balance at 31 December 2015</b>	10,359	1,416,339	85,156	(420,828)	1,091,026	294,656	1,385,682

## Consolidated Statement of Changes in Equity

 for the six months ended 30 June 2016 – unaudited  
 (Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Other reserve	Statutory surplus reserve	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2016</b>		10,359	1,416,339	85,156	(420,828)	1,091,026	294,656	1,385,682
<b>Changes in equity for the six months ended 30 June 2016:</b>								
Issuing of share capital		-	-	-	-	-	-	-
Profit and total comprehensive income for the period		-	-	-	9,043	9,043	(5,073)	3,970
Arising from re-organization	18(b)	(10,359)	(24,757)	-	(1,788)	(36,904)	36,904	-
Pre-IPO Share Incentive Scheme	18(c)	-	-	-	1,788	1,788	1,788	3,576
<b>Balance at 30 June 2016</b>		-	1,391,582	85,156	(411,785)	1,064,953	328,275	1,393,228

\* The dividends were declared by the PRC subsidiaries to the controlling shareholders of the Group prior to the completion of the re-organization in preparation for listing on the Main Board of The Stock Exchange and were based on the PRC audited statutory financial statements of the subsidiaries of the Group. All dividends declared during the period represented the dividends attributable to previous financial years.



# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2016 – unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Operating activities</b>			
Cash generated from operations		388,748	42,328
Income tax paid		(80,235)	(94,872)
<b>Net cash generated from/(used in) operating activities</b>		<b>308,513</b>	<b>(52,544)</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(131)	(135)
Other cash flows arising from investing activities		11,135	162
<b>Net cash generated from investing activities</b>		<b>11,004</b>	<b>27</b>
<b>Financing activities</b>			
Dividends paid		(489,630)	(29,667)
Proceeds from new bank loans		769,000	48,000
Repayment of bank loans		(300,000)	(130,000)
Repayment of loan interest		(54,021)	(47,561)
Net cash (returned to)/borrowed from Zhong Hui Nanjing	21(b)	(328,019)	108,738
Net cash borrowed from Nanjing San Long	21(b)	31,325	84,983
Other cash flows arising from financing activities		(3)	34
<b>Net cash (used in)/generated from financing activities</b>		<b>(371,348)</b>	<b>34,527</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(51,831)</b>	<b>(17,990)</b>
Cash and cash equivalents at 1 January		142,991	135,695
<b>Cash and cash equivalents at end of the period</b>		<b>91,160</b>	<b>117,705</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

## 1 GENERAL INFORMATION

Hailan Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 15 August 2015 as an exempted company with limited liability under the Cayman Companies Law. The reorganization of the Group was completed on 8 April 2016 and the Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 July 2016 (the “Listing”). The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands.

## 2 BASIS OF PREPARATION

The interim financial report of the Company as at and for the six months ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the “Group”). The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

Mr. Yeung Man (the “Ultimate Controlling Shareholder”) beneficially owned and controlled various companies in the Cayman Islands, the British Virgin Islands (the “BVI”), Hong Kong and the PRC. In preparing for the Listing, the Company underwent a reorganization of the business comprising the Group. As all companies now comprising the Group that took part in the reorganization were controlled by the Ultimate Controlling Shareholder before and after the reorganization, there was a continuation of the risks and benefits to the Ultimate Controlling Shareholder. The reorganization is considered to be a business combination under common control and Accounting Guideline 5 “Merger Accounting for Common Control Combinations” has been applied. Accordingly, the financial statements have been prepared as if the Group had always been in existence.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Accountants’ Report disclosed in Appendix I of the prospectus of the Company dated 30 June 2016 (the “Prospectus”), except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report 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 financial report contains condensed consolidated financial statements 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 combined financial statements for the year ended 31 December 2015 included in the Accountants’ Report disclosed in Appendix I of the Prospectus. The condensed consolidated interim financial statements 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”).

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 30 August 2016. The interim financial report has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

(Expressed in Renminbi Yuan unless otherwise indicated)

### 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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

#### **Annual improvements to HKFRSs 2012-2014 Cycle**

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

#### **Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative**

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

### 4 SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments.

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

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

All the Group's development projects refer to the development and sales of residential property units conducted in Hainan province.

#### **II. Danzhou phase I**

Danzhou phase I project refers to the development and sales of residential property units conducted under phase I of Danzhou Shuang Lian Property Development Co., Ltd. in Hainan province.

(Expressed in Renminbi Yuan unless otherwise indicated)

## 4 SEGMENT REPORTING *(Continued)*

### II. Danzhou phase I *(Continued)*

#### (a) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended	Development Projects		Danzhou Phase I		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue from external customers	756,681	976,670	22,637	122,405	779,318	1,099,075
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>756,681</u>	<u>976,670</u>	<u>22,637</u>	<u>122,405</u>	<u>779,318</u>	<u>1,099,075</u>
Reportable segment gross profit	212,278	266,015	4,381	11,330	216,659	277,345
Reportable segment profit/(loss) (adjusted EBITDA)	<u>149,612</u>	<u>234,401</u>	<u>(258)</u>	<u>6,232</u>	<u>149,354</u>	<u>240,633</u>
As at 30 June/31 December						
Reportable segment assets	4,715,994	5,254,564	383,491	412,291	5,099,485	5,666,855
Reportable segment liabilities	<u>3,418,721</u>	<u>3,976,072</u>	<u>287,536</u>	<u>305,101</u>	<u>3,706,257</u>	<u>4,281,173</u>

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

(Expressed in Renminbi Yuan unless otherwise indicated)

**4 SEGMENT REPORTING** *(Continued)***II. Danzhou phase I** *(Continued)***(b) Reconciliation of reportable segment profit or loss**

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Reportable segment profit	149,354	240,633
Elimination of inter-segment profits	-	-
Reportable segment profits derived from Group's external customers	149,354	240,633
Other income	-	350
Listing expenses	(13,141)	-
Other expenses	(4,260)	(2,408)
Finance income	240	13,307
Finance costs	(34,663)	(8,159)
Share of losses of an associate	-	(407)
Gains from disposal of joint ventures	-	6,922
Consolidated profits before taxation from continuing operations	97,530	250,238

**5 SEASONALITY 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 TURNOVER**

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

**6 TURNOVER** *(Continued)*

The amounts of each significant category of revenue recognized in turnover during the reporting period are as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Property development:		
– Development projects (excluding Danzhou Phase I)	754,633	976,670
– Danzhou Phase I	22,637	122,405
Investment property rentals	2,048	–
	<u>779,318</u>	<u>1,099,075</u>

**7 PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS**

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

**(a) Finance income/(costs)**

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Finance income</b>		
Interest income on bank deposits	240	158
Interest income on borrowings to joint ventures	–	13,149
Sub-total	<u>240</u>	<u>13,307</u>
<b>Finance costs</b>		
Interest on borrowings	(46,647)	(52,213)
Less: Interest expenses capitalized into properties under development	11,984	44,054
Sub-total	<u>(34,663)</u>	<u>(8,159)</u>
<b>Net finance (costs)/income</b>	<u>(34,423)</u>	<u>5,148</u>

(Expressed in Renminbi Yuan unless otherwise indicated)

**7 PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS** *(Continued)***(b) Other items**

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Depreciation	1,773	2,078
Amortisation	20	9
Auditor's remuneration	890	29
Staff costs	10,793	4,184

**8 INCOME TAX**

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Current tax</b>		
PRC corporate income tax ("CIT") for the period	58,820	97,577
Over-provision in respect of prior years	(14,517)	–
PRC land appreciation tax ("LAT") for the period	72,590	55,143
Sub-total	116,893	152,720
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(22,643)	(36,606)
Reversal of LAT provision	(690)	(45,208)
Sub-total	(23,333)	(81,814)
Total income tax expenses	93,560	70,906
Including:		
– Tax expenses from continuing operations	93,560	70,442
– Tax expenses from discontinued operation	–	464

The provision for PRC CIT is calculated by applying the estimated annual effective tax rate of 25% (2015: 25%) to the six months ended 30 June 2016. The Group is not subject to any income tax or profit tax in the BVI, Cayman Islands and Hong Kong.

LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

## 9 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB9,043 thousand (six months ended 30 June 2015: RMB180,284 thousand) and the weighted average number of 225,000,000 shares during the six months ended 30 June 2016 (six months ended 30 June 2015: 225,000,000 shares). The weighted average number of shares comprises 1,000 shares in issue at 30 June 2016 and 224,999,000 shares issued pursuant to the capitalisation issue which took place in connection with the Company's listing of its shares on the Stock Exchange of Hong Kong Limited on 15 July 2016 as if the shares were outstanding throughout the entire six months ended 30 June 2016 and 2015.

There were no dilutive potential ordinary shares during the six months ended 30 June 2016 and 2015 and, therefore, diluted earnings per share are the same as the basic earnings per share.

## 10 PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2016, the Group acquired items of equipment with a cost of RMB132,000 (six months ended 30 June 2015: RMB9,000). There was no disposal during the period ended 30 June 2016 (six months ended 30 June 2015: disposal with a net book value of RMB2,000).

## 11 INVESTMENT PROPERTIES

During the six months ended 30 June 2016, the Group signed car park lease contracts with customers. As a result of the change of actual use, the Group transferred certain properties under development into investment properties at a total fair value of RMB600,000. The total carrying amount of these properties at the date of transfer was RMB241,000. A valuation gain of RMB359,000 (six months ended 30 June 2015: RMB nil) and deferred tax thereon of RMB90,000 (six months ended 30 June 2015: RMB nil) has been recognized in the profit or loss.

The valuations of investment properties were carried out at 30 April 2016 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2015 valuations. As management believes there is no material change of fair value from 30 April 2016 to 30 June 2016, no independent valuations of investment properties were updated on 30 June 2016.

As at 30 June 2016 and 31 December 2015, the Group's investment properties were pledged as collaterals for certain bank loans granted to the Group (Note 17).



(Expressed in Renminbi Yuan unless otherwise indicated)

## 12 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

During the period ended 30 June 2016, RMB562,659,000 (six months ended 30 June 2015: RMB821,730,000) has been recognised as an expense in profit or loss during the period, being the cost of the properties sold, through a reduction in the amount of completed properties held for sale.

As at 30 June 2016 and 31 December 2015, certain of the Group's property under development and completed properties held for sale were pledged as collaterals for certain bank loans granted to the Group (Note 17).

## 13 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	<i>Note</i>	
Within 1 year	5,005	3,038
1 to 2 years	775	509
Trade debtors and bills receivable	5,780	3,547
Amounts due from third parties		
– Non-trade receivables	80,258	121,822
Amounts due from related parties		
– Non-trade receivables	–	12,919
Advance payments to contractors		
– To third party contractors	41,785	41,723
– To related party contractors	78,897	89,289
Prepaid business tax and other taxes	27,041	31,987
Total	233,761	301,287

(Expressed in Renminbi Yuan unless otherwise indicated)

**14 RESTRICTED CASH**

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Pledged for</b>		
– Properties under development	2,168	2,168
– Bank loans	1,909	1,906
	<u>4,077</u>	<u>4,074</u>

**15 CASH AND CASH EQUIVALENTS**

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Cash at bank and in hand</b>		
– Cash on hand	139	149
– Cash at bank	91,021	142,842
	<u>91,160</u>	<u>142,991</u>

**16 TRADE AND OTHER PAYABLES**

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	592,656	550,170
3 to 6 months	28,355	142,666
6 to 12 months	5,850	40,040
Over 12 months	136,615	149,745
Total trade payables	<u>763,476</u>	<u>882,621</u>
Receipts in advance	497,977	583,389
Accrued payroll	1,487	1,495
Other payables and accruals	178,150	172,054
Non-trade amounts due to related parties	205,438	1,075,994
	<u>1,646,528</u>	<u>2,715,553</u>

(Expressed in Renminbi Yuan unless otherwise indicated)

**17 LOANS AND BORROWINGS**

At 30 June 2016, the Group's bank loans and loans from other financial institutions were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Current</b>		
Secured		
– Bank loans	54,000	–
Current portion of non-current bank loans	513,772	485,000
	<u>567,772</u>	<u>485,000</u>
<b>Non-current</b>		
Secured		
– Bank loans	766,647	927,290
– Other borrowings	565,000	–
Less: Current portion of non-current bank loans	(513,772)	(485,000)
	<u>817,875</u>	<u>442,290</u>

The bank loans and other borrowings bear annual interest ranging from 4.13% to 6.89% as at 30 June 2016 (31 December 2015: from 6.00% to 7.38%). The bank loans are secured by the following assets:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Investment properties	165,800	165,180
Properties under development	828,687	1,802,894
Completed properties held for sale	1,872,203	762,003
Restricted cash	1,909	1,906
	<u>2,868,599</u>	<u>2,731,983</u>

(Expressed in Renminbi Yuan unless otherwise indicated)

## 18 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period	-	29,667

### (b) Share Capital

The Company was incorporated on 31 August 2015 in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK \$380,000 divided into 38,000,000 shares with a par value of HK \$0.01 each.

Movements of the Company's ordinary shares are set out below:

Ordinary shares, issued and fully paid	Number of Shares	RMB'000
At 1 January and 31 December 2015 and 1 January 2016	-	-
Issue of new shares	1,000	-
At 30 June 2016	1,000	-

During the reorganization of the Group which was completed on 8 April 2016, the Company allotted and issued 1,000 shares credited as fully paid. Consequently, HK\$10.00 (equivalent to RMB8.39) was credited to share capital, and the difference of this amount and the carrying value of assets acquired was transferred to other reserve.

For the purposes of this report, the capital as at 1 January 2015 and 2016 and 30 June 2015 represented an aggregate amount of the companies' paid-in capital now comprising the Group after the elimination of investments in subsidiaries. The capital as at 30 June 2016 represented the issued share capital of the Company when the reorganization of the Group was completed on 8 April 2016.

(Expressed in Renminbi Yuan unless otherwise indicated)

**18 CAPITAL, RESERVES AND DIVIDENDS** *(Continued)***(c) Pre-IPO Share Incentive Scheme**

On 5 January 2016, share options of purchasing 17.5% of the equity interest of Sanya Hui Xin Trading Company Limited (“Sanya Hui Xin”), one of the subsidiaries of the Group, was granted for nil consideration to employees of the Group under the Group’s Pre-IPO Share Incentive Scheme (six months ended 30 June 2015: Nil). The options give the holders the right to acquire respective portion of the 17.5% equity interest of Sanya Hui Xin at nil consideration after three years and when certain performance targets are achieved. Sanya Hui Xin held 17.14% of the equity interest of Sanya Fenghuang Shuiyun Property Development Company Limited. The options have no expiration date. Fair value of the options and assumptions are as follows:

The fair value of services received in return for the options granted is based on the fair value of the options at grant date, measured using the binomial option pricing model, with following inputs:

Underlying equity value	<i>RMB22,000,000</i>
Exercise price	RMB0
Expected volatility	38.28%
Expected dividends	0%
Risk-free interest rate	2.70%

The underlying equity value was determined by discount cash flow method in which the financial forecast in respect of Sanya Hui Xin was provided by the management of the Company. The expected volatility was determined with reference to historical volatilities of comparable companies of Sanya Hui Xin, as extracted from Bloomberg Terminal. Expected dividends of the underlying share was determined by the Company. The risk-free interest rate was determined with reference to the yield rate of the generic China government bonds with duration similar to the vesting period of the options, as extracted from Bloomberg Terminal.

An expense of RMB3,576,000 was charged to administrative expenses in profit or loss for the six months period ended 30 June 2016 (six months ended 30 June 2015: RMB Nil).

(Expressed in Renminbi Yuan unless otherwise indicated)

**18 CAPITAL, RESERVES AND DIVIDENDS** (Continued)**(c) Pre-IPO Share Incentive Scheme** (Continued)

The table shows the details of each holder under the Pre-IPO Share Incentive Scheme in Sanya Hui Xin as at the date of this report.

Holders	Outstanding equity interest in Sanya Hui Xin to be acquired under the options	Position	Consideration of Pre-IPO Equity Interest	Equity Interest in Sanya Hui Xin being granted	Exercise Price	Date of Grant	Vesting Period	The period during which share options are exercisable	Cancelled/lapsed options (where applicable)
Ms. Zhou Li	6.5625%	Executive Director	Nil	6.5625%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Mr. Huang Annan	6.5625%	Executive Director and general manager	Nil	6.5625%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Ms. Fan Wen Yi	1.75%	Executive Director and deputy general manager of operation	Nil	1.75%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Ms. Wu Lijuan	0.525%	Chief Financial Officer	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Mr. Wang Tao	0.525%	Chief Marketing Officer	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Ms. Zhao Lin	0.525%	Chief Administration Officer	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Mr. Chen Xiang	0.525%	Chief Cost Controller	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Mr. Wang Pei	0.525%	Non-executive Director	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
<b>Total</b>	17.50%			17.50%					

Save for the 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.

(Expressed in Renminbi Yuan unless otherwise indicated)

## 19 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted but not provided for	320,551	126,797
Authorised but not contracted for	<u>6,865,983</u>	<u>512,733</u>

## 20 CONTINGENT LIABILITIES

### (a) Guarantees in respect of mortgage facilities

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the bank receiving the required evidence of mortgage over the relevant property in favor of the bank and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of the reporting period was as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>141,124</u>	<u>65,058</u>

In January and May 2016, two of the purchasers defaulted in payment of mortgage with banks with a total outstanding mortgage loans balance of RMB984,649. The directors consider that it is not probable that the Group will sustain a loss under these two defaults or other guarantees as during the periods under the 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 recognized any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors.

### (b) Litigations

As at 30 June 2016, the Group is a defendant in lawsuits arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believe that any resulting liabilities will not have a material adverse effect on the financial position or financial performance of the Group, and no provision has therefore been made.

(Expressed in Renminbi Yuan unless otherwise indicated)

## 21 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

Name of parties	Relationship with the Group
Nanjing Huizhi Construction Installation Engineering Co., Ltd. ("Nanjing Huizhi")	Entities controlled by controlling shareholder
Nanjing Zhonghui Construction Engineering Co., Ltd. ("Nanjing Zhonghui Construction")	Entities controlled by controlling shareholder
Zhonghui (Nanjing) Property Development Co., Ltd. ("Zhong Hui Nanjin")	Entities controlled by controlling shareholder
Nanjing Cuiping Construction Co., Ltd. ("Nanjing Cuiping")	Entities controlled by controlling shareholder
Nanjing Diken Engineering Design Consultancy Co., Ltd. ("Nanjing Diken")	Entities controlled by controlling shareholder
Nanjing Jia Xie Investment Management Consulting Co., Ltd. ("Nanjing Jia Xie")	Entities controlled by controlling shareholder
Leshan Hui Zhi Technology Development Co., Ltd. ("Leshan Huizhi")	Entities controlled by controlling shareholder
Chung Wai (China) Properties Group Limited ("Chung Wai (China) Property")	Entities controlled by controlling shareholder
Nanjing Zhongwankai Construction Engineering Co., Ltd. ("Nanjing Zhongwankai")	Entities controlled by controlling shareholder
Lianyungang Huike Construction Development Co., Ltd. ("Lian Yun Gang Hui Ke")	Entities controlled by controlling shareholder
Chung Wai (Hainan) Properties Limited ("Chung Wai (Hainan)")	Entities controlled by controlling shareholder
Nanjing Hengyixinye Investment Management Co., Ltd. ("Nanjing Hengyixinye")	Entities controlled by controlling shareholder
Zhonghui (China) Investment Co., Ltd. ("Zhonghui (China) Investment")	Entities controlled by controlling shareholder
Chung Wai (Jiangsu) Decoration Park Project Company Limited ("Chung Wai (Jiangsu)")	Entities controlled by controlling shareholder



(Expressed in Renminbi Yuan unless otherwise indicated)

**21 MATERIAL RELATED PARTY TRANSACTIONS** *(Continued)***(a) Name and relationship with related parties** *(Continued)*

Name of parties	Relationship with the Group
Nanjing Hengjida Engineering Design Consultancy Company Limited ("Nanjing Hengjida")	Entities controlled by controlling shareholder
Lian Yun Gang Hui Neng Foundation Construction Engineering Co., Ltd. ("Lian Yun Gang Hui Neng")	Entities controlled by controlling shareholder
Nanjing Maoheng Engineering Design Consultancy Company Limited ("Nanjing Maoheng")	Entities controlled by controlling shareholder
Hainan Zhonghuan Property Development Company Limited ("Hainan Zhonghuan")	Entities controlled by controlling shareholder
Nanjing Boken Corporate Planning Consultation Company Limited ("Nanjing Boken")	Entities controlled by controlling shareholder
Nanjing Tianhui Tongda Corporate Planning Consultation Co., Ltd. ("Nanjing Tianhui")	Entities controlled by controlling shareholder
Verdure international holding Company ("Cuijin Guoji")	Entities controlled by controlling shareholder
Nanjing Huiyao Decoration Construction Co., Ltd ("Nanjing Huiyao")	Associate of a Group controlled by the controlling shareholder
Nanjing Yin Guang Property Development Limited ("Nanjing Yin Guang")	Former joint ventures of the Company until disposed of in June 2016
Nanjing Yin Zhuo Property Development Limited ("Nanjing Yin Zhuo")	Former joint ventures of the Company until disposed of in June 2016
Wenchang Citi-Verdure Investment Company Limited ("Wenchang Citi-Verdure")	Former associate of the Company until disposed of in November 2015
Nanjing San Long Cement Company Limited ("Nanjing San Long")	Minority shareholder
Fan Wen Yan	Member of key management personnel
Zhou Li	Member of key management personnel
Wu Li Juan	Member of key management personnel

(Expressed in Renminbi Yuan unless otherwise indicated)

**21 MATERIAL RELATED PARTY TRANSACTIONS** *(Continued)***(b) Transactions with related parties:**

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Advertisement and consultancy services <i>(Note (i))</i>	98	–
Construction and consultancy services <i>(Note (ii))</i>	11,533	102,690
Funding arrangements with shareholders <i>(Note (iii))</i>	(296,694)	193,721
Dividend distribution	–	29,667

**(i) Advertisement and consultancy services**

During the reporting period, the Group received advertisement and consulting services from the following related parties:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Nanjing Tianhui	98	–

**(ii) Construction and consultancy services**

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Nanjing Huizhi	10,612	81,368
Nanjing Zhonghui Construction	–	6,785
Nanjing Huiyao	921	14,537
Total	11,533	102,690

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 Controlling Shareholder.

The directors confirm that the above transactions, other than the construction services provided by Nanjing Hui Zhi, will not continue after listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited.

(Expressed in Renminbi Yuan unless otherwise indicated)

**21 MATERIAL RELATED PARTY TRANSACTIONS** (Continued)**(b) Transactions with related parties:** (Continued)**(iii) Funding arrangements with shareholders**

During the reporting period, the Group had funding arrangements (to)/from the following shareholders, the net cash (outflows)/inflows of which are as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Zhong Hui Nanjing	(328,019)	108,738
Nanjing San Long	31,325	84,983
Total	(296,694)	193,721

**(c) Balances with related parties**

Balances with related parties as at 31 December 2015 and 30 June 2016 are detailed as follows:

**Amounts due from related parties**

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	Non-trade related:	
Nanjing Zhonghui Construction	-	9,950
Fan Wen Yi	-	68
Zhou Li	-	5
Hainan Zhonghuan	-	200
Others	-	2,696
	-	12,919
Advance payments:		
Nanjing Huizhi	76,831	87,443
Nanjing Boken	1,329	1,329
Nanjing Hengjida	737	-
Nanjing Tianhui	-	98
Nanjing Diken	-	199
Nanjing Maoheng	-	220
Total	78,897	89,289

(Expressed in Renminbi Yuan unless otherwise indicated)

**21 MATERIAL RELATED PARTY TRANSACTIONS** (Continued)**(c) Balances with related parties** (Continued)*Amounts due to related parties*

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade related:		
Nanjing Huizhi	151,685	237,074
Nanjing Maoheng	943	943
Nanjing Tianhui	5,144	5,194
Lian Yun Gang Hui Neng	21,748	23,577
Nanjing Hengjida	3,236	3,236
Chung Wai (Jiangsu)	1,426	1,426
Nanjing Zhonghui Construction	287	1,875
Nanjing Diken	1,236	1,236
Leshan Huizhi	450	450
Total	<b>186,155</b>	275,011

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-trade related:		
Other payables due to:		
Zhong Hui Nanjing	-	328,019
Chung Wai (China) Property	-	13,676
Suzhou Cuiping	-	343
Lian Yun Gang Hui Ke	-	36
Nanjing Jia Xie	-	4,900
Nanjing San Long	205,438	180,609
Cuipin Guoji	-	41,972
Chung Wai (Jiangsu)	-	16,279
Others	-	530
Dividend payable due to:		
Zhong Hui Nanjing	-	489,630
Total	<b>205,438</b>	1,075,994

(Expressed in Renminbi Yuan unless otherwise indicated)

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## 22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

### Shares issue and capitalization issue in connection with the Listing

- (i) On 15 July 2016, the shares of the Company became listed on the Main Board of the Stock Exchange of Hong Kong Limited, pursuant to which 75,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$3.96 per share by the Company. The gross proceeds from the issue of these shares amounted to HK\$297,000,000 (equivalent to approximately RMB255,883,320).
- (ii) Pursuant to the written resolutions of the Company's shareholders passed on 22 June 2016, conditional on the share premium account of the Company being credited as a result of the global offering of the shares of the Company as set out in the section headed "Share Capital" of the Prospectus, the directors were authorised to allot and issue of a total of 224,999,000 shares, by way of capitalisation of the sum of HK\$2,250,000 (equivalent to approximately RMB1,939,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company on 30 June 2016. The capitalisation issue was completed on 15 July 2016 in connection with the Listing.