Hailan Holdings Limited
海藍控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 2278

2018
Interim Report

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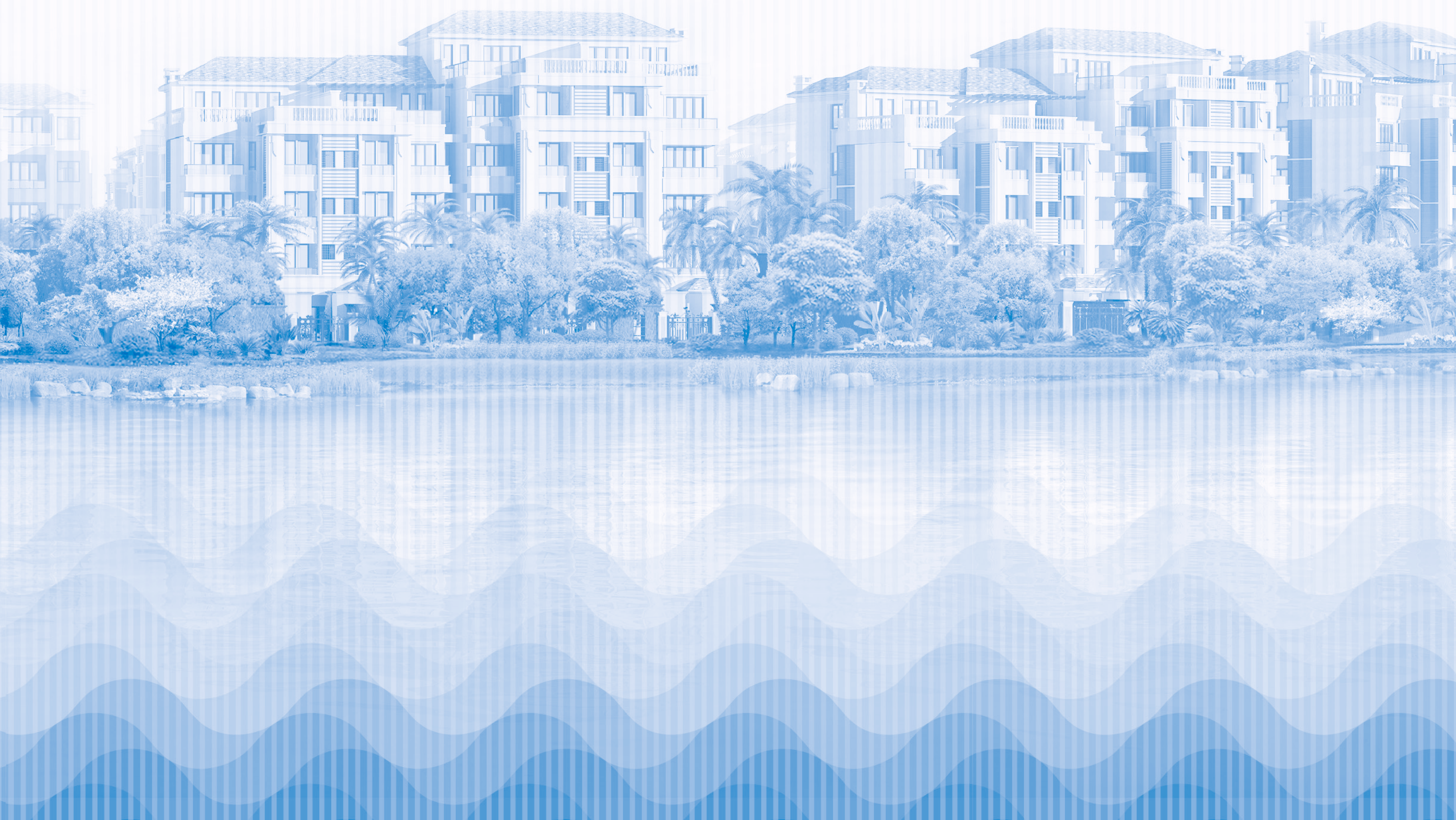

Corporate Information

DIRECTORS

Executive Directors

Ms. Zhou Li (*Chairperson and Chief Executive Officer*)
Mr. Chen Xiang
Ms. Fan Wenyi
Mr. Liu Bing *(appointed on 4 June 2018)*

Non-Executive Director

Ms. Yao Yu

Independent Non-Executive Directors

Dr. Chen Shimin
Mr. E Junyu
Mr. Li Yong

COMPANY SECRETARY

Mr. Chiu Ming King

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. Chiu Ming King
Ms. Zhou Li

AUDIT COMMITTEE

Dr. Chen Shimin *(Chairman)*
Mr. E Junyu
Mr. Li Yong

REMUNERATION COMMITTEE

Mr. E Junyu *(Chairman)*
Dr. Chen Shimin
Mr. Li Yong
Ms. Zhou Li

NOMINATION COMMITTEE

Ms. Zhou Li *(Chairperson)*
Dr. Chen Shimin
Mr. E Junyu
Mr. Li Yong

AUDITOR

KPMG

PRINCIPAL BANKS

Bank of Communications Company Limited
Industrial and Commercial Bank of China Limited
Industrial Bank Company Limited
Wing Lung Bank Limited

LEGAL ADVISORS

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

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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(the "Stock Exchange")

COMPANY WEBSITE

www.hailanholdings.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Hailan Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), I am pleased to present the business review and prospects of the Group for the six months ended 30 June 2018 (the "**Period**").

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2018

In the first half of 2018, China's gross domestic product grew by 6.8% year-on-year, exhibiting an overall stable and improving economy. The Central Economic Work Conference stressed that houses are for living in, and we should speed up the construction of a housing system "giving equal weight to housing selling and renting" and deepen the land and population reforms. In response, local governments, especially those in major cities, all at once introduced strict regulatory measures and policies and tightened financial regulation on the real estate market to curb speculation in real estate investment, resulting in increasingly widespread restrictions on house purchases, mortgage loans and housing prices. As for land supply, land transfer restrictions in major cities have been heightened. As the haze problem in North China worsened and the tropical land resources for recreational purposes in Hainan Province become increasingly scarce, the bidding thresholds for the lands in retiree-favored cities including Sanya and Danzhou have risen.

For the Period, contracted sales of the Group amounted to RMB836.9 million, representing a reduction of 42.6% as compared to the corresponding period in 2017. Contracted saleable gross floor area ("**GFA**") was approximately 29,440 square meters, representing a regression of approximately 47.4% over the corresponding period last year. The average selling price ("**ASP**") was about RMB28,427 per square meter, representing an increase of about 9.3% over the corresponding period last year. For the Period, the profit attributable to equity shareholders of the Company was approximately RMB120.5 million, representing an increase of approximately 60.0% over the same period in 2017.

As enterprises are encouraged to de-lever under the tightening financial regulation, on domestic real estate market, the Company quickly optimised its debt structure to further lower its overall borrowing costs to zero during the Period.

The Company have always committed itself to building high-quality houses for customers by constantly improving housing quality, and proactively fulfills its social responsibility as a corporate citizen. To this end, the Company employs only solar heating system to reduce the reliance on natural non-renewable resources; adopts dry installation of aluminum alloy doors and windows to enhance waterproof performance and uses double-layer insulating glass to reduce heat transfer and improve sound insulation and noise reduction performance; and only uses finished expandable polystyrene mouldings that are light, highly flexible and easy for industrialised production to reduce on-site wet construction and pollution, improve construction results and make it more energy-efficient and environmentally friendly. All these processes will be subject to not only the national standards but also rigorous testing process. The construction enterprise and the supervisory entity will examine 100% and 50% of the works concerned respectively to ensure engineering quality. The quality issues are managed and recorded unit by unit to realise greater traceability. In terms of design, Sanya Phoenix Aqua City took the initiative to create French-style villa products in Sanya. Such products have rich and varied lines on exterior walls and appear elegant and noble in shape, showcasing a grand and solemn architectural style. The landscape layout of these villas is carefully planned and crafted, involving the use of large quantities of precious trees from South China to interweave with different layers of plants, thereby creating a perfect five-tier landscape to enhance customer satisfaction.

PROSPECTS FOR THE SECOND HALF OF 2018

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

With reference to the announcement of the Company dated 7 May 2018, the use of IPO proceeds will be expanded to include investment in pharmaceuticals, biologics, medical services, devices and relevant entities after considering the following factors:

1. The Company expects that the proceeds from the sales of properties will be able to provide sufficient cash flow for the development of Sanya Phoenix Aqua City South Shore Phase II, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City and fulfil the demand and potential growth for the Group's need in the near future.

2. The Sanya Phoenix Aqua City South Shore Phase II has started construction in March 2018. Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City are subject to the government mandatorily expropriates of land without compensation under the Haikou decision issued by the Haikou People's Government (the "**Haikou Decision**") and Danzhou decision issued by the Danzhou People's Government (the "**Danzhou Decision**") (collectively known as the "**Decisions**"). The Board will continue to apply for the construction planning permits and has formally instituted an application of administrative proceeding on the Decisions to safeguard the assets of the Group. For details of the Haikou Decision, please refer to the announcements of the Company dated 25 January 2018, 31 January 2018 and 26 June 2018. For details of the Danzhou Decision, please refer to the announcements of the Company dated 11 May 2018 and 24 July 2018.

The Board will continue to implement the established strategy of the Group prudently with a focus on high-end property development in tourist areas in PRC. 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 Haikou and Danzhou provided that the Haikou Decision and Danzhou Decision were resolved. The development of the properties projects could be financed by the proceeds from the sales of aforesaid properties.

The Board is now contemplating to invest in any potential investments in pharmaceuticals, biologics, medical services, devices and relevant entities in order to diversify of the business of the Company.

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

ACKNOWLEDGEMENT

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

Zhou Li
Chairperson

24 August 2018

BUSINESS REVIEW

Overall Performance

For the Period, the revenue and gross profit of the Group were approximately RMB898.4 million and approximately RMB457.2 million respectively, representing an increase of approximately 9.1% and 41.9% as compared with the corresponding period of 2017, respectively. Profit for the Period attributable to the equity shareholders of the Company was approximately RMB120.5 million, representing an increase of approximately 60.0% as compared with the corresponding period of 2017. Basic earnings per share were RMB40 cents (the corresponding period of 2017: RMB25 cents).

Performance Highlights	For the six months ended 30 June		
	2018	2017	Changes
Contracted sales (RMB million)[3]	**836.9**	1,457.0	-42.6%
Contracted saleable gross floor area ("**GFA**") (sq.m.)[2,3]	**29,440**	56,007	-47.4%
Contracted average selling price ("**ASP**") (RMB/sq.m.)[2,3]	**28,427**	26,015	9.3%
Revenue[1] (RMB million)	**898.4**	823.1	9.1%
Among which: sales of properties			
– Revenue from properties delivered (RMB million)[1]	**892.7**	806.4	10.7%
– GFA of properties delivered (sq.m.)	**30,347**	42,938	-29.3%
– ASP of properties delivered (RMB/sq.m.)	**29,461**	18,780	56.8%
Rental income (RMB million)[1]	**3.2**	2.7	18.5%
Fair value revaluation income (RMB million)[1]	**2.5**	14.0	-82.1%
Gross profit (RMB million)	**457.2**	322.2	41.9%
Profit/ (Loss) for the Period			
– Attributable to shareholders (RMB million)	**120.5**	75.3	60.0%
– Attributable to non-controlling interests (RMB million)	**(21.7)**	13.0	-266.9%

	30 June 2018	31 December 2017	Changes
Total assets (RMB million)	**5,545.3**	5,194.6	6.8%
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits) (RMB million)	**1,831.6**	938.1	95.2%
Total equity (RMB million)	**2,055.7**	1,935.5	6.2%
Key financial ratios			
Gross profit margin[4]	**50.9%**	39.1%	30.2%
Net debt to equity ratio[5]	**N/A**	N/A	N/A
Gearing ratio[6]	**N/A**	N/A	N/A

Notes:

1. Representing the amount of income after deduction of business tax and other sales related taxes.

2. Excluding the GFA of car parking spaces.

3. Pursuant to the agreement between the shareholders of Danzhou Shuang Lian Properties Development Company Limited ("**Danzhou Shuang Lian**"), one of the shareholders of Danzhou Shuang Lian shall continue to manage, develop and undertakes fully the risk and reward of phase I of the development project located at Danzhou ("**Danzhou Phase I**"). The acquisition of Danzhou Shuang Lian has been accounted for as a business combination with Danzhou Shuang Lian fully 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 RMB836.9 million, representing a significant decrease of approximately 42.6% as compared with approximately RMB 1,457.0 million in the corresponding period of 2017. The contracted saleable GFA was 29,440 sq.m. in the first half of 2018, representing a decrease of approximately 47.4% as compared with 56,007 sq.m. in the corresponding period of 2017. The ASP of contracted sales for the Period was RMB28,427 per sq.m., representing an increase of approximately 9.3% as compared with RMB26,015 per sq.m. in the corresponding period of 2017.

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. In early 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 9.3% was mainly due to the increase in sales volume of the multi-storey apartment for the Period, which has a higher unit selling price.

REVENUE FROM SALES OF PROPERTIES

For the Period, the revenue from sales of properties amounted to approximately RMB892.7 million, representing an increase of approximately 10.7% as compared with approximately RMB806.4 million in the corresponding period of 2017 and accounting for 99.37% of the total revenue. GFA of properties delivered decreased by approximately 29.3% to 30,347 sq.m. for the Period from 42,938 sq.m. in the corresponding period of 2017. It was primarily attributable to the promulgation of limitation on purchase of commodity housing in the Hainan Province and fierce competition among the peers in 2018. The ASP of properties delivered for the Period was RMB29,416 per sq.m., representing an increase of 56.8% as compared with the corresponding period of 2017. Due to the ASP of properties delivered for the sale of multi-storey apartment was relatively high, it leads to the overall revenue from properties delivered increased by 10.7% even the GFA of properties dropped by 29.3% as compared with the corresponding period of 2017.

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

Land bank

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

As at 30 June 2018, 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, 45.1% is located in Sanya City, 51.4% is located in Danzhou City and 3.5% is located in Haikou City of the Province.

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the Period amounted to approximately RMB3.2 million, deriving from the rental income of the leasing of the 18-floor serviced apartment (located at Sanya Phoenix Aqua City Left Shore) and rental income received from leasing parking spaces to the property owners since December 2016.

Investment properties

As at 30 June 2018, the investment properties of the Group include parking spaces leased to the small owners.

Financial Review

(I) Revenue

Revenue of the Group for the Period amounted to approximately RMB898.4 million, representing an increase of approximately RMB75.3 million, or approximately 9.1%, as compared with the corresponding period of 2017, primarily due to the sales of multi-storey apartment was relatively high, being a result of increased ASP for properties delivered as compared with the corresponding period in 2017.

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

	For the six months ended			
	30 June 2018		30 June 2017	
Project	**GFA delivered**	**Revenue**	GFA delivered	Revenue
		RMB in		*RMB in*
	Sq.m.	***Million***	*Sq.m.*	*Million*
Sanya Phoenix Aqua City Left Shore	**89**	**2.7**	–	–
Sanya Phoenix Aqua City South Shore Phase I	**25,677**	**858.5**	26,947	706.5
Danzhou Phase I	**4,581**	**31.5**	15,991	99.9
	30,347	**892.7**	42,938	806.4

(II) Cost of sales and gross profit margin

For the Period, the cost of sales of the Group decreased by approximately RMB59.7 million, or approximately 11.9%, as compared with the corresponding period of 2017. The decrease was attributable to the 29.3% decrease in total GFA delivered in the first half of 2018 (i.e. 30,347 sq.m.) when compared to the first half of 2017 (i.e. 42,938 sq.m.).

Gross profit margin increased from 39.1% for the six months ended 30 June 2017 to 50.9% for the Period primarily attributable to the increase in ASP for properties delivered and increased proportion of sales in middle to high level apartments with higher gross margin rate in the first half of 2018.

(III) Selling and distribution expenses and administrative expenses

The selling and distribution expenses for the Period amounted to approximately RMB60.3 million (the corresponding period of 2017: approximately RMB30.4 million). The Company has signed exclusive and undertaking agency agreement with a sales team with higher commission rate in order to boost up the sales. Eventually, the commission expenses increased significantly when compared to the first half of 2017 due to the increasing selling price. The sales commission amounts to 98.9% of the total selling and distribution expenses for the Period.

Administrative expenses decreased by 13.4% from RMB26.5 million for the six months ended 30 June 2017 to RMB23.0 million for the same period in 2018. The significant decrease was primarily due to decrease in the staff costs and pension expenses.

(IV) Finance costs and Finance income

The net finance income of the Group for the Period amounted to approximately RMB18.4 million (the corresponding period of 2017: net finance costs of approximately RMB14.3 million). The finance cost of the Group has been significantly reduced while the investment income and bank interest income generated from the structural products and bank deposits has also been significantly increased as the Group has a larger cash surplus for the Period as compared to the corresponding period in 2017.

(V) Income tax expenses

The income tax expenses of the Group increased by 71.5% to approximately RMB279.5 million for the Period from approximately RMB162.9 million for the six months ended 30 June 2017. Among which, the current corporate income tax expenses increased to approximately RMB125.7 million for the Period from approximately RMB68.6 million for the six months ended 30 June 2017, while the land appreciation tax increased to approximately RMB205.8 million for the Period from approximately RMB101.0 million for the six months ended 30 June 2017. The increase in the land appreciation tax was primarily contributed by the growth of gross profit from sales of properties during the Period, and the increase in income tax expenses was mainly attributable to the increase of profit before taxation for the Period (net of land appreciation tax expense) from approximately RMB150.3 million for the six months ended 30 June 2017 to approximately RMB172.5 million for the Period.

(VI) Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company for the Period amounted to approximately RMB120.5 million, representing an increase of approximately RMB45.2 million as compared with the corresponding period of 2017. The increase was attributable to the increase of gross profit, and the decrease of finance cost and the increase of investment income and bank interest income from the structural products and bank deposits.

(VII) Liquidity and financial resources

As at 30 June 2018, total assets of the Group amounted to approximately RMB5,545.3 million (31 December 2017: approximately RMB5,194.6 million), of which current assets amounted to approximately RMB5,244.2 million (31 December 2017: approximately RMB4,944.7 million). Total liabilities amounted to approximately RMB3,489.6 million (31 December 2017: approximately RMB3,259.1 million), of which non-current liabilities amounted to approximately RMB526.7 million (31 December 2017: approximately RMB527.2 million). Total equity amounted to approximately RMB2,055.7 million (31 December 2017: approximately RMB1,935.5 million). Total equity attributable to equity shareholders of the Company amounted to RMB1,745.5 million (31 December 2017: approximately RMB1,606.6 million).

As at 30 June 2018, the Group had cash and bank balances (including restricted cash) of approximately RMB1,831.6 million (31 December 2017: approximately RMB938.1 million) The Group has no borrowing as at 30 June 2018 and 31 December 2017.

(VIII) Commitments

As at 30 June 2018, details of the Group's capital commitments outstanding but not provided for are as follow:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Contracted but not provided for	**280,013**	51,492
Authorised but not provided for	**6,508,676**	6,833,208

(IX) Contingent liabilities

Guarantees in respect of mortgage facilities

As at 30 June 2018, the Group provided guarantees (the "**Guarantees**") of approximately RMB143.7 million (31 December 2017: approximately RMB252.1 million) to banks in respect of the mortgage loans granted to purchasers of the properties of the Group. Pursuant to the terms of the Guarantees, if there is any default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with 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, a subsidiary of the Group, Hainan Nanhai Xiang Long Properties Development Limited ("**Nanhai Xiang Long**") received a decision from Haikou People's Government in relation to its confiscating of the state-owned construction land use right of a parcel of land owned by Nanhai Xiang Long located to the north of Bin Hai Xi Lu (濱海西路), 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**")) 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 Phase II, according to the notice issued by the Haikou Planning Bureau on 2 July 2013, the planned site area of Phase II was decreased from 88,209.07 square meters to 61,761.00 square meters, and the plot ratio was increased from 0.5 to 0.78, for which compensation was to be made to the Group for the land being expropriated, and the nature of land use right was changed to "tourism". As of the date of approval of this interim report, the government still has not determined the valuation and compensation proposal for Phase II and the Group has not obtained the updated land use right certificate for Phase II hence making the Group unable to further proceed with the developments under Phase II.

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

The Group considers 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 Phase II. The Group is of the view that the changes in governmental planning and coastline protection policies as well as the delay in updating the change of land use right certificate have objectively resulted in the impediment on the development of Phase II, the consequence being that the land parcel was unable to be developed and constructed on schedule. In addition, it is objectively inconsistent with actual circumstances of Phase II for the government to determine land vacancy by considering Phase II and Haikou Phoenix Aqua City Phase I land parcel, which has been completed, inspected and put into record, to be two separate land parcels.

The Group has also continued its discussions with the Haikou Planning Bureau indicating its willingness to develop Phase II subject to the Bureau's approval of its design plans. As of the approval date of this interim report, the directors consider that the Group has reasonable grounds to challenge the Haikou Decision and that therefore, taking account of all available evidence, it is not more likely than not that a present obligation to surrender the land without compensation exists at the end of the Period. On 15 June 2018, the Group has formally instituted an application of administrative proceeding on the Haikou Decision to the Intermediate People's Court of Haikou City* (海口市中級人民法院).

No impairment provision has therefore been made in respect of the Haikou Decision. Should the Haikou Decision be successfully enforced by the Haikou People's Government, the Group may suffer a loss on confiscation amounting to approximately RMB180 million being the carrying value of Phase II recognised within the properties under development. For details of the Haikou Decision, please refer to the announcements of the Company date 25 January 2018, 31 January 2018 and 26 June 2018.

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, which state that on 30 December 2017, 13 February 2018 and 2 March 2018, Danzhou Phoenix Aqua City ("**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 gross floor area (including saleable and non-saleable gross floor area) of approximately 704,312.8 square meters. As of the date of this interim report, the relevant government authorities have not yet granted the relevant planning and construction permits, hence making the Group unable to further proceed with the development of Danzhou Phoenix Aqua City.

However, the Danzhou Decision 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 Decision or initiate administrative proceedings with the Second Intermediate People's Court of Hainan Province within six months.

The Board considers 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 is 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 is that the Lands are unable to be developed and constructed on schedule.

As of 30 June 2018, the carrying value of the Danzhou Phoenix Aqua City was approximately RMB491.9 million (the amount was arrived at based on the preliminary assessment of the management of the Group on the unaudited management accounts, and such figures and information have not been audited or reviewed by the Company's audit committee and may be subject to further adjustment upon relevant updates audited by the Company's auditor). If the government mandatorily expropriates the Danzhou Phoenix Aqua City without compensation, it is estimated that the Company's financial statements for the six months period ended 30 June 2018 will be significantly affected, which includes that the Danzhou Phoenix Aqua City with the carrying value of RMB491.9 million falling within the properties under development item of the balance sheet as at 30 June 2018 will be impaired and the relevant loss will be recognised in the statement of profit or loss.

On 20 July 2018, the Group has formally instituted an application of administrative proceeding on the Danzhou Decision to the Second Intermediate People's Court of Haikou Province and the case has accepted on 24 July 2018. For details of the Danzhou Decision, please refer to the announcement of the Company dated 11 May 2018 and 24 July 2018.

Board Acknowledgment and actions to be taken

The Board would like to draw the attention of the Shareholders and potential investors of the Company to the administrative proceedings (the "**Proceedings**") in relation to the Decisions.

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

The Board will continue to monitor and assess the impacts of the Proceedings to the Company. Depending on the progress of the Proceedings, it is expected that the Audit Committee can recommend the Company management set aside the provision for the land use rights concerned at the end of the financial year.

MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS

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

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

GEARING RATIO

The Group had a net cash position as at 30 June 2018 and 31 December 2017, the Group's gearing ratio as at that dates were not applicable.

EVENTS AFTER THE PERIOD

There was no significant events occurring after the end of the Period up to the date of this interim report.

FUTURE PLAN FOR MATERIAL INVESTMENTS

The Group will continue to invest in property development projects and acquire suitable land parcels in the 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 this interim report, the Group did not have any future plans for material investments as of the date of this interim report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, taking into account of Danzhou phase I, the Group had approximately 20 employees (as at 31 December 2017: 24 employees). For the Period, the Group incurred employee costs of approximately RMB5.4 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.

DEBT TO ASSETS RATIO

As at 30 June 2018, the debt to asset ratio (calculated by total debt divided by total equity) was Nil (31 December 2017: Nil).

PLEDGE OF ASSETS

As at 30 June 2018, the Group has no pledge of assets except for the restricted cash pledged for properties under development approximately RMB45,770,000 (31 December 2017: RMB41,235,000).

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 2017: Nil).

USE OF PROCEEDS

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

	Use of proceeds adjusted according to actual gross proceeds less estimated listing expense *HKD Million*	Change of use of proceeds *HKD Million*	Unutilised Amount *HKD Million*
Finance the development of Sanya Phoenix Aqua City South Shore Phase II	224.1	(224.1)	–
Working capital and other general corporate use	24.9	–	24.9
Investment in pharmaceuticals, biologics, medical services, devices and relevant entities	–	224.1	224.1
Total	249	–	249

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 has changed the use of proceeds to include the investment in pharmaceuticals, biologics, medical services, devices and relevant entities. For further details, please refer to the announcement of the Company dated 7 May 2018.

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 Haikou and Danzhou provided that the Haikou Decision and Danzhou Decision were resolved. 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 allocation of financial resources and diversify the business of the Group, which in turn shall further enhance the overall revenue of the Company, expand 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 interim report, the net proceeds of approximately HK$249 million have not been used.

Disclosure of Interest

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

As of 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(A) Interest in Shares of the Company

Name of Directors	Capacity	Positions (Long/Short)	Number of Shares held/ interest in	Approximate shareholding percentage
Ms. Zhou Li	Interest of spouse *(Note 1)*	Long	225,000,000 Shares	75%

Notes:

(1) 225,000,000 shares of the Company are held by Zhong Jia (International) Investment Construction Company Limited ("**Zhong Jia (International)**") and Zhong Ze (International) Investment Company Limited ("**Zhong Ze (International)**") as to 224,325,000 shares and 675,000 shares, respectively. Mr. Yeung Man ("**Mr. Yeung**") beneficially owns 100% of the issued share capital of Zhong Jia (International) and Zhong Ze (International) and is deemed, or taken to be, interested in all the shares held by Zhong Jia (International) and Zhong Ze (International) for the purposes of the SFO. 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.

(2) As of the date of this interim report, the total number of issued shares of the Company was 300,000,000.

Long Position in the Shares of Associated Corporation

(i) Long Position in Zhong Jia (International) and Zhong Ze (International)

Name of Director or Chief executive	Name of associated corporation	Capacity	Position (Long/Short)	Number and class of securities held/ interested in	Approximate shareholding percentage
Ms. Zhou Li	Zhong Jia (International)	Interest of spouse *(Note 1)*	Long	1 ordinary share	100%
	Zhong Ze (International)	Interest of spouse *(Note 1)*	Long	7,000 ordinary shares	100%

Note:

(1) Mr. Yeung owns 100% interest in Zhong Jia (International) and Zhong Ze (International). 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.

(ii) Long Position in Sanya Hui Xin Trading Company Limited ("Sanya Hui Xin Trading")

Name of Director or Chef Executive	Capacity	Position (Long/Short)	Approximate shareholding percentage
Ms. Zhou Li	Beneficiary of a trust *(Note 1)*	Long	6.56%
Ms. Fan Wenyi	Beneficiary of a trust *(Note 1)*	Long	1.75%
Mr. Chen Xiang	Beneficiary of a trust *(Note 1)*	Long	0.53%

Note:

(1) Each of the target participants and their percentage of equity interest to be interested in Sanya Hui Xin Trading are set out in the section headed PRE-IPO SHARE INCENTIVE SCHEME of this interim report.

Save as disclosed above, as of 30 June 2018, none of the Directors and chief executive of the Company and their respective close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware as of 30 June 2018, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of Interest	Position (Long/Short)	Number and class of securities held/ interest in	Approximate shareholding percentage
Zhong Jia (International)	Beneficial owner	Long	224,325,000 Shares	74.78%
Mr. Yeung	Interest of a controlled corporation *(Note 1)*	Long	224,325,000 Shares	74.78%

Note 1:

224,325,000 shares of the Company are held by Zhong Jia (International). Mr. Yeung beneficially owns 100% of the issued share capital of Zhong Jia (International) and is deemed, or taken to be, interested in all the shares held by Zhong Jia (International) for the purposes of the SFO. Mr. Yeung is the sole director of Zhong Jia (International).

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance Practices 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 all Shareholders. The Company are fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders and the Board considers that sound corporate governance can maximize the Shareholders' interest.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the 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 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.

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

During the Period, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors and chief executives of the Company are as follows:

- Mr. Wang Pei has resigned as a non-executive Director with effect from 15 March 2018.
- Ms. Yao Yu has been appointed as a non-executive Director with effect from 15 March 2018.
- Mr. Jia Bin has resigned as the chief financial officer of the Company (the "**CFO**") with effect from 4 June 2018.
- Mr. Liu Bing has been appointed as an executive Director and CFO with effect from 4 June 2018.

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 interim report.

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 has 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.

Under the Pre-IPO Share Incentive Scheme, the Group allocated 17.5% of the total equity interest (the "**Incentive Equity Interest**") in Sanya Hui Xin Trading (representing approximately 3% effective interest in Sanya Fenghuang Shuiyun) held by Mr. Yang Jinhe or Mr. Fang Jing, both of whom held such interest on trust for Mr. Yeung to the Target Participants. The Target Participants entered into trust agreements with Mr. Yeung, Mr. Yang Jinhe, Mr. Fang Jing, Zhonghui (China) Investment Company Limited and the Company on 5 January 2017, pursuant to which the Incentive Equity Interest shall be held on trust by Mr. Yang Jinhe or Mr. Fang Jing for the Target Participants until such Incentive Equity interest are vested in the relevant Target Participant in accordance with the provision of the Pre-IPO Share Incentive Scheme. The Target Participants can exercise his/her rights in the abovementioned Incentive Equity Interest at nil consideration after their completion of three service years (commenced from the date of trust agreement) in the Group and satisfaction of the achievement targets in these three consecutive years.

The table shows the details of each Target Participant under the Pre-IPO Share Incentive Scheme in Sanya Hui Xin Trading as at 30 June 2018.

Holders	Outstanding equity interest in Sanya Hui Xin Trading to be acquired under the options	Position	Consideration of Pre-IPO Equity Interest	Equity Interest in Sanya Hui Xin Trading 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 and Chairman	Nil	6.5625%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Mr. Huang Annan	*(note 1)*	Executive Director and general manager	Nil	6.5625%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Lapsed *(note 1)*
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	*(note 1)*	Chief Financial Officer	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Lapsed *(note 1)*
Mr. Wang Tao	*(note 1)*	Chief Marketing Officer	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Lapsed *(note 1)*
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%	Executive Director	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Mr. Wang Pei	*(note 2)*	Non-executive Director	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Lapsed *(note 2)*
Total	9.3625%			17.50%					

Notes:

1. Mr. Huang Annan resigned as an executive Director on 29 March 2017, Ms. Wu Lijuan resigned as the head of financial management division of the Company on 15 April 2017 and Mr. Wang Tao resigned as the chief marketing officer of the Company on 26 July 2017. Therefore, they cannot fulfil their commitment to 3 years of service from the date of grant under the Pre-IPO Share Incentive Scheme.

2. Mr. Wang Pei failed to achieve the performance target as required under the Pre-IPO Share Incentive Scheme.

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. For further details, please refer to note 18 of the financial statements. Save as disclosed above, the Company does not have any equity linked agreement.

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 report.

AUDIT COMMITTEE

The Company has established 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 Mr. Li Yong, Mr. E Junyu and Dr. Chen Shimin. 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 Period.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**898,413**	823,078
Cost of sales		**(441,185)**	(500,910)
Gross profit		**457,228**	322,168
Other income		**903**	401
Selling and distribution expenses		**(60,296)**	(30,428)
Administrative expenses		**(22,980)**	(26,537)
Other operating expenses		**(14,996)**	–
Profit from operations		**359,859**	265,604
Net finance income/(costs)	*6a*	**18,365**	(14,355)
Profit before taxation		**378,224**	251,249
Income tax expenses	*7*	**(279,458)**	(162,925)
Profit for the period		**98,766**	88,324
Attributable to:			
Equity shareholders of the Company		**120,466**	75,299
Non-controlling interests		**(21,700)**	13,025
Profit for the period		**98,766**	88,324
Earnings per shares			
Basic and diluted (RMB)	*8*	**0.40**	0.25

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Profit for the period		**98,766**	88,324
Other comprehensive income for the period (after tax)			
Item that will not be reclassified to profit or loss:			
– Exchange differences on translation of financial statements of the Company		**1,975**	(6,960)
Other comprehensive income for the period		**1,975**	(6,960)
Total comprehensive income for the period		**100,741**	81,364
Attributable to:			
Equity shareholders of the Company		**122,441**	68,339
Non-controlling interests		**(21,700)**	13,025
Total comprehensive income for the period		**100,741**	81,364

Interim Condensed Consolidated Statement Of Financial Position

At 30 June 2018 – unaudited
(Expressed in Renminbi Yuan)

	Notes	30 June 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**43,884**	45,587
Investment Properties	10	**62,118**	48,788
Intangible assets		**591**	660
Long-term receivables	12	**14,838**	13,995
Deferred tax assets		**179,762**	140,935
		301,193	249,965
CURRENT ASSETS			
Properties under development	11	**2,420,862**	2,328,981
Completed properties held for sale	11	**734,939**	1,177,299
Contract assets		**28,088**	–
Trade and other receivables	12	**163,600**	162,979
Current tax assets		**65,073**	127,516
Available-for-sale financial assets	13	**–**	209,830
Restricted cash	14	**45,770**	41,235
Cash and cash equivalents	15	**1,785,823**	896,833
		5,244,155	4,944,673
TOTAL ASSETS		**5,545,348**	5,194,638
CURRENT LIABILITIES			
Trade and other payables	16	**1,321,718**	1,991,832
Contract liabilities	16	**856,057**	–
Current tax liabilities	17	**785,102**	740,102
		2,962,877	2,731,934
NET CURRENT ASSETS		**2,281,278**	2,212,739
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,582,471**	2,462,704

Interim Condensed Consolidated Statement Of Financial Position

At 30 June 2018 – unaudited
(Expressed in Renminbi Yuan)

	Notes	30 June 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**526,728**	527,183
		526,728	527,183
NET ASSETS		**2,055,743**	1,935,521
CAPITAL AND RESERVES			
Share capital	*18*	**2,585**	2,585
Reserves	*18*	**1,786,086**	1,785,860
Accumulated losses		**(43,181)**	(181,874)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**1,745,490**	1,606,571
Non-controlling interests		**310,253**	328,950
TOTAL EQUITY		**2,055,743**	1,935,521

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi Yuan)

	Notes	Share capital RMB'000	Share Premium RMB'000	Other reserve RMB'000	Statutory Surplus Reserve RMB'000	Changes in fair value of Available-for-sale financial assets RMB'000	Accumulated Losses RMB'000	Exchange Reserve RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017:		2,585	236,791	1,391,582	114,728	–	(385,388)	8,575	1,368,873	319,641	1,688,514
Changes in equity for the six months ended 30 June 2017:											
Profit for the period		–	–	–	–	–	75,299	–	75,299	13,025	88,324
Other comprehensive income		–	–	–	–	–	–	(6,960)	(6,960)	–	(6,960)
Total comprehensive income		–	–	–	–	–	75,299	(6,960)	68,339	13,025	81,364
Equity settled share-based transactions	18(b)	–	–	–	–	–	–	–	–	(1,000)	(1,000)
Balance at 30 June 2017 and 1 July 2017		2,585	236,791	1,391,582	114,728	–	(310,089)	1,615	1,437,212	331,666	1,768,878
Profit for the period		–	–	–	–	–	175,882	–	175,882	(4,694)	171,188
Other comprehensive income		–	–	–	–	1,749	–	(8,272)	(6,523)	–	(6,523)
Total comprehensive income		–	–	–	–	1,749	175,882	(8,272)	169,359	(4,694)	164,665
Equity settled share-based transactions	18(b)	–	–	–	–	–	–	–	–	1,978	1,978
Appropriation to statutory reserves		–	–	–	47,667	–	(47,667)	–	–	–	–
Balance at 31 December 2017		2,585	236,791	1,391,582	162,395	1,749	(181,874)	(6,657)	1,606,571	328,950	1,935,521
Balance at 1 January 2018:		2,585	236,791	1,391,582	162,395	1,749	(181,874)	(6,657)	1,606,571	328,950	1,935,521
Impact on initial application of HKFRS 9	3		–	–	–	(1,749)	1,749	–	–	–	–
Impact on initial application of HKFRS 15	3	–	–	–	–	–	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)**	**1,623,049**	**329,460**	**1,952,509**
Changes in equity for the six months ended 30 June 2018:											
Profit for the period		**-**	**-**	**-**	**-**	**-**	**120,466**	**-**	**120,466**	**(21,700)**	**98,766**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**1,975**	**1,975**	**-**	**1,975**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**120,466**	**1,975**	**122,441**	**(21,700)**	**100,741**
Equity settled share-based transactions	18(b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,493**	**2,493**
Balance at 30 June 2018		**2,585**	**236,791**	**1,391,582**	**162,395**	**-**	**(43,181)**	**(4,682)**	**1,745,490**	**310,253**	**2,055,743**

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**871,472**	1,248,056
Income tax paid		**(216,356)**	(133,925)
Net cash generated from operating activities		**655,116**	1,114,131
Investing activities			
Payment for the purchase of property, plant and equipment	*9*	**(62)**	(32)
Payment for purchase of available-for-sale financial assets		**–**	(530,000)
Receipt from redemption of available-for-sale financial assets		**209,830**	440,000
Other cash flows arising from investing activities		**23,666**	4,086
Net cash generated from/(used in) investing activities		**233,434**	(85,946)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Financing activities			
Repayment of bank loans		**–**	(980,000)
Repayment of loan interest		**–**	(15,261)
Net cash borrowed from/(returned to) Nanjing San Long	*21(c)*	**3,000**	(134,700)
(Increase)/decrease in restricted cash		**(4,535)**	12,463
Net cash used in financing activities		**(1,535)**	(1,117,498)
Net increase/(decrease) in cash and cash equivalents		**887,015**	(89,313)
Cash and cash equivalents as at 1 January	*15*	**896,833**	451,182
Effect of foreign exchange rate changes		**1,975**	(6,960)
Cash and cash equivalents at end of the period	*15*	**1,785,823**	354,909

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2018 – unaudited

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 Companies Law of the Cayman Islands. The reorganisation of the Company and its subsidiaries (together referred to as "**Group**") was completed on 8 April 2016 and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2016 (the "**Listing**"). The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Group is principally engaged in property development and property investment in the Hainan Province of People's Republic of China ("**PRC**").

The interim condensed consolidated financial information is presented in Renminbi ("**RMB**") unless otherwise stated.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2018 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 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 results 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 2017 annual 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**").

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial Instruments*
- HKFRS 15, *Revenue from Contracts with Customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to the HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The adoption of HKFRS 9 and HKFRS 15 does not have any material impact on the financial position and the financial results of the Group at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each item in the consolidated statement of financial positions that has been impacted by HKFRS 9 and HKFRS 15:

Statement of financial position (extract)	**At 31 December 2017**	**Impact on initial application of HKFRS 9** *(Notes 3(b))*	**Impact on initial application of HKFRS 15** *(Note 3(c))*	**At 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	140,935	–	(5,662)	135,273
Total non-current assets	**249,965**	**–**	**(5,662)**	**244,303**
Contract assets	–	–	22,650	22,650
Available-for-sale financial assets	209,830	(209,830)	–	–
Financial assets at fair value through profit or loss	–	209,830	–	209,830
Total current assets	**4,944,673**	**–**	**22,650**	**4,967,323**
Contract liabilities	–	–	704,575	704,575
Trade and other payables	1,991,832	–	(704,575)	1,287,257
Total current liabilities	2,731,934	–	–	2,731,934
Net current assets	**2,212,739**	**–**	**22,650**	**2,235,389**
Total assets less current liabilities	**2,462,704**	**–**	**16,988**	**2,479,692**
Net assets	**1,935,521**	**–**	**16,478**	**1,952,509**
Reserves	1,785,860	(1,749)	–	1,784,111
Accumulated losses	(181,874)	1,749	16,478	(163,647)
Total equity attributable to equity shareholders of the Company	1,606,571	–	16,478	1,623,049
Non-controlling interests	328,950	–	510	329,460
Total equity	**1,935,521**	**–**	**16,988**	**1,952,509**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves impact at 1 January 2018.

	RMB'000
Accumulated losses	
Transferred from fair value reserve (recycling) relating to financial assets now measured at fair value through profit or loss ("**FVPL**")	1,749
Net decrease in accumulated losses at 1 January 2018	1,749
Fair value reserve (recycling)	
Transferred to accumulated losses relating to financial assets now measured at FVPL	(1,749)
Net decrease in fair value reserve (recycling) at 1 January 2018	(1,749)

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(i) Classification of financial assets and financial liabilities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets carried at FVPL				
Wealth management products *(note (i))*	–	209,830	–	209,830
	–	209,830	–	209,830
Financial assets classified as available-for-sale under HKAS 39 *(note (i))*	209,830	(209,830)	–	–

Note:

(i) Under HKAS 39, wealth management products were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(ii) Credit losses

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

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates); and

– contract assets as defined in HKFRS 15 (see note 3(c)).

Financial assets measured at fair value, including units in equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss. The Group recognised an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

No material additional loss allowance was recognised as a result of this change in accounting policy.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECLs has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers (continued)

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

Retained earnings	*RMB'000*
Capitalisation of sales commissions	22,650
Related tax	(5,662)
Net decrease in accumulated losses at 1 January 2018	16,988

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(i) Timing of revenue recognition (continued)

The adoption of HKFRS 15 does not have a significant impact on when the Group recognised revenue from properties sales. However, the timing of revenue recognition for sale of properties is affected as follows:

- Sales of properties: the Group's property development activities are carried out in Hainan province, PRC only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of PRC, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales when the properties are completed and delivered to the buyers pursuant to the sale agreement, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

It is common for the Group to receive payments in advance of revenue recognition in the Group's sales of properties when properties are marketed by the Group while the property is still under construction.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(ii) Significant financing component (continued)

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the revenue recognition date. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing costs.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

(iii) Sales commission payables related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under HKFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling expenses at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts amounting to RMB22,650,000, decreased deferred tax assets by RMB5,662,000 and decreased accumulated losses by RMB16,988,000 at 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(iv) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

(a) Receipts in Advances amounting to RMB704,575,000, which was previously include in trade and other payables are included under contract liabilities.

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

4. REVENUE AND SEGMENT REPORTING

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 this interim financial report of the Group. For management purposes, the Group is organized 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 of the Group's development projects refer to the development and sales of residential property units conducted in Hainan province.

II. Danzhou phase I

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

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes". To arrive at adjusted EBIT, the Group's earning are further adjusted for items not specifically attributed to individual segments, such as other non-operating items.

4. REVENUE AND 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 1		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**867,114**	728,109	**31,299**	94,969	**898,413**	823,078
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reporting segment revenue	**867,114**	728,109	**31,299**	94,969	**898,413**	823,078
Reporting segment gross profit/(loss)	**471,136**	309,635	**(13,908)**	12,533	**457,228**	322,168
Reportable segment profit/(loss) (adjusted EBITDA)	**381,817**	258,757	**(22,861)**	6,446	**358,956**	265,203
As at 30 June/31 December						
Reportable segment assets	**5,362,104**	4,951,772	**183,244**	242,866	**5,545,348**	5,194,638
Including:						
Cash and cash equivalents	**1,784,830**	895,015	**993**	1,818	**1,785,823**	896,833
Properties under development	**2,420,862**	2,328,981	**–**	–	**2,420,862**	2,328,981
Completed properties held for sale	**581,822**	979,559	**153,117**	197,740	**734,939**	1,177,299
Reportable segment liabilities	**3,342,285**	3,067,462	**147,320**	191,655	**3,489,605**	3,259,117
Including:						
Trade and other payables and contract liabilities	**2,040,222**	1,821,907	**137,553**	169,925	**2,177,775**	1,991,832

4. REVENUE AND SEGMENT REPORTING (continued)

II. Danzhou phase I (continued)

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Reportable segment profit	**358,956**	265,203
Elimination of inter-segment profits	**–**	–
Reportable segment profits derived from Group's external customers	**358,956**	265,203
Other income	**903**	401
Net finance income/(costs)	**18,365**	(14,355)
Consolidated profits before taxation	**378,224**	251,249

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. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest on borrowings	**–**	21,409
Less: Interest expenses capitalised into properties under development	**–**	(2,978)
Sub-total	**–**	18,431
Other financial costs	**3,552**	–
Less: Interest income	**(21,917)**	(4,076)
Net finance (income)/costs	**(18,365)**	14,355

(b) Other items

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Depreciation	**1,765**	1,593
Amortisation	**68**	68
Auditor's remuneration	**916**	871
Staff costs (excluding amortisation cost of the share incentive granted)	**2,869**	6,563

7. INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax ("**CIT**")	**125,739**	68,562
PRC land appreciation tax ("**LAT**")	**205,765**	100,987
Sub-total	**331,504**	169,549
Deferred taxation		
Origination and reversal of temporary differences	**(52,046)**	(6,624)
Sub-total	**(52,046)**	(6,624)
Total income tax expenses	**279,458**	162,925

The provision for PRC CIT is calculated by applying the estimated annual effective tax rate of 25% (2017: 25%) to the six months ended 30 June 2018. 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.

8. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company of RMB120,466,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB75,299,000). The weighted average number during the six months ended 30 June 2018 and 2017 are 300,000,000 shares.

There were no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017 and, therefore, diluted earnings per share are the same as the basic earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired certain items of equipment of RMB62,000 (six months ended 30 June 2017: RMB32,000). The Group has not disposed any item of property, plant and equipment for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB10,000).

10. INVESTMENT PROPERTIES

As at 30 June 2018 and 31 December 2017, the Group's investment properties certain car park lease to individuals.

The valuations of the leased car parks were carried out at 31 December 2016 by the Group's independent valuer using the income capitalisation approach. As management believes that there is no material change of fair value per car park from 31 December 2016 to 30 June 2018. Accordingly, no independent valuation of investment properties was performed on 30 June 2018.

11. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

During the six months ended 30 June 2018, completed properties held for sale of RMB427,168,000 (six months ended 30 June 2017: RMB500,910,000), being the cost of the properties sold, and a provision of Danzhou phase I car parks of RMB 14,017,000, has been recognised as cost of sales in profit or loss during the Period.

12. LONG-TERM RECEIVABLES AND TRADE AND OTHER RECEIVABLES

As of the end of the 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:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Within 1 year	**8,609**	18,989
1 to 2 years	**13,770**	4
2 to 3 years	**–**	169
Over 3 years	**334**	373
	22,713	19,535
Trade debtors and bills receivable		
Trade receivables - Due from third parties		
– Trade receivables- current *(Note (i))*	**7,875**	5,540
– Trade receivables- non-current *(Note (i))*	**14,838**	13,995
	22,713	19,535
– Less: allowance for doubtful debts	**(19)**	(19)
Non-trade receivables		
– Due from third parties	**89,116**	67,525
– Due from related parties *(Note (ii))*	**18,272**	21,258
– Less: allowance for doubtful debts	**(14,994)**	–
Advance payments to contracts *(Note (iii))*		
– To third party contractors	**14,688**	27,877
– Prepaid value-added-tax and other taxes	**48,662**	40,798
Total	**178,438**	176,974

12. LONG-TERM RECEIVABLES AND TRADE AND OTHER RECEIVABLES (continued)

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) Amounts due from related parties are unsecured, interest-free and repayable on demand. The amount is relating to Danzhou phase I, whose operation is under the direction of the non-controlling shareholder, Nanjing San Long.

(iii) Advance payments to contractors are made in accordance with the payment terms as agreed in the construction contracts signed with building contractors. They are to be transferred to properties under development with regard to stage of completion for relevant construction.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2017, the available-for-sale financial assets represented wealth management products purchased from banks. The products were matured and fully redeemed in April 2018.

14. RESTRICTED CASH

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Pledged for		
– Properties under development	**45,770**	41,235

15. CASH AND CASH EQUIVALENTS

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Cash at bank and in hand		
– Cash on hand	**32**	14
– Cash at bank	**1,785,791**	896,819
	1,785,823	896,833

16. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

	Notes	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 3 months		281,450	222,070
3 to 6 months		26,302	25,475
6 o 12 months		25,404	281,275
Over 12 months		282,192	100,430
Total trade payables		615,348	629,250
Receipts in advance	(ii)	–	704,575
Accrued payroll		2,096	4,208
Other payables and accruals		128,713	138,684
Non-trade amounts due to related parties	21(c)	23,112	23,112
Guarantee deposits	(i)	552,449	492,003
		1,321,718	1,991,832
Contract liabilities	(ii)	856,057	–

Notes:

(i) As at 30 June 2018, the Group had granted exclusive right to sales agencies for promoting certain completed properties and had received the amount of RMB 552,449,000 in total as guarantee deposits (31 December 2017: RMB492,003,000).

(ii) "Receipt in advance", which were previously included in trade and other payables, are now included under contract liabilities.

17. CURRENT TAX LIABILITIES

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Current PRC corporate income tax payable	**219,647**	339,652
Current land appreciation tax payable	**565,455**	400,450
Total	**785,102**	740,102

18. CAPITAL, RESERVES 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 2018 (six month ended 30 June 2017: nil).

(b) Equity settled share-based transactions

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. There were no new share options granted in the six months ended 30 June 2018.

19. CAPITAL COMMITMENTS

Capital Commitments Outstanding not provided for in the consolidated financial statements were as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Contracted but not provided for	**280,013**	51,492
Authorised but not contracted for	**6,508,676**	6,833,208

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 2018	At 31 December 2017
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchaser of the Group's properties	**143,700**	252,130

The Directors consider that it is not probable that the Group will sustain a loss under these guarantees during the periods of guarantee, 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 adequate to cover the outstanding mortgage loans guaranteed by the Group in the event the purchaser's default in their payments to the banks.

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

(b) Litigations

As at 30 June 2018, two of the subsidiaries of the Group are dealing with lawsuits which arose from the ordinary course of business of the Group.

Except for the Decisions as disclosed in the section headed "Legal Proceedings" in Management Discussion and Analysis in interim report, the Group did not have any other material litigation.

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 the Ultimate Controlling Shareholders
Nanjing Zhonghui Construction Engineering Co., Ltd. (“**Nanjing Zhonghui Construction**”)	Entities controlled by the Ultimate Controlling Shareholders
Zhonghui (Nanjing) Property Development Co., Ltd. (“**Zhonghui Nanjing**”)	Entities controlled by the Ultimate Controlling Shareholders
Nanjing Diken Engineering Design Consultancy Co., Ltd. (“**Nanjing Diken**”)	Entities controlled by the Ultimate Controlling Shareholders
Chung Wai (Jiangsu) Decoration Park Project Company Limited (“**Chung Wai (Jiangsu)**”)	Entities controlled by the Ultimate Controlling Shareholders
Nanjing Hengjida Engineering Design Consultancy Company Limited (“**Nanjing Hengjida**”)	Entities controlled by the Ultimate Controlling Shareholders
Lianyungang Hui Neng Foundation Construction Engineering Co. Engineering Co., Ltd. (“**Lianyungang Hui Neng**”)	Entities controlled by the Ultimate Controlling Shareholders
Nanjing Maoheng Engineering Design Consultancy Company Limited (“**Nanjing Maoheng**”)	Entities controlled by the Ultimate Controlling Shareholders
Hainan Zhonghuan Property Development Company Limited (“**Hainan Zhonghuan**”)	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Tianhui Tongda Corporate Planning Consultation Co., Ltd (“**Nanjing Tianhui**”)	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Huiyao Decoration Construction Co., Ltd. (“**Nanjing Huiyao**”)	Associate of a Group controlled by the Ultimate Controlling Shareholders
Leshan Huizhi Technology Development Co., Ltd (“**Leshan Huizhi**”)	Entities controlled by the Ultimate Controlling Shareholder
Nanjing San Long Cement Company Limited (“**Nanjing San Long**”)	Minority shareholder

21. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Construction and consultancy services *(Note (i))*	**14,109**	164,127
Funding arrangements with shareholders *(Notes (ii))*	**2,986**	(134,700)

(i) Construction and consultancy services

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Nanjing Huizhi	**14,109**	164,127

(ii) Funding arrangements with shareholders

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Nanjing San Long	**3,000**	(134,700)

21. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

Balance with related parties at 31 December 2017 and 30 June 2018 are detailed as follows:

Amounts due from related parties

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-trade related:		
Nanjing San Long	18,258	21,258
Nanjing Huizhi	14	–
	18,272	21,258

Amount due to related parties

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade related:		
Nanjing Huizhi	189,924	232,011
Lianyungang Hui Neng	21,221	21,236
Chung Wai (Jiangsu)	1,426	1,426
Leshan Huizhi	50	50
Nanjing Huiyao	118	221
Total	212,739	254,944
Non-trade related:		
Other payables due to:		
Nanjing San Long	23,112	23,112
Total	23,112	23,112

22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, Prepayment features with negative compensation, which have been adopted at the same time as HKFRS 9 (see note 3(b)), the group has not early adopted any new or amended standards in preparing this interim financial report.

The group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, Leases, which may have a significant impact on the group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.