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Hailan Holdings Limited

海藍控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2278)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Hailan Holdings Limited (the “**Company**”) is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively known as the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2020.

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

For the six months ended 30 June 2021

(Expressed in Renminbi)

	<i>Notes</i>	For the six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	<i>4</i>	377,909	526,726
Cost of sales		(148,136)	(344,537)
Gross profit		229,773	182,189
Other income		4,708	1,034
Changes in fair value of investment properties		(3,836)	(9,000)
Realised gain arising from financial assets at FVPL, net		6,754	3,594
Provision for credit loss on other receivables		–	(5,241)
Share of results of associates		(1,167)	(1,945)
Gain on disposal of a subsidiary	<i>21</i>	10,732	–
Gain on disposal of associates	<i>10(ii)</i>	4,720	–
Selling and distribution expenses		(33,259)	(11,413)
Administrative expenses		(60,863)	(39,597)
Operating profit		157,562	119,621
Finance income		1,739	1,101
Finance costs		(28,219)	(9,265)
Finance costs, net	<i>6</i>	(26,480)	(8,164)
Profit before taxation		131,082	111,457
Income tax expenses	<i>7</i>	(117,154)	(79,692)
Profit for the period	<i>8</i>	13,928	31,765

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2021

(Expressed in Renminbi)

	For the six months ended 30 June	
	2021	2020
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other comprehensive (loss) income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements to presentation currency	(1,675)	982
Reclassification adjustments related to the disposal of foreign operations	(256)	–
	<u>(1,931)</u>	<u>982</u>
Other comprehensive (loss) income for the period, net of tax	(1,931)	982
Total comprehensive income for the period	11,997	32,747
Profit (Loss) for the period attributable to:		
Owners of the Company	43,126	39,515
Non-controlling interests	(29,198)	(7,750)
	<u>13,928</u>	<u>31,765</u>
Total comprehensive income (loss) for the period attributable to:		
Owners of the Company	41,646	40,545
Non-controlling interests	(29,649)	(7,798)
	<u>11,997</u>	<u>32,747</u>
Earnings per share attributable to owners of the Company during the period (expressed in RMB per share)		
— Basic and diluted	9 <u>0.14</u>	<u>0.13</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

(Expressed in Renminbi)

		At 30 June 2021	At 31 December 2020
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		36,545	37,127
Right-of-use assets		475	957
Investment properties	11	101,319	105,155
Intangible assets		332	239
Interests in associates	10	49,474	109,020
Trade and other receivables	13	202,154	206,513
Deferred tax assets		41,019	34,969
		431,318	493,980
Current assets			
Properties under development		6,143,540	4,625,077
Completed properties held for sale		501,417	374,873
Contract costs		87,455	55,161
Trade and other receivables	13	457,560	266,321
Deposits paid for acquisition of land and properties		–	680,000
Current tax assets	14	41,955	10,679
Financial assets at fair value through profit or loss	12	5,640	5,654
Restricted cash		479,861	304,042
Cash and cash equivalents		1,185,843	727,489
		8,903,271	7,049,296
Current liabilities			
Trade and other payables	15	2,033,809	1,556,320
Contract liabilities		2,746,407	1,684,632
Bank and other borrowings	16	834,852	703,154
Lease liabilities		527	1,049
Current tax liabilities	14	204,922	124,105
		5,820,517	4,069,260
Net current assets		3,082,754	2,980,036
Total assets less current liabilities		3,514,072	3,474,016

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

At 30 June 2021

(Expressed in Renminbi)

		At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Non-current liabilities			
Bank and other borrowings	16	1,086,154	1,050,532
Deferred tax liabilities		500,150	509,526
		<u>1,586,304</u>	<u>1,560,058</u>
NET ASSETS		<u><u>1,927,768</u></u>	<u><u>1,913,958</u></u>
Capital and reserves			
Share capital	17	2,585	2,585
Reserves		1,523,614	1,481,968
		<u>1,526,199</u>	<u>1,484,553</u>
Equity attributable to owners of the Company		<u>1,526,199</u>	<u>1,484,553</u>
Non-controlling interests		401,569	429,405
		<u>1,927,768</u>	<u>1,913,958</u>
TOTAL EQUITY		<u><u>1,927,768</u></u>	<u><u>1,913,958</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021
(Expressed in Renminbi)

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Statutory surplus reserve	Transactions with non-controlling interests reserve	(Accumulated losses)/ Retained profits	Exchange reserve	Total reserves	Sub-total	Non-controlling interests	Total equity
(Note 17(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2020 (audited)	2,585	236,791	1,391,582	182,986	47,476	(15,783)	6,805	1,849,857	1,852,442	264,743	2,117,185
Profit for the period	-	-	-	-	-	39,515	-	39,515	39,515	(7,750)	31,765
Other comprehensive income for the period:											
Exchange differences on translation of financial statements to presentation currency	-	-	-	-	-	-	1,030	1,030	1,030	(48)	982
Total comprehensive income for the period	-	-	-	-	-	39,515	1,030	40,545	40,545	(7,798)	32,747
Transactions with owners:											
<i>Changes in ownership interest</i>											
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	38,650	38,650
Balance as at 30 June 2020 (unaudited)	2,585	236,791	1,391,582	182,986	47,476	23,732	7,835	1,890,402	1,892,987	295,595	2,188,582
Balance as at 1 January 2021 (audited)	2,585	236,791	1,391,582	182,986	(374,062)	48,251	(3,580)	1,481,968	1,484,553	429,405	1,913,958
Profit for the period	-	-	-	-	-	43,126	-	43,126	43,126	(29,198)	13,928
Other comprehensive income for the period:											
Exchange differences on translation of financial statements to presentation currency	-	-	-	-	-	-	(1,224)	(1,224)	(1,224)	(451)	(1,675)
Reclassification adjustments related to the disposal of foreign operations	-	-	-	-	-	-	(256)	(256)	(256)	-	(256)
Total comprehensive income for the period	-	-	-	-	-	43,126	(1,480)	41,646	41,646	(29,649)	11,997
Transactions with owners:											
<i>Changes in ownership interest</i>											
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	700	700
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	1,113	1,113
Balance as at 30 June 2021 (unaudited)	2,585	236,791	1,391,582	182,986	(374,062)	91,377	(5,060)	1,523,614	1,526,199	401,569	1,927,768

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(Expressed in Renminbi)

	For the six months ended 30 June	
<i>Notes</i>	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from (used in) operating activities		
Cash from (used in) operations	573,930	(536,719)
Income tax paid	(83,039)	(88,306)
Interest paid	(40,380)	(19,108)
	450,511	(644,133)
Cash flow used in investing activities		
Purchase of property, plant and equipment	(956)	(1,265)
Purchase of intangible assets	(153)	–
Proceeds from disposal of associates	<i>10(ii)</i> 70,401	–
Net cash outflow for disposal of a subsidiary	<i>21</i> (12,676)	–
Purchase of financial assets at fair value through profit or loss	(1,633,100)	(2,848,000)
Proceeds from disposal of financial assets at fair value through profit or loss	1,639,854	2,603,184
Interest received	1,739	1,101
Advance to non-controlling shareholders	(221,617)	–
Repayment from non-controlling shareholders	36,950	–
Advance to related parties	(18,722)	–
Loan to third parties	(1,973)	–
Repayment from loan to third parties	8,057	–
Repayment from associates	11,226	78,445
Advance to associates	(18,528)	–
	(139,498)	(166,535)
<i>Net cash used in investing activities</i>		

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)**

For the six months ended 30 June 2021

(Expressed in Renminbi)

	For the six months ended 30 June	
	2021	2020
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flow from financing activities		
New bank borrowings raised	143,855	90,000
New other borrowings raised	12,159	228,000
Repayment of bank borrowings	(5,227)	–
Repayment of other borrowings	(5,685)	–
Capital contribution from non-controlling interests	700	38,650
Repayment of lease liabilities	(532)	(949)
Advance from non-controlling shareholders	8,501	184,554
Repayment to non-controlling shareholders	(60,750)	–
Repayment to a former non-controlling shareholder	(1,000)	–
Advance from related parties	107,200	–
Repayment to related parties	(50,000)	–
	<hr/>	<hr/>
<i>Net cash from financing activities</i>	149,221	540,255
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	460,234	(270,413)
Cash and cash equivalents as at 1 January	727,489	752,080
Effect of foreign exchange rate changes	(1,880)	982
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by cash and bank balances	1,185,843	482,649
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(Expressed in Renminbi thousands unless otherwise indicated)

1. GENERAL INFORMATION

Hailan Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 31 August 2015 as an exempted company with limited liability under the Company Law Chapter 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands. The principal places of business of the Company in the People’s Republic of China (the “**PRC**”) and Hong Kong are 2/F, No. 1 Building Hampton by Hilton, No. 169 Yu Lin Road, Tianya District, Sanya, the Hainan Province, the PRC and Room 1603, 16/F, China Building, 29 Queen’s Road Central, Central, Hong Kong respectively.

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

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 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 (the “**HKICPA**”).

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

This interim condensed consolidated financial information contains interim condensed consolidated financial statements of the Group and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual consolidated financial statements. The interim condensed consolidated financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2020 have been applied consistently to these interim condensed consolidated financial statements, except for the adoption of the following revised HKFRSs that are effective from 1 January 2021.

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2

The adoption of the above new/revised HKFRSs does not have any significant impacts on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on or after 1 January 2021. The directors are in the process of assessing the possible impact of the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

4. REVENUE AND SEGMENT INFORMATION

4.1. Revenue

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

Revenue mainly represented income from sales and rental of properties, net of sales related taxes, and was after deduction of any trade discounts.

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

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of properties:		
— Development projects (excluding Danzhou Phase I)	374,578	524,166
Rental income from investment properties:		
— Development projects (excluding Danzhou Phase I)	1,968	2,163
— Danzhou Phase I	1,363	397
	<u>377,909</u>	<u>526,726</u>

(a) *Disaggregation of revenue*

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Timing of revenue recognition		
— At a point in time	374,578	524,166
Other sources of revenue:		
Rental income from investment properties	3,331	2,560
	<u>377,909</u>	<u>526,726</u>

4.2. Segment Reporting

Business segments

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the reporting format for the purposes of these interim condensed consolidated financial statements of the Group.

No geographical segment information is separately presented as the Group's business segments are mainly managed and operated in the PRC. The major market of the Group's business segments is the PRC.

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

I. Development projects (excluded Danzhou Phase I but including Danzhou Phase II)

The executive Directors consider that the Group's development projects refer to the development and sales of residential property units mainly in the PRC.

II. Danzhou Phase I

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

The executive Directors, being the chief operating decision makers, monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Income taxes are managed on a group basis and are not allocated to operating segments.

Segment results, assets and liabilities

Segment assets and liabilities include all assets and liabilities of the Group, which are managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit (loss) is “adjusted EBIT” i.e. “adjusted earnings before interest and taxes”, where “interest” is regarded as including investment income. To arrive at adjusted EBIT the Group’s earnings are further adjusted for items not specifically attributed to individual segments.

Information regarding the Group’s reportable segments for the periods ended 30 June 2021 and 2020 is set out below.

For the six months ended 30 June (unaudited)	Development Projects		Danzhou Phase I		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue from external customers	376,546	526,329	1,363	397	377,909	526,726
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	<u>376,546</u>	<u>526,329</u>	<u>1,363</u>	<u>397</u>	<u>377,909</u>	<u>526,726</u>
Reportable segment gross profit	228,494	181,792	1,279	397	229,773	182,189
Reportable segment profit (loss) (adjusted EBIT)	<u>145,096</u>	<u>115,043</u>	<u>1,004</u>	<u>(50)</u>	<u>146,100</u>	<u>114,993</u>
	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Reportable segment assets	9,238,223	7,445,324	96,366	97,952	9,334,589	7,543,276
<i>Including:</i>						
Cash and cash equivalents	1,185,443	724,987	400	2,502	1,185,843	727,489
Properties under development	6,143,540	4,625,077	–	–	6,143,540	4,625,077
Completed properties held for sale	410,517	283,889	90,900	90,984	501,417	374,873
Investment properties	99,649	103,485	1,670	1,670	101,319	105,155
Reportable segment liabilities	7,397,844	5,617,750	8,977	11,568	7,406,821	5,629,318
<i>Including:</i>						
Trade and other payables	2,025,279	1,545,131	8,530	11,189	2,033,809	1,556,320
Contract liabilities	2,746,407	1,684,632	–	–	2,746,407	1,684,632

Reconciliation of reportable segment profit or loss

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Reportable segment profit (adjusted EBIT)	146,100	114,993
Elimination of inter-segment profits	<u>–</u>	<u>–</u>
Reportable segment profit derived from the Group's external customers	146,100	114,993
Other income	4,708	1,034
Realised gain arising from financial assets at FVPL, net	6,754	3,594
Finance costs, net	<u>(26,480)</u>	<u>(8,164)</u>
Consolidated profit before taxation	<u>131,082</u>	<u>111,457</u>

5. SEASONABILITY OF OPERATION

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

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

6. FINANCE COSTS, NET

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Finance income		
Bank interest income	<u>1,739</u>	<u>1,101</u>
Finance costs		
Interest on lease liabilities	(18)	(95)
Interest on bank and other borrowings	(45,323)	(23,721)
Interest on financing component of contract liabilities	(56,080)	–
Others	(1,582)	–
Less: Capitalised interest expenses	<u>74,784</u>	<u>14,551</u>
	<u>(28,219)</u>	<u>(9,265)</u>
Finance costs, net	<u>(26,480)</u>	<u>(8,164)</u>

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is ranging from 4% to 7.64% (six months ended 30 June 2020: from 5.5% to 12.5%).

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
PRC Corporate Income Tax (“CIT”)	36,381	21,405
PRC Land Appreciation Tax (“LAT”)	96,199	50,584
Deferred income tax	(15,426)	7,703
	<u>117,154</u>	<u>79,692</u>

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

Hong Kong profits tax

No Hong Kong profits tax has been provided for the periods ended 30 June 2021 and 2020 as the Group’s entities has no assessable profits arising in or derived from Hong Kong for the periods.

CIT

CIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (six months ended 30 June 2020: 25%).

LAT

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

8. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Total staff costs (including directors' emoluments)	36,942	19,024
Depreciation of property, plant and equipment	1,538	1,417
Depreciation of right-of-use assets	475	883
Amortisation of intangible assets (included in administrative expenses)	60	76

9. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (RMB)	43,126,000	39,515,000
Weighted average number of ordinary shares in issue	300,000,000	300,000,000
Basic earnings per share (RMB)	0.14	0.13

There were no dilutive potential ordinary shares during the periods ended 30 June 2021 and 2020, therefore, the diluted earnings per share were the same as the basic earnings per share.

10. INTERESTS IN ASSOCIATES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Unlisted shares, at cost	–	–
Due from an associate	38,820	20,293
Loan to associates	15,326	92,232
Share of results	(4,672)	(3,505)
	49,474	109,020

Details of the material associates at the end of the reporting period are as follows:

Name of company	Notes	Place of incorporation/ registration and business	% of ownership interest		Carrying amount	
			At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Shenzhen Aolan Estate Co., Ltd* (深圳奧藍置業有限公司) ("Shenzhen Aolan")	(i)	The PRC	49%	49%	10,654	23,046
Guangxi Runlang Estate Co., Ltd* (廣西潤琅置業有限公司) ("Guangxi Runlang")	(ii)	The PRC	–	40%	–	65,681
Guangxi Hailan Jinzhong Real Estate Development Co., Ltd.* (廣西海藍金鐘房地產開發有限公司) ("Jinzhong Real Estate")	(iii)	The PRC	49%	49%	38,820	20,293
					<u>49,474</u>	<u>109,020</u>

* The official names are in Chinese and the English names are translated for identification purpose only.

- (i) As at 30 June 2021 and 31 December 2020, the Group held 49% equity interest in Shenzhen Aolan. The registered capital of Shenzhen Aolan is RMB10,000,000 but not yet paid. The capital injection committed by the Group of RMB4,900,000 is without expiration. Loan of RMB15,326,000 (31 December 2020: RMB26,551,000) which is unsecured, interest-free and has no fixed repayment term was made to Shenzhen Aolan based on the proportion of shareholding of its shareholders.
- (ii) In April 2021, the Group disposed all of the equity interest in Guangxi Runlang and the debts of RMB65,681,000 at total consideration of RMB70,401,000. As a result, a gain on disposal of associates of RMB4,720,000 was recognised in profit or loss.
- (iii) As at 30 June 2021 and 31 December 2020, the Group held 49% equity interest in Jinzhong Real Estate. The registered capital of Jinzhong Real Estate is RMB20,000,000 but not yet paid. The capital injection committed by the Group of RMB9,800,000 is without expiration. The amount due of RMB38,820,000 (31 December 2020: RMB20,293,000) which is unsecured, interest-free and the settlement is not expected to occur in the foreseeable future was made to Jinzhong Real Estate, of which an amount of RMB34,830,000 (31 December 2020: RMB17,393,000) was made based on the proportion of shareholding of its shareholders.

11. INVESTMENT PROPERTIES

As at 30 June 2021 and 31 December 2020, the Group's investment properties represent the car parks held by the Group for rental purpose.

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

As at 30 June 2021 and 31 December 2020, the investment properties were valued by the management of the Group using income approach and comparable market transaction approach.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Unlisted securities:		
Equity securities — outside Hong Kong	1,640	1,654
Structured deposits — outside Hong Kong (<i>Note</i>)	4,000	4,000
	<u>5,640</u>	<u>5,654</u>

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

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Trade receivables — third parties (<i>Note (i)</i>)		
— Non-current	7,154	8,072
— Current	<u>8,695</u>	<u>9,726</u>
	15,849	17,798
Less: Loss allowance	<u>(19)</u>	<u>(19)</u>
	<u>15,830</u>	<u>17,779</u>
Other receivables		
— Third parties	15,628	15,821
— Loan to third parties	10,044	16,128
— Loan to non-controlling shareholders (<i>Note (ii)</i>)	—	3,441
— Loan to a related party	500	500
— Amount due from non-controlling shareholders	112,810	44,414
Less: Loss allowance	<u>(11,766)</u>	<u>(11,766)</u>
	<u>127,216</u>	<u>68,538</u>
Advance payments to contractors, net of allowance	52,539	13,212
Amount due from a co-operation partner	—	40,000
Amounts due from related parties	22,822	—
Community facilities deposits	33,283	31,520
Expenditures incurred for construction of community facilities	30,004	30,004
Guarantee deposits — Non-current	195,000	195,000
Prepayment and other deposits	20,084	22,534
Prepaid utilities expenses	2,992	3,064
Prepaid other taxes	<u>159,944</u>	<u>51,183</u>
	<u>516,668</u>	<u>386,517</u>
Total	<u>659,714</u>	<u>472,834</u>
Classified as:		
Non-current assets	202,154	206,513
Current assets	<u>457,560</u>	<u>266,321</u>
	<u>659,714</u>	<u>472,834</u>

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 classified as non-current trade receivables. The remaining balance of trade receivables are expected to be recovered within one year.

- (ii) During the Reporting Period, the Group disposed a subsidiary to a related party. The loan to non-controlling shareholders was transferred to the related party under a side letter (31 December 2020: secured by an equity interest in the subsidiary of the Company, interest-free and repayable in 2029 which was classified as non-current other receivables). The details of disposal of a subsidiary are set out in Note 21 to this announcement.

As at 30 June 2021 and 31 December 2020, the carrying amounts of trade and other receivables approximates their fair values.

As at 30 June 2021 and 31 December 2020, the ageing analysis of gross trade receivables based on the invoice date that trade receivables were recognised, is as follows:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 1 year	8,049	10,200
Over 1 year but less than 2 years	7,344	7,142
Over 2 years but less than 3 years	–	–
Over 3 years	456	456
	<u>15,849</u>	<u>17,798</u>

14. CURRENT TAX ASSETS (LIABILITIES)

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Prepaid CIT	18,304	910
Prepaid LAT	23,651	9,769
Current tax assets	<u>41,955</u>	<u>10,679</u>
Current CIT payable	(12,160)	(24,006)
Current LAT payable	(192,762)	(100,099)
Current tax liabilities	<u>(204,922)</u>	<u>(124,105)</u>

Provision for LAT has been made pursuant to applicable tax laws in the PRC. The Group considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of LAT, the provisions have been recorded as current liabilities as at 30 June 2021 and 31 December 2020.

15. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables (<i>Note (a)</i>)		
— Third parties	1,040,904	589,839
— Related parties	143,343	168,871
	<u>1,184,247</u>	<u>758,710</u>
Amounts due to related parties	59,312	33,368
Amount due to non-controlling shareholders	211,570	270,470
Amount due to a former non-controlling shareholder	58,462	54,423
Consideration payables for acquisition of a subsidiary	57,371	57,371
Guarantee deposits	34,671	94,716
Receipt in advance for rental income	49,301	52,875
Temporary receipts from customers	69,964	56,859
Tender deposits receipts from contractors	7,405	10,936
Accrued payroll	3,578	6,662
Other payables and accruals	45,772	45,776
Value-added tax and other tax payables	252,156	114,154
	<u>849,562</u>	<u>797,610</u>
	<u><u>2,033,809</u></u>	<u><u>1,556,320</u></u>

(a) Trade payables

Trade payables mainly represent amounts due to contractors. Payment to contractors is by instalments according to progress and agreed milestones. The Group normally retains 5% as retention payment.

As at 30 June 2021 and 31 December 2020, the ageing analysis of trade payables based on the date the trade payables were recognised, is as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Within 3 months	215,031	281,920
Over 3 months but less than 6 months	316,921	2,238
Over 6 months but less than 12 months	180,337	2,821
Over 12 months	471,958	471,731
	<u>1,184,247</u>	<u>758,710</u>

16. BANK AND OTHER BORROWINGS

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Bank borrowings		
Secured (<i>Note (i)</i>)	1,117,224	955,894
Other borrowings		
— Third parties		
Secured (<i>Note (ii)</i>)	190,000	195,362
Unsecured (<i>Note (iii)</i>)	46,625	47,093
— Related parties		
Unsecured (<i>Note (iv)</i>)	567,157	555,337
	<u>803,782</u>	<u>797,792</u>
Total bank and other borrowings	<u>1,921,006</u>	<u>1,753,686</u>
The maturity of the bank borrowings and analysis of the amount due based on scheduled payment dates set out in the loan agreements are as follows:		
Within one year	89,000	46,667
In the second year	316,946	145,333
In the third to fifth years, inclusive	711,278	763,894
	<u>1,117,224</u>	<u>955,894</u>
Portion classified as current liabilities	<u>(89,000)</u>	<u>(46,667)</u>
Non-current portion	<u>1,028,224</u>	<u>909,227</u>
The maturity of the other borrowings is as follows:		
Within one year	745,852	656,487
In the second year	57,930	112,596
In the third to fifty years, inclusive	—	28,709
	<u>803,782</u>	<u>797,792</u>
Portion classified as current liabilities	<u>(745,852)</u>	<u>(656,487)</u>
Non-current portion	<u>57,930</u>	<u>141,305</u>
The total bank and other borrowings are analysed as follows:		
Portion classified as current liabilities	834,852	703,154
Non-current portion	1,086,154	1,050,532
Total bank and other borrowings	<u>1,921,006</u>	<u>1,753,686</u>

Notes:

- (i) The bank borrowings were secured by a deposit of RMB8,052,000 (31 December 2020: Nil), certain properties under development and completed properties held for sale with carrying amount of RMB1,344,287,000 (31 December 2020: RMB1,145,394,000) and RMB123,096,000 (31 December 2020: RMB119,849,000), respectively, interest bearing at rates 4% to 7.64% per annum (31 December 2020: 7% to 7.64% per annum) or RMB Loan rates of 3–5 years (including 5 years) times 115% per annum or the PRC Loan Prime Rate plus 0.15% to 2.15% per annum, repayable between 2021 to 2025 and guaranteed by subsidiaries of the Company, intermediate holding company of non-controlling shareholder and non-controlling shareholders and personal guaranteed by directors of subsidiaries of the Company and ultimate controlling shareholder.
- (ii) The secured other borrowing was secured by 15% equity interest in a subsidiary of the Company, interest bearing at 8% per annum and repayable between 2021 to 2022.
- (iii) The amounts due were unsecured, interest bearing at 10% per annum and repayable between 2022 to 2023.
- (iv) The amounts due were unsecured, interest-free and repayable on demand except for the amount due of RMB420,000,000 is interest bearing at 1% per annum, the amount due of RMB11,305,000 (31 December 2020: Nil) is interest bearing at 10% per annum and repayable in 2023 and the amounts due of RMB2,126,000 (31 December 2020: RMB1,610,000) is interest bearing at 8% per annum and repayable in 2022 respectively.

The directors estimate the fair value of the Group's borrowings at 30 June 2021 and 31 December 2020 approximate to their carrying amounts.

17. SHARE CAPITAL AND DIVIDENDS

(a) Dividends

The Board does not recommend the distribution of a final dividend in respect of the previous financial year or any interim dividend for the six months ended 30 June 2021 (six month ended 30 June 2020: Nil).

(b) Share capital

	At 30 June 2021		At 31 December 2020	
	Number of shares (Unaudited)	RMB'000 (Unaudited)	Number of shares (Audited)	RMB'000 (Audited)
Issued and fully paid:				
At beginning of the reporting period and at end of the reporting period	<u>300,000,000</u>	<u>2,585</u>	<u>300,000,000</u>	<u>2,585</u>

18. CAPITAL EXPENDITURE COMMITMENTS

Capital commitments outstanding at 30 June 2021 and 31 December 2020 not provided for in the interim condensed consolidated financial statements were as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Contracted but not provided for	<u>1,535,869</u>	<u>1,259,380</u>

19. CONTINGENT LIABILITIES/GUARANTEES ISSUED

Guarantees in respect of mortgage facilities

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 30 June 2021 and 31 December 2020 was as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>1,087,664</u>	<u>753,844</u>

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.

20. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

In addition to the related party information disclosed elsewhere in the interim condensed consolidated financial statements of the Group, the Group entered into the following significant related party transactions during the Reporting Period.

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

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

Name of party	Relationship with the Group
Yeung Man (the "Ultimate Controlling Shareholder")	Ultimate Controlling Shareholder
Nanjing Huizhi Construction Installation Engineering Co., Ltd. ("Nanjing Huizhi")	Entity controlled by the Ultimate Controlling Shareholder
Nanjing Zhonghui Construction Engineering Co., Ltd. ("Nanjing Zhonghui Construction")	N/A (31 December 2020: Entity controlled by the Ultimate Controlling Shareholder) (<i>Note (i)</i>)
Nanjing Diken Engineering Design Consultancy Co., Ltd. ("Nanjing Diken")	Entity controlled by the Ultimate Controlling Shareholder

Name of party	Relationship with the Group
Nanjing Hengjida Engineering Design Consultancy Company Limited (“ Nanjing Hengjida ”)	Entity controlled by the Ultimate Controlling Shareholder
Lianyungang Hui Neng Foundation Construction Engineering Co., Ltd. (“ Lianyungang Hui Neng ”)	Entity controlled by the Ultimate Controlling Shareholder
Nanjing Huiyao Decoration Construction Co., Ltd. (“ Nanjing Huiyao ”)	Associate of a group controlled by the Ultimate Controlling Shareholder
Zhonghui (Jiangsu) Decoration Park Engineering Company Limited (“ Zhonghui (Jiangsu) ”)	N/A (31 December 2020: Entity controlled by the Ultimate Controlling Shareholder) (<i>Note (i)</i>)
Non-controlling Shareholder A	N/A (31 December 2020: Non-controlling shareholder of a subsidiary)
Non-controlling Shareholder B	N/A (31 December 2020: Non-controlling shareholder of a subsidiary)
Shenzhen Aolan	Associate
Chung Wai (Hong Kong) Investment Construction Company Limited (“ Chung Wai (Hong Kong) ”)	Entity controlled by the Ultimate Controlling Shareholder
Zhou Li	Executive Director and chief executive office of the Group
Zhonghui Financial Holding (Shenzhen) Company Limited (“ Zhonghui Financial ”)	Entity controlled by the executive Director and chief executive officer
Zhanjiang Aoyu Real Estate Co., Ltd.* (湛江市奧譽置業有限公司) (“ Zhanjiang Aoyu ”)	Non-controlling shareholder of a subsidiary
Zhonghui Investment North America Corp. (“ Zhonghui Investment ”)	Entity controlled by the Ultimate Controlling Shareholder
中民築友房屋科技(贛州)有限公司 (“ 中民築友 ”)	Entity controlled by the Ultimate Controlling Shareholder
Hunan Jinzhong Zhiye Investment Group Co., Ltd* (湖南金鐘置業投資集團有限公司) (“ Hunan Jinzhong ”)	Non-controlling shareholder of a subsidiary
南京海藍惠源物業服務有限公司 (“ 海藍惠源 ”)	Entity controlled by the Ultimate Controlling Shareholder
南京斯悅企業管理發展有限公司 (“ 南京斯悅 ”)	Entity controlled by the Ultimate Controlling Shareholder

Name of party	Relationship with the Group
廣西富鳴城市投資發展集團有限責任公司 (“廣西富鳴”)	Non-controlling shareholder of a subsidiary
深圳金凱投資有限公司 (“深圳金凱”)	Non-controlling shareholder of a subsidiary
Zhongtou Zhiye (Guangzhou) Co., Ltd.* (中投置業(廣州)有限公司) (“Zhongtou Zhiye”)	Non-controlling shareholder of a subsidiary
衡南萬物企業管理有限公司 (“衡南萬物”)	Non-controlling shareholder of a subsidiary
廣西濱海城市建設發展有限公司 (“廣西濱海”)	Non-controlling shareholder of a subsidiary
Guangxi Runlang	N/A (31 December 2020: Associate)
Jinzhong Real Estate	Associate
欽州市天茂投資有限公司 (“天茂投資”)	Non-controlling shareholder of a subsidiary
CSM Capital, LLC (“CSM”)	Non-controlling shareholder of a subsidiary
廣西大通投資置業有限公司 (“廣西大通投資”)	Non-controlling shareholder of a subsidiary
榕泉(南京)房地產開發有限公司 (“榕泉南京”)	Entity controlled by the Ultimate Controlling Shareholder
Center Drive Investment, LLC (“Center Drive”)	Entity controlled by the Ultimate Controlling Shareholder
410 Sierra Vista Avenue, LLC (“410 Sierra Vista”)	Non-controlling shareholder of a subsidiary
200 Ocean Boulevard II, LLC	Non-controlling shareholder of a subsidiary
Shareholder A of non-controlling shareholder	Shareholder of non-controlling shareholder of a subsidiary
Shareholder B of non-controlling shareholder	Shareholder of non-controlling shareholder of a subsidiary
奧園集團有限公司	Holding entity of non-controlling shareholder of a subsidiary

Note:

- (i) From June 2021, Nanjing Zhonghui Construction and Zhonghui (Jiangsu) ceased to be connected persons of the Group.

* for identification purpose only

(b) Transactions with related parties/connected parties

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Construction and consultancy services (<i>Note (i)</i>)	65,225	19,950
Building management fee (<i>Note (ii)</i>)	2,595	–
Repayment of lease liabilities (<i>Note (iii)</i>)	532	949
Loan interest expenses (<i>Note (iv)</i>)	459	2,355
Corporate management fee income (<i>Note (v)</i>)	877	464
Consideration of disposal of a subsidiary (<i>Note (vi)</i>)	19,053	–

(i) *Construction and consultancy services*

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Nanjing Huizhi	41,152	19,950
Zhonghui (Jiangsu)	24,073	–
	<u>65,225</u>	<u>19,950</u>

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

(ii) *Building management fee*

During the period, the building management fee was charged by the following related party:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
海藍惠源	<u>2,595</u>	<u>–</u>

(iii) *Repayment of lease liabilities*

During the period, the Group rented premises from the following related party:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Chung Wai (Hong Kong)	<u>532</u>	<u>949</u>

(iv) *Loan interest expenses*

During the period, the interests were charged by the following related parties:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CSM	65	–
410 Sierra Vista	19	–
200 Ocean Boulevard II, LLC	375	–
Zhonghui Financial	<u>–</u>	<u>2,355</u>
	<u>459</u>	<u>2,355</u>

(v) *Corporate management fee income*

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Chung Wai (Hong Kong)	425	464
Zhonghui Investment	<u>452</u>	<u>–</u>
	<u>877</u>	<u>464</u>

(vi) *Consideration of disposal of a subsidiary*

During the period, the Group disposed a subsidiary to the following related party:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Center Drive	<u>19,053</u>	<u>–</u>

(c) Balances with related parties/connected parties/non-controlling shareholders/associates

(i) Amounts due from connected parties/non-controlling shareholders/associates

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-trade related:		
Non-controlling shareholders		
Non-controlling Shareholder A	–	164
Non-controlling Shareholder B	–	3,277
廣西富鳴	195,000	195,000
廣西大通投資	50,070	44,414
Zhongtou Zhiye	8,960	–
Hunan Jinzhong	53,780	–
Associates		
Shenzhen Aolan	15,326	26,551
Guangxi Runlang	–	65,681
Jinzhong Real Estate	38,820	20,293
Connected parties		
Nanjing Huizhi	199	–
中民築友	500	500
榕泉南京	272	–
Center Drive	22,351	–
	<u>385,278</u>	<u>355,880</u>

The amounts due are unsecured, interest-free and repayable on demand except for the amount due from 廣西富鳴 is refundable upon the completion of the development and sales of the properties project of Guangxi Minggui Real Estate Development Co., Ltd and the amount due from 中民築友 is interest bearing at 12% per annum and repayable in 2021 (31 December 2020: the amounts due from non-controlling Shareholder A and non-controlling Shareholder B were secured by an equity interest in the subsidiary of the Company, interest free and repayable in 2029).

(ii) Amounts due to related parties/connected parties/non-controlling shareholders

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Trade related:		
Connected parties		
Nanjing Huizhi	119,187	91,319
Lianyungang Hui Neng	21,148	21,148
Nanjing Zhonghui Construction	–	53,575
Nanjing Hengjida	516	–
Nanjing Huiyao	1,925	–
Zhonghui (Jiangsu)	–	2,623
Nanjing Diken	–	141
海藍惠源	567	65
	<u>143,343</u>	<u>168,871</u>

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-trade related:		
Other payables due to:		
Non-controlling shareholders		
Zhanjiang Aoyu	82,440	144,038
深圳金凱	70,472	64,102
Zhongtou Zhiye	–	7,840
衡南萬物	56,148	54,017
廣西濱海	1,508	473
天茂投資	529	–
CSM	1,672	1,610
410 Sierra Vista	551	–
200 Ocean Boulevard II, LLC	11,681	–
Related parties		
Zhonghui Financial	133,726	133,726
Hunan Jinzhong	–	28,280
Shareholder A of non-controlling shareholder	16,200	–
Shareholder B of non-controlling shareholder	11,000	–
奧園集團有限公司	30,000	–
Connected parties		
Zhonghui Investment	–	5,088
南京斯悅	422,112	420,000
	838,039	859,174

The amounts due are unsecured, interest-free and repayable on demand except for the amount due to 南京斯悅 of RMB420,000,000 is interest bearing at 1% per annum, the amount due to 200 Ocean Boulevard II, LLC of RMB11,305,000 (31 December 2020: Nil) is interest bearing at 10% per annum and the amounts due to CSM of RMB1,594,000 (31 December 2020: RMB1,610,000) and 410 Sierra Vista of RMB532,000 (31 December 2020: Nil) are interest bearing at 8% per annum.

21. DISPOSAL OF A SUBSIDIARY

In April 2021, the Group disposed the entire equity interests in Crossland Development Inc. (“Crossland”) at a consideration of USD2,900,000 (equivalent to RMB19,053,000). The consideration has been settled by amounts due from a related party. The details are as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)
Net assets disposed of:	
Cash and bank balances	12,676
Other payables	(5,212)
	<u>7,464</u>

An analysis of the cash flows in respect of the disposal of Crossland is as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)
Cash consideration	–
Cash and cash equivalents disposed	(12,676)
Net cash outflow arising from the disposal	<u>(12,676)</u>

	For the six months ended 30 June 2021 <i>RMB'000</i> (Unaudited)
Gain on disposal of a subsidiary:	
Consideration receivable	19,053
Net assets disposed of	(7,464)
Non-controlling interests	(1,113)
Translation reserve released upon disposal	256
	<u>10,732</u>

The gain on disposal of a subsidiary is included in the interim condensed consolidated statement of profit or loss and other comprehensive income.

22. EVENTS AFTER THE REPORTING PERIOD

Acquisition and disposal of equity interests in subsidiaries and an associate

- (a) Acquisition of 15% of equity interest in Danzhou Hailan Jinhong Property Development Co., Ltd. (“**Danzhou Hailan Jinhong**”)

On 7 July 2021, Sanya Zhongzekai Industrial Co., Ltd. (“**Sanya Zhongzekai**”), an indirect wholly-owned subsidiary of the Company, Danzhou Shuang Lian and Hailan Shiye (Guangzhou) Co., Ltd. (“**Hailan Shiye Guangzhou**”), indirect non-wholly owned subsidiaries of the Company and Hunan Jinzhong entered into an equity transfer agreement (the “**First Equity Transfer Agreement**”), pursuant to which Sanya Zhongzekai agreed to acquire, and Hunan Jinzhong agreed to dispose of, 15% of the equity interest in Danzhou Hailan Jinhong, an indirect non-wholly owned subsidiary of the Company, for a consideration of RMB93,050,000.

- (b) Disposal of 49% of equity interest in Jinzhong Real Estate

On 7 July 2021, Hailan Shiye Guangzhou and Zhongtuo Zhiye entered into an equity transfer agreement (the “**Second Equity Transfer Agreement**”), pursuant to which Hailan Shiye Guangzhou agreed to dispose of, and Zhongtuo Zhiye agreed to acquire, 49% of the equity interest in Jinzhong Real Estate, the associate of the Company, for a consideration of RMB71,880,400.

- (c) Disposal of 51% of equity interest in Guangxi Hailan Jinzhong Zhiye Co., Ltd. (“**Jinzhong Zhiye**”)

On 7 July 2021, Hailan Shiye Guangzhou and Zhongtuo Zhiye entered into an equity transfer agreement (the “**Third Equity Transfer Agreement**”), pursuant to which Hailan Shiye Guangzhou agreed to dispose of, and Zhongtuo Zhiye agreed to acquire, 51% of the equity interest in Jinzhong Zhiye, an indirect non-wholly owned subsidiary of the Company, for a consideration of RMB97,010,000.

The details of the First Equity Transfer Agreement, Second Equity Transfer Agreement and Third Equity Transfer Agreement are detailed in the Company’s announcement dated 7 July 2021.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the unaudited financial results for the Reporting Period.

During the first half of 2021, global economy continued to see slow uptick in its continuous recovery from the pandemic. Many countries were emerging from the tremendous shock of the pandemic gradually while re-opening supply. China's economy continued to rebound in steady pace under the positive and robust policies on macro-monetary control which further strengthened economic fundamentals. Under the combined effect of various factors including the driving force of policies, structural recovery and increasing exports, solidifying and positive momentum with stability was seen in China's economic development. In respect of policy direction, the overall real estate market regulation policy would remain its continuity and stability. The Chinese Central Government will continue to uphold the principle of "housing properties for accommodation, not speculation" and implement city-specific measures thoroughly, with a view to "stabilize land price, property price and expectation". In respect of regional development, the comprehensive establishment of Hainan Free Trade Port continued to benefit the development of Hainan Province with notable increase in the number of enterprises and talents establishing foothold there, reflecting the stronger confidence in Hainan's fixed investments.

During the Reporting Period, the contracted sales of the Group amounted to RMB1,647.8 million, representing an increase of 1.2 times as compared to the corresponding period in 2020. The contracted saleable gross floor area ("GFA") was approximately 113,665.3 square metres ("sq.m."), representing an increase of approximately 1.8 times over the corresponding period of last year. The contracted average selling price ("ASP") was about RMB14,496.9 per sq.m., representing a decrease of approximately 20.9% over the corresponding period of last year. The increase in contracted sales and contracted saleable GFA was mainly due to the new development projects in Sanya City and Haikou City of Hainan Province, Zhanjiang City and Foshan City of Guangdong Province and Nanning City of Guangxi Province undertaken by the Group since the second half of 2020.

Looking ahead, China's economic development will continue to show solidifying and positive momentum with stability. Underpinned by the improving situation of disease prevention and control, China has achieved strong national economic growth as a whole. In respect of national strategy, the development projects in Sanya City and Danzhou City of Hainan Province will remain the Group's focus. During the "Two Sessions" (the two sessions held by the National People's Congress and the Chinese People's Political Consultative Conference) this year, the Hainan Government unveiled the 14th Five-Year Plan of the province, which listed the development plan of several 100-billion-yuan industries and 10-billion-yuan industrial parks with priority in industrial production. Capitalising the unprecedented opportunity brought by the free trade port development initiative, the new investment potential of Hainan Province will be unleashed. The Group's future business development and expansion in Hainan

Province will continue to be benefited from the supporting policies. In parallel, the Group will step up its effort in seeking high quality investment opportunities in the Greater Bay Area and the western parts of Guangdong Province where we have established presence to promote profound and sustainable development.

To further foster the continuous development of the Group, apart from existing presence, we have been actively seeking expansion into new areas across the country, with investment opportunities in Yunnan Province, Sichuan Province, Zhejiang Province and Jiangsu Province under examination currently. With our strenuous efforts, we look to the continuous roll out of new projects in the future, which are expected to contribute value to the Group in the coming years.

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

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

Zhou Li
Chairperson

27 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overall Performance

For the Reporting Period, the revenue of the Group was approximately RMB377.9 million, representing a decrease of approximately 28.3% as compared with the corresponding period of 2020 while the gross profit was increased 26.1% from approximately RMB182.2 million for the corresponding period of 2020 to approximately RMB229.8 million. Profit attributable to owners of the Company was approximately RMB43.1 million representing an increase of 9.1%, or approximately RMB3.6 million, as compared with the corresponding period of 2020. Basic earnings per share were RMB14 cents (the corresponding period of 2020: RMB13 cents).

Performance Highlights	For the six months ended 30 June		
	2021	2020	Changes
Contracted sales (RMB million) ³	1,647.8	732.9	124.8%
Contracted saleable gross floor area ("GFA") (sq.m.) ^{2,3}	113,665.3	39,985.3	184.3%
Contracted average selling price ("ASP") (RMB/sq.m.) ^{2,3}	14,496.9	18,329.2	-20.9%
Revenue ¹ (RMB million)	377.9	526.8	-28.3%
Among which: sales of properties			
— Revenue from properties delivered (RMB million) ¹	374.6	524.2	-28.5%
— GFA of properties delivered (sq.m.)	16,027.5	21,731.0	-26.2%
— ASP of properties delivered (RMB/sq.m.)	23,372.4	24,122.2	-3.1%
Rental income (RMB million) ¹	3.3	2.6	26.9%
Loss on changes in fair value of investment properties (RMB million)	(3.8)	(9.0)	-57.8%
Gross profit (RMB million)	229.8	182.2	26.1%
Profit (Loss) for the Reporting Period			
— Attributable to owners (RMB million)	43.1	39.5	9.1%
— Attributable to non-controlling interests (RMB million)	(29.2)	(7.8)	274.4%

	At 30 June 2021	At 31 December 2020	Changes
Total assets (RMB million)	9,334.6	7,543.3	23.7%
Cash and bank balances (including cash and cash equivalents and restricted cash) (RMB million)	1,665.7	1,031.5	61.5%
Total equity (RMB million)	1,927.8	1,914.0	0.7%
Key financial ratios			
Gross profit margin ⁴	60.8%	45.2%	15.6 p.p.
Gearing ratio ⁵	99.6%	91.6%	8.0 p.p.

Notes:

1. Representing the amount of income after deduction of sales related taxes.
2. Excluding the GFA of car parking spaces.
3. Pursuant to the agreement between the shareholders of Danzhou Shuang Lian, one of the shareholders of Danzhou Shuang Lian shall continue to manage, develop and undertake fully the risk and reward of 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: $\text{Gross profit} \div \text{Revenue} \times 100\%$
5. Gearing ratio: $\text{Total bank and other borrowing} \div \text{Total equity} \times 100\%$

PROPERTY DEVELOPMENT

Contracted sales

For the Reporting Period, the Group recorded contracted sales of approximately RMB1,647.8 million, representing a significant increase of approximately 124.8% as compared with approximately RMB732.9 million in the corresponding period of 2020. The contracted saleable GFA was 113,665.3 sq.m. in the first half year of 2021, representing an increase of approximately 184.3% as compared with 39,985.3 sq.m. in the corresponding period of 2020. The ASP of contracted sales for the Reporting Period was RMB14,496.9 per sq.m., representing a decrease of approximately 20.9% as compared with RMB18,329.2 per sq.m. in the corresponding period of 2020.

The increase in contracted sales and contracted saleable GFA was mainly contributed from the new development projects in Sanya City and Haikou City of Hainan Province, Zhanjiang City and Foshan City of Guangdong Province and Nanning City of Guangxi Province.

The 20.9% decrease in the ASP of contracted sales was mainly due to the increase the property sales of the projects in Haikou City of Hainan Province, Zhanjiang City and Foshan City of Guangdong Province and Nanning City of Guangxi Province for the Reporting Period, which with a lower selling price.

REVENUE FROM SALES OF PROPERTIES

For the Reporting Period, the revenue from sales of properties amounted to approximately RMB374.6 million, representing a decrease of approximately 28.5% as compared with approximately RMB524.2 million in the corresponding period of 2020 and accounting for 99.1% of the total revenue. GFA of properties delivered decreased approximately 26.2% to 16,027.5 sq.m. for the Reporting Period from 21,731.0 sq.m. in the corresponding period of 2020. It was primarily attributable to the sales of properties of the projects of Sanya Phoenix Aqua City South Shore Phase I & II and Haikou Phoenix Aqua City Phase I. The ASP of properties delivered for the Reporting Period was RMB23,372.4 per sq.m., representing a decrease of 3.1% as compared with the corresponding period of 2020.

Completed projects held for sale

Completed projects held for sale represents completed GFA remaining undelivered at the end of each reporting period. At the end of Reporting Period, all completed properties held for sale are located in the PRC.

As at 30 June 2021, the Group had 4 completed property projects which amounted to RMB501.4 million, representing an increase of 33.8% as compared with 31 December 2020.

Projects held for future development and projects under development

Projects held for future development and projects under development are intended to be held for sale after completion. As at 30 June 2021, the Group had 11 property projects under development which amounted to RMB6,143.5 million, representing an increase of 32.8% as compared with 31 December 2020.

Land bank

During the Reporting Period, the Group acquired land and properties located at Danzhou in Hainan Province, the PRC with a GFA of approximately 180,000 sq.m.. As at 30 June 2021, the total GFA of the projects held for future development and the projects under development in the PRC and the United States of America (the “USA”) amounted to approximately 2,499,000 sq.m..

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the Reporting Period amounted to approximately RMB3.3 million, which was derived from the leasing of the serviced apartments and car parking spaces located at Sanya Phoenix Aqua City Left Shore and the shops located at Danzhou Phase I increased by approximately 26.9% over the same period in 2020.

Investment properties

As at 30 June 2021, the investment properties of the Group represent the car parking spaces held by the Group for rental purpose.

Financial Review

(I) Revenue

Revenue of the Group for the Reporting Period amounted to approximately RMB377.9 million, representing a decrease of approximately RMB148.9 million, or approximately 28.3%, as compared with the corresponding period of 2020, primarily attributable to the sales of properties of the projects of Sanya Phoenix Aqua City South Shore Phase I & II and Haikou Phoenix Aqua City Phase I.

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

Project	For the six months ended			
	30 June 2021		30 June 2020	
	GFA delivered	Revenue RMB in million	GFA delivered	Revenue RMB in million
	sq.m.		sq.m.	
Sanya Phoenix Aqua City Left Shore	–	–	198	10.5
Sanya Phoenix Aqua City South Shore Phase I & II	8,757.4	310.3	7,656	281.6
Haikou Phoenix Aqua City Phase I	7,270.1	64.3	13,877	232.1
	<u>16,027.5</u>	<u>374.6</u>	<u>21,731</u>	<u>524.2</u>

(II) Cost of sales and gross profit margin

During the Reporting Period, the cost of sales of the Group decreased by approximately RMB196.4 million, or approximately 57%, as compared with the corresponding period of 2020. The decrease was mainly attributable to an decrease of total GFA of properties delivered in the first half of 2021 when compared with same period in 2020.

Gross profit margin increased from 34.6% for the six months ended 30 June 2020 to 60.8% for the Reporting Period, primarily due to the increase of delivered GFA under the Sanya Phoenix Aqua City South Shore Phase I & II property projects which has a relatively higher profitability and the decrease of delivered GFA under the Haikou Phoenix Aqua City Phase I project which has a relatively lower gross profit during the Reporting Period.

(III) Selling and distribution expenses and administrative expenses

The selling and distribution expenses for the Reporting Period amounted to approximately RMB33.3 million, representing an increase of 191.4% from approximately RMB11.4 million in the same period of 2020, which was mainly due to an increase in the commission expenses and the salaries and allowance as a result of the increase in the size of the property sales team.

Administrative expenses increased by 53.7% from RMB39.6 million in the same period of 2020 to approximately RMB60.9 million, which was mainly due to an increase in taxes and surcharges and the salaries and allowance as a result of the increase in the size of the administrative staff team.

(IV) Finance costs, net

The finance costs, net of the Group for the Reporting Period amounted to approximately RMB26.5 million (the corresponding period of 2020: approximately RMB8.2 million). The finance cost of the Group has significantly increased by RMB19.0 million while the finance income has slightly increased by RMB0.6 million as compared to the corresponding period in 2020, which was due to the increase in interest expenses incurred on bank and other borrowings and financing component of contract liabilities during the Reporting Period.

(V) Income tax expenses

The income tax expenses of the Group increased by 47.0% to approximately RMB117.1 million for the Reporting Period from approximately RMB79.7 million for the six months ended 30 June 2020. The significant increase in income tax expenses was due to the increase in provision of PRC land appreciation tax and PRC corporate income tax as a result of the increase in gross profit from sales of properties and profit before taxation.

(VI) Profit attributable to owners of the Company

The profit attributable to owners of the Company for the Reporting Period amounted to approximately RMB43.1 million, representing an increase of approximately RMB3.6 million as compared with the corresponding period of 2020. The increase was mainly attributable to the substantial increase in gross profit from sales of properties during the Reporting Period.

(VII) Liquidity and financial resources

As at 30 June 2021, total assets of the Group amounted to approximately RMB9,334.6 million (31 December 2020: approximately RMB7,543.3 million), of which current assets amounted to approximately RMB8,903.3 million (31 December 2020: approximately RMB7,049.3 million). Total liabilities amounted to approximately RMB7,406.8 million (31 December 2020: approximately RMB5,629.3 million), of which non-current liabilities amounted to approximately RMB1,586.3 million (31 December 2020: approximately RMB1,560.1 million). Total equity amounted to approximately RMB1,927.8 million (31 December 2020: approximately RMB1,914.0 million). Total equity attributable to owners of the Company amounted to RMB1,526.2 million (31 December 2020: approximately RMB1,484.6 million).

As at 30 June 2021, the Group had cash and bank balances (including restricted cash) of approximately RMB1,665.7 million (31 December 2020: approximately RMB1,031.5 million). The Group had bank and others borrowings of RMB1,921.0 million (31 December 2020: RMB1,753.7 million).

(VIII) Commitments

As at 30 June 2021, the Group had capital commitments outstanding but not provided for amounting to approximately RMB1,535.9 million (31 December 2020: approximately RMB1,259.4 million).

(IX) Contingent liabilities

Guarantees in respect of mortgage facilities

As at 30 June 2021, the Group provided guarantees (the “**Guarantees**”) of approximately RMB1,087.7 million (31 December 2020: approximately RMB753.8 million) to the bank in respect of the mortgage loans granted to purchasers of the properties of the Group. Pursuant to the terms of the Guarantees, if there is any default of the mortgage repayments 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 bank. The Group’s guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the date 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 purchasers.

The Directors consider that it is not probable that the Group will sustain a loss under these Guarantees as during the guarantee period, 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 bank. 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 bank.

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.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

Acquisitions of land use rights

On 6 January 2021, Danzhou Shuang Lian, an indirect subsidiary of the Company, Hailan Shiye Guangzhou, and Hunan Jinzhong Property Investment Group Co., Ltd. (“**Hunan Jinzhong Property**”) won the bid in respect of the land parcel situated at Danzhou, Hainan Province, the PRC at the auction at a consideration of RMB1,080 million and received the confirmation notification from the auction company in relation to the land acquisition. Danzhou Hailan Jinhong was established on 7 January 2021 and was owned as to 50% by Danzhou Shuang Lian, 35% by Hailan Shiye Guangzhou and 15% by Hunan Jinzhong. The asset transfer agreement in respect of the land acquisition was entered into on 7 January 2021 between Management Committee of Binhai New District of Danzhou* (儋州濱海新區管理委員會) as transferor and Danzhou Shuang Lian, Hailan Shiye Guangzhou, and Hunan Jinzhong Property as purchasers.

Disposal of a subsidiary

On 1 April 2021, the Company, the Nanhai Xianglong Real Estate Development Co., Ltd. (an indirect subsidiary of the Company, “**Nanhai Xianglong**”) as seller and Center Drive Investment, LLC (“**Center Drive**”) as the purchaser entered into the disposal agreement, under which Center Drive agreed to acquire, and Nanhai Xianglong agreed to sell, 290,000 shares, representing 58% of the share capital, of Crossland Development, Inc. for a consideration of US\$2.9 million. On the same date, the Company and Center Drive entered into the side letter, under which the Company agreed to transfer the sale loans in the aggregate amount of US\$1.05 million to the Purchaser, for a consideration at the face value of the sale loans.

GEARING RATIO

As at 30 June 2021, the Group's gearing ratio was 99.6% (31 December 2020: approximately 91.6%).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the note 22 of Notes to the Interim Condensed Consolidated Financial Information, there was no significant events occurring after the end of the Reporting Period up to the date of this announcement.

FUTURE PLAN FOR MATERIAL INVESTMENTS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, taking into account of Danzhou Phase I, the Group had approximately 485 employees (as at 31 December 2020: 364 employees). For the Reporting Period, the Group incurred employee costs of approximately RMB36.9 million, which were 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.

RESTRICTED CASH/PLEDGE OF ASSETS

As at 30 June 2021, the restricted cash received from the pre-sale of properties in amount of RMB479.9 million (31 December 2020: RMB304.0 million) was placed in dedicated regulatory bank accounts. In addition, the carrying amount of properties under development and completed properties held for sale in amount of approximately RMB1,344.3 million (31 December 2020: RMB1,145.4 million) and RMB123.1 million (31 December 2020: RMB119.8 million) respectively was pledged for bank and other borrowings.

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 Reporting Period (six months ended 30 June 2020: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance with a view to assuring the conduct of management of the Company and protecting the interests of all Shareholders. The Company is fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders and the Board considers that sound corporate governance can maximize the Shareholders' interest.

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

During the Reporting Period, the Company has complied with the Code Provisions as set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code as described below.

Under Code Provision A.2.1 of the CG Code as set out in Appendix 14 to 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 organisational structure of the Group, the function of chief executive officer is performed by Ms. Zhou Li. The Board is of the opinion that vesting the roles of both chairman and chief executive officer in Ms. Zhou Li has the benefit of ensuring consistent leadership within the Group, thus enabling more effective and efficient strategic planning for the Group.

Under this arrangement, the Board also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing Board which comprises experienced and competent individuals with more than one-third of the Board being independent non-executive Directors. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

CHANGE OF DIRECTORS AND CHIEF EXECUTIVES

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

1. The former independent non-executive Director, Mr. Deng Shaochao, retired on 4 June 2021.
2. Prof. Fan Conglai was appointed as an independent non-executive Director with effect from 4 June 2021.

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

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

For the Reporting 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.

SHARE AWARD SCHEME

The Board has conditionally resolved to adopt the share award scheme (the “**Share Award Scheme**”) on 30 April 2021 (the “**Adoption Date**”). The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain eligible participants (“**Eligible Participants**”) and to provide them with incentives in order to retain them for the continuous operation and future development of the Group and to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the Board in accordance with the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for 10 years from the Adoption Date.

Pursuant to the Share Award Scheme, the award of shares of the Company may be satisfied by (i) new shares of the Company allotted and issued to the trustee or to the selected participants directly by the Company, the costs of which will be borne by the Company, or (ii) shares of the Company to be acquired by the trustee at the cost of the Company. The shares of the Company awarded to the selected participants (the “**Awarded Shares**”) will be held on trust by the trustee for the selected participants before vesting. Given that the Share Award Scheme does not involve the grant of options over any new shares of the Company, it does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is not required to comply with the rules thereunder.

The total number of new shares of the Company as Awarded Shares to be allotted and issued by the Company, underlying all grants made pursuant to the Share Award Scheme shall not exceed 10% of the total number of issued shares of the Company as at the Adoption Date. As at the date of this announcement, no Awarded Shares have been granted under the Share Award Scheme. None of the Directors waived any emoluments during the Reporting 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. After the retirement of Mr. Deng Shaochao as a member of the Audit Committee on 4 June 2021, the Audit Committee consists of three independent non-executive Directors, namely Dr. Zhao Guoqing, Mr. Li Yong and Prof. Fan Conglai. The Audit Committee is chaired by Dr. Zhao Guoqing.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (<http://www.hailanholdings.com>) and the Stock Exchange (<http://www.hkexnews.hk>). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the Shareholders and made available for review on the above websites in due course.

By order of the Board
Hailan Holdings Limited
Chairperson
Zhou Li

The PRC, 27 August 2021

As at the date of this announcement, the executive Directors are Ms. Zhou Li, Ms. Fan Wenyi and Mr. Chen Xiang; and the independent non-executive Directors are Mr. Li Yong, Prof. Fan Conglai and Dr. Zhao Guoqing.