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Hailan Holdings Limited

海藍控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2278)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Hailan Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that the consolidated results of the Group for the year ended 31 December 2022 (the “**Reporting Period**”) with the comparative figures for the year ended 31 December 2021 are as follows:

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

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	1,391,710	557,571
Cost of sales		<u>(954,999)</u>	<u>(257,877)</u>
Gross profit		436,711	299,694
Other income	4	4,806	6,732
Selling and distribution expenses		(75,434)	(67,587)
Administrative expenses		(109,345)	(119,806)
Losses on changes in fair value of investment properties		(31,596)	(29,978)
Realised gain arising from financial assets at fair value through profit or loss (“FVPL”), net		1,304	8,538
Share of results of an associate		(941)	(2,784)
Gain on disposal of subsidiaries		11,412	17,142
Gain on disposal of associates		–	4,720
Write-down of properties under development to net realisable value		<u>(692,981)</u>	<u>–</u>
Operating (loss) profit		<u>(456,064)</u>	<u>116,671</u>
Finance income		8,936	5,827
Finance costs		<u>(27,766)</u>	<u>(32,197)</u>
Finance costs, net	5	<u>(18,830)</u>	<u>(26,370)</u>
(Loss) Profit before taxation		(474,894)	90,301
Income tax expenses	6	<u>(152,959)</u>	<u>(132,021)</u>
Loss for the year	7	<u>(627,853)</u>	<u>(41,720)</u>
(Loss) Profit for the year attributable to:			
Owners of the Company		(631,634)	15,448
Non-controlling interests		<u>3,781</u>	<u>(57,168)</u>
		<u>(627,853)</u>	<u>(41,720)</u>
(Loss) Earnings per share attributable to owners of the Company (expressed in RMB per share)			
— Basic and diluted	9	<u><u>(2.11)</u></u>	<u><u>0.05</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*

For the year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other comprehensive income (loss):		
<i>Items that are/may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements to presentation currency	16,407	(4,299)
Reclassification adjustment related to the disposal of foreign operations	—	(256)
	<u>16,407</u>	<u>(4,555)</u>
Other comprehensive income (loss) for the year, net of tax	16,407	(4,555)
	<u>(611,446)</u>	<u>(46,275)</u>
Total comprehensive loss for the year	(611,446)	(46,275)
Total comprehensive (loss) income attributable to:		
Owners of the Company	(619,274)	12,552
Non-controlling interests	7,828	(58,827)
	<u>(611,446)</u>	<u>(46,275)</u>
Total comprehensive loss for the year	(611,446)	(46,275)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		208,667	34,908
Investment properties		505,188	75,177
Intangible assets		838	1,003
Interests in an associate		8,097	9,038
Trade and other receivables	<i>10</i>	37,687	5,565
Deferred tax assets		54,084	40,543
		<hr/> 814,561	<hr/> 166,234
Current assets			
Properties under development		4,393,592	6,888,536
Completed properties held for sale		1,914,630	494,415
Contract costs		116,468	91,381
Trade and other receivables	<i>10</i>	302,879	324,231
Current tax assets		74,443	50,490
Financial assets at fair value through profit or loss		3,852	2,607
Restricted cash		483,494	453,731
Cash and cash equivalents		594,623	454,088
		<hr/> 7,883,981	<hr/> 8,759,479
Current liabilities			
Trade and other payables	<i>11</i>	1,863,062	2,048,088
Contract liabilities		3,248,596	2,874,733
Bank and other borrowings		429,388	472,400
Current tax liabilities		268,868	213,661
		<hr/> 5,809,914	<hr/> 5,608,882
Net current assets		<hr/> 2,074,067	<hr/> 3,150,597
Total assets less current liabilities		<hr/> 2,888,628	<hr/> 3,316,831

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 31 December 2022*

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Bank and other borrowings		1,386,559	1,148,502
Deferred tax liabilities		465,501	491,804
		<u>1,852,060</u>	<u>1,660,306</u>
NET ASSETS		<u>1,036,568</u>	<u>1,656,525</u>
Capital and reserves			
Share capital		2,585	2,585
Reserves		918,614	1,467,029
		<u>921,199</u>	<u>1,469,614</u>
Equity attributable to owners of the Company		<u>921,199</u>	<u>1,469,614</u>
Non-controlling interests		115,369	182,911
		<u>1,036,568</u>	<u>1,656,525</u>
TOTAL EQUITY		<u>1,036,568</u>	<u>1,656,525</u>

NOTES

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which include all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The measurement basis used in the preparation of these consolidated financial statements is historical cost convention, except for investment properties and financial assets at fair value through profit or loss (“**FVPL**”) which have been measured at fair value.

These consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2021 except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in Note 2.

2. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

Annual Improvements Project — 2018–2020 Cycle

HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that — for the purpose of performing the “10 per cent test” for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

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

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Sales of properties:		
— Development projects (excluding Danzhou Phase I)	1,386,961	552,928
Rental income from investment properties:		
— Development projects (excluding Danzhou Phase I)	3,582	3,039
— Danzhou Phase I	1,167	1,604
	<u>1,391,710</u>	<u>557,571</u>

Disaggregation of revenue

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other sources of revenue:		
Rental income from investment properties	4,749	4,643
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Timing of revenue recognition		
— At a point in time	1,386,961	552,928
	<u>1,391,710</u>	<u>557,571</u>

(b) Segment reporting

Business segments

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

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 (excluding Danzhou Phase I but including Danzhou Phase II)

The Company’s executive directors consider that the Group’s development projects refer to the development and sales of residential property units mainly in the PRC and the United States of America (“USA”).

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 Shuanglian Property Development Company Limited (“**Danzhou Shuanglian**”) in Hainan Province, the PRC.

The Company’s 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.

Geographical information

The following geographical information of the Group’s revenue and non-current asset excluding deferred tax assets are based on the location of customers and the location of the assets respectively.

	2022	2021
Revenue from external customers:		
The PRC	86%	100%
The USA	14%	0%
Non-current asset:		
The PRC	40%	100%
The USA	60%	0%

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 earnings before interest and taxes where “interest” is regarded as including investment income (“**adjusted EBIT**”). To arrive at adjusted EBIT the Group’s earnings (losses) are further adjusted for items not specifically attributed to individual segments.

Information regarding the Group's reportable segments for the years ended 31 December 2022 and 2021 is set out below.

For the year ended 31 December	Development Projects		Danzhou Phase I		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers and reportable segment revenue	<u>1,390,543</u>	<u>555,967</u>	<u>1,167</u>	<u>1,604</u>	<u>1,391,710</u>	<u>557,571</u>
Reportable segment gross profit (loss)	454,419	298,190	(17,708)	1,504	436,711	299,694
Reportable segment (loss) profit (adjusted EBIT)	<u>(448,330)</u>	<u>101,389</u>	<u>(13,844)</u>	<u>12</u>	<u>(462,174)</u>	<u>101,401</u>
As at 31 December						
Reportable segment assets	8,616,976	8,830,192	81,566	95,521	8,698,542	8,925,713
<i>Including:</i>						
Cash and cash equivalents	593,233	453,892	1,390	196	594,623	454,088
Properties under development	4,393,592	6,888,536	–	–	4,393,592	6,888,536
Completed properties held for sale	1,842,605	403,515	72,025	90,900	1,914,630	494,415
Property, plant and equipment	208,667	34,908	–	–	208,667	34,908
Investment properties	504,388	73,977	800	1,200	505,188	75,177
Reportable segment liabilities	7,658,208	7,265,213	3,766	3,975	7,661,974	7,269,188
<i>Including:</i>						
Trade and other payables	1,859,694	2,044,496	3,368	3,592	1,863,062	2,048,088
Contract liabilities	3,248,596	2,874,733	–	–	3,248,596	2,874,733
Other segment information						
Depreciation and amortisation	3,313	3,294	3	3	3,316	3,297
Depreciation of right-of-use assets	–	945	–	–	–	945
Losses on changes in fair value of investment properties	31,196	29,508	400	470	31,596	29,978
Write-down of properties under development to net realisable value	692,981	–	–	–	692,981	–
Write-down of completed properties to net realisable value	–	–	18,875	–	18,875	–
Gain on disposal of subsidiaries	11,412	17,142	–	–	11,412	17,142
Additions to property, plant and equipment	9	1,024	–	–	9	1,024
Additions to intangible assets	35	924	–	–	35	924

Information about major customers

There was no sale to a single customer which accounted for 10% or more of the Group's revenue for the years ended 31 December 2022 and 2021.

Reconciliation of reportable segment profit or loss

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Reportable segment (loss) profit (adjusted EBIT) and reportable segment (loss) profit derived from the Group's external customers	(462,174)	101,401
Other income	4,806	6,732
Realised gain arising from financial assets at FVPL, net	1,304	8,538
Finance costs, net	<u>(18,830)</u>	<u>(26,370)</u>
Consolidated (loss) profit before taxation	<u>(474,894)</u>	<u>90,301</u>
4. OTHER INCOME		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Corporate management fee income	882	846
Others	<u>3,924</u>	<u>5,886</u>
	<u>4,806</u>	<u>6,732</u>
5. FINANCE COSTS, NET		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance income		
Bank interest income	<u>8,936</u>	<u>5,827</u>
Finance costs		
Interest on bank and other borrowings	69,296	97,025
Interest on financing component of contract liabilities	67,978	106,712
Interest on lease liabilities	–	24
Others	28	24
Less: Capitalised interest expenses	<u>(109,536)</u>	<u>(171,588)</u>
	<u>27,766</u>	<u>32,197</u>
Finance costs, net	<u>(18,830)</u>	<u>(26,370)</u>

6. INCOME TAX EXPENSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC Corporate Income Tax (“CIT”)	41,260	47,250
PRC Land Appreciation Tax (“LAT”)	142,937	112,232
USA income tax	15	–
Deferred taxation	<u>(31,253)</u>	<u>(27,461)</u>
	<u><u>152,959</u></u>	<u><u>132,021</u></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 were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2022 and 2021 as the Group’s entities had no assessable profits arising in or derived from Hong Kong for the years.

CIT

CIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2021: 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.

USA income tax

The USA income taxes in respect of operations in the USA are calculated at the applicable tax rates at 21% on the estimated assessable profits for the Reporting Period based on the prevailing legislation, interpretations and practices in respect thereof.

7. LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2022 <i>RMB'000</i> (Audited)	2021 <i>RMB'000</i> (Audited)
Cost of properties sold	936,124	257,877
Depreciation of property, plant and equipment	3,116	3,137
Depreciation of right-of-use assets	–	945
Amortisation of intangible assets (included in administrative expenses)	<u>200</u>	<u>160</u>

8. DIVIDENDS

The board of directors does not recommend the distribution of a final dividend for the Reporting Period (2021: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss attributable to owners of the Company of RMB631,634,000 (2021: profit of RMB15,448,000) and the weighted average number of 300,000,000 (2021: 300,000,000) ordinary shares in issue during the Reporting Period.

There were no dilutive potential ordinary shares during the years ended 31 December 2022 and 2021 and, therefore, the diluted earnings per share were the same as the basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables — third parties (<i>note i</i>)		
— Non-current	3,477	5,565
— Current	2,036	6,747
	<u>5,513</u>	<u>12,312</u>
Less: Loss allowance	(19)	(19)
	<u>5,494</u>	<u>12,293</u>
Other receivables		
— Non-current	34,210	—
— Current	312,628	329,269
Less: Loss allowance	(11,766)	(11,766)
	<u>335,072</u>	<u>317,503</u>
Total	<u><u>340,566</u></u>	<u><u>329,796</u></u>
Classified as:		
Non-current assets	37,687	5,565
Current assets	302,879	324,231
	<u><u>340,566</u></u>	<u><u>329,796</u></u>

- (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 to non-current trade receivables. The remaining balance of trade receivables are expected to be recovered within one year. The Group does not hold any collaterals over these balances. In respect of the sale of properties, no credit terms are granted to customers.

(a) Ageing analysis of trade receivables

As of the end of the Reporting Period, the ageing analysis of gross trade receivables, based on the invoice date that trade receivables were recognised, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	4,508	10,156
Over 1 year but less than 2 years	510	1,700
Over 3 years	495	456
	<u>5,513</u>	<u>12,312</u>

11. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables (<i>note i</i>)		
— Third parties	1,080,460	873,635
— Related parties	77,770	71,495
	<u>1,158,230</u>	<u>945,130</u>
Other payables	704,832	1,102,958
	<u>1,863,062</u>	<u>2,048,088</u>

(i) Trade payables

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

As of the end of the Reporting Period, the ageing analysis of trade payables, based on the date on which the trade payables were recognised, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	830,931	763,756
Over 3 months but less than 6 months	10,049	7,878
Over 6 months but less than 12 months	21,627	16,471
Over 12 months	295,623	157,025
	<u>1,158,230</u>	<u>945,130</u>

CHAIRMAN’S STATEMENT

Dear Shareholders,

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

In 2022, the international environment was tumultuous in the midst of the pandemic and tremendous changes. The global economy faced an increasing risk of stagnation, compounded by unexpected domestic factors such as shrinking demand, supply shocks, pandemic resurgences, high temperatures, and droughts, further intensifying downward pressure on the PRC economy. In the real estate industry, the sector has peaked in size and profits continued to decline, leading to sluggish performance with plummeting land and sales markets. Property enterprises, facing high leverage ratios and approaching debt maturities, were forced to lower prices to promote sales, which further accelerated the decline in property prices. Consequently, market confidence remained low. At a regional level, the Hainan Free Trade Port continued to optimize its economic structure, achieving significant progress in economic and social development. The expedited construction of the Hainan Free Trade Port has also supported the steady improvement in the quality of economic development.

During the Reporting Period, the contracted sales of the Group amounted to RMB1,839.5 million, representing an increase of approximately 22.6% as compared to 2021. The contracted saleable gross floor area (“**GFA**”) was approximately 121,326.6 square metres (“**sq.m.**”), representing an increase of approximately 21.3% from 2021. The contracted average selling price (“**ASP**”) was about RMB15,161.6 per sq.m., representing an increase of approximately 1.1% over 2021. The increase in contracted sales and contracted saleable GFA was mainly due to an increase in the Group’s properties available for sale in 2022.

In 2023, the National People’s Congress and Chinese People’s Political Consultative Conference have signaled a positive outlook by announcing a series of measures aimed at further opening up, attracting foreign investment, stimulating domestic demand, and promoting economic development. To this end, a GDP growth target of 5% has been set for 2023. The Group will continue to concentrate on projects in Hainan Province while actively preparing to achieve the objective of establishing a closed operation system in Hainan by the end of 2025. The Group will take advantage of the favorable policies to strive for high-quality development.

To further foster the continuous development of the Group, we will operate steadily by leveraging our existing advantages to enhance our product and service capabilities and improve our brand competitiveness. While continuing to cultivate the expanded regions, we are actively seeking to enter into new regions nationwide, optimizing our city presence and focusing on mainstream cities.

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

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

Zhou Li
Chairperson

31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overall Performance

For the Reporting Period, the revenue and gross profit of the Group were approximately RMB1,391.7 million and RMB436.7 million, representing an increase of approximately 1.5 times and 45.7% as compared with 2021, respectively. Loss attributable to the equity shareholders of the Company was approximately RMB631.6 million as compared with profit attributable to the equity shareholders of the Company of RMB15.4 million last year. Basic losses were RMB211 cents per share (2021: basic earnings of RMB5 cents per share).

Performance Highlights

	As at 31 December		
	2022	2021	Changes
Contracted sales (RMB million) ¹	1,839.5	1,500.6	22.6%
Contracted saleable GFA (sq.m.) ^{1,2}	121,326.6	100,016.2	21.3%
Contracted ASP (RMB/sq.m.) ^{1,2}	15,161.6	15,003.5	1.1%
Revenue ¹ (RMB million)	1,391.7	557.6	1.5 times
Among which: sales of properties			
— Revenue from properties delivered (RMB million) ¹	1,387.0	552.9	1.5 times
— GFA of properties delivered (sq.m.)	114,657.3	13,973.9	7.2 times
— ASP of properties delivered (RMB/sq.m.)	11,510.8	39,566.6	-70.9%
Rental income (RMB million) ³	4.7	4.6	2.2%
Losses on changes in fair value of investment properties (RMB million)	(31.6)	(30.0)	5.3%
Impairment of net realisable value of properties under development (RMB million)	(693.0)	—	N/A
Gross profit (RMB million)	436.7	299.7	45.7%
(Loss) Profit for the year			
— Attributable to owners (RMB million)	(631.6)	15.4	N/A
— Attributable to non-controlling interests (RMB million)	3.8	(57.2)	N/A
Total assets (RMB million)	8,698.5	8,925.7	-2.5%
Cash and bank balances (including cash and cash equivalents and restricted cash) (RMB million)	1,078.1	907.8	18.8%
Total equity (RMB million)	1,036.6	1,656.5	-26.4%
Key financial ratios			
Gross profit margin ⁴	31.4%	53.8%	-22.4 p.p.
Gearing ratio ⁵	175.2%	99.1%	76.1 p.p.

Notes:

1. Pursuant to the agreement between the shareholders of Danzhou Shuanglian, one of the former shareholders of Danzhou Shuanglian shall continue to manage, develop and undertake fully the risk and reward of Danzhou Phase I. The acquisition of Danzhou Shuanglian has been accounted for as a business combination with Danzhou Shuanglian fully consolidated into our Group's consolidated financial statements from the date of acquisition. As the Group does not share any risks and rewards relating to Danzhou Phase I pursuant to the abovementioned agreement, the net profit or loss and net assets or liabilities arising from Danzhou Phase I are wholly attributable to the non-controlling interests in the Group's consolidated statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity. Contracted sales of Danzhou Phase I is excluded in this analysis for discussion purpose.
2. The calculation excludes the GFA of car parking spaces.
3. Rental income represents the amount of income after deduction of sales related taxes.
4. Gross profit margin: $\text{Gross profit} \div \text{Revenue} \times 100\%$
5. Gearing ratio: $\text{Total bank and other borrowings} \div \text{Total equity} \times 100\%$

PROPERTY DEVELOPMENT

Contracted sales

For the Reporting Period, the Group recorded contracted sales of approximately RMB1,839.5 million, representing an increase of approximately 22.6% as compared with 2021. The contracted saleable GFA was 121,326.6 sq.m. in the Reporting Period, representing an increase of approximately 21.3% year-on-year. The ASP of contracted sales was RMB15,161.6 per sq.m., representing an increase of approximately 1.1% year-on-year.

The increase in contracted sales and contracted saleable GFA was mainly due to the Group undertaking development projects in San Jose City in the United States of America (“USA” or the “United States”) and Sanya City and Haikou City of Hainan Province, Zhanjiang City and Foshan City of Guangdong Province and Nanjing City of Jiangsu Province in the Reporting Period.

Project	City	For the year ended 31 December			
		2022		2021	
		Contracted GFA sq.m.	Contracted sales RMB'million	Contracted GFA sq.m.	Contracted sales RMB'million
Zhanjiang City	Zhanjiang, PRC				
Binjianghua Fu		39,104.3	240.5	44,499.9	316.6
Sanya Phoenix Aqua	Sanya, PRC				
City South Shore		21,879.2	864.4	17,240.8	700.0
Hailan Zhongtang	Nanjing, PRC	20,572.9	204.6	14,724.4	165.6
Jingzhuya Court	Foshan, PRC	14,880.3	171.2	16,765.6	221.7
Haihan Rongjing	Yuxi, PRC	13,816.3	79.2	–	–
Danzhou Phoenix Shores	Danzhou, PRC				
Yue Hai Bay		8,632.2	88.8	3,409.5	38.4
Hamilton Sierra Vista	San Jose, USA	2,377.0	189.4	–	–
Sanya Phoenix Aqua	Sanya, PRC				
City Left Shore		64.4	1.4	–	–
Haikou Phoenix Aqua	Haikou, PRC				
City Phase I		–	–	3,376.0	58.4
		<u>121,326.6</u>	<u>1,839.5</u>	<u>100,016.2</u>	<u>1,500.6</u>

REVENUE FROM SALES OF PROPERTIES

For the Reporting Period, the GFA of delivered properties increased to 114,657.3 sq.m., representing an increase of approximately 7.2 times as compared with 2021, which was mainly due to properties being delivered by the projects in the cities of Sanya and Haikou, Zhanjiang, Foshan, Nanjing in the PRC and San Jose in the United States. The revenue from sales of properties was approximately RMB1,387.0 million, representing an increase of approximately 1.5 times as compared with 2021 and accounting for 99.7% of total revenue, which continued to be the main source of revenue and growth momentum for the Group.

Completed projects held for sale

Completed projects held for sale represents completed GFA remaining undelivered at the end of each reporting period. At the year end, 99.6% of all the completed GFA remaining undelivered was located in the PRC.

As at 31 December 2022, the Group had 7 completed property projects which amounted to RMB1,914.6 million, representing an increase of 3.8 times as compared with 2021.

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 31 December 2022, the Group had 8 property projects under development which amounted to RMB4,393.6 million, representing a decrease of 36.2% as compared with 2021.

During the Reporting Period, certain projects under development in the PRC with carrying amounts of RMB2,035.7 million were written down by RMB693.0 million to their net realisable values in view of the decline in the expected unit selling price based on the recent property market in Danzhou and Haikou regions. The net realisable value of the properties under development was estimated based on recent pre-sale prices and residual valuation approach.

At the ended of the reporting period, one property under development project with gross carrying amount of RMB331.0 million and accumulated write-down of RMB153.8 million had been transferred to construction in progress within projects held for future development which classified as properties, plant and equipment upon the change in use.

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the Reporting Period amounted to approximately RMB4.7 million, representing the income 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 and the apartments located at Long Beach City of California, the United States.

Investment properties

The investment properties of the Group represent the car parking spaces and apartments held by the Group for rental purpose. As at 31 December 2022, the carrying amount of investment properties was approximately RMB505.2 million, representing an increase of approximately 5.7 times as compared with 2021, mainly due to the project at Long Beach with approximately RMB488 million being transferred from completed properties during the Reporting Period and a decrease in fair value by approximately RMB31.6 million.

Financial Review

(I) Revenue

Revenue of the Group is mainly derived from property development and property investment. During the Reporting Period, revenue of the Group amounted to approximately RMB1,391.7 million, representing an increase of approximately 1.5 times as compared with 2021, primarily due to the increase in the total GFA of properties delivered in the Reporting Period.

(II) Cost of sales and gross profit

The cost of sales and gross profit of the Group was approximately RMB955.0 million and RMB436.7 million respectively, representing an increase of approximately 2.7 times and 45.7% as compared with 2021 respectively, mainly due to the increase in total GFA delivered during the Reporting Period.

The drop of gross profits margin from 53.8% as at 31 December 2021 to 31.4% as at 31 December 2022 due to more completed properties with a lower gross profit margin were sold in the Reporting Period.

(III) Selling and distribution expenses and administrative expenses

The Group's selling and distribution expenses for the Reporting Period amounted to approximately RMB75.4 million (2021: approximately RMB67.6 million), mainly due to an increase in the expenses on sales agent commission and sale staff cost.

Administrative expenses decreased by 8.8% to RMB109.3 million, mainly due to a decrease in administration staff cost and PRC tax surcharge.

(IV) Finance costs, net

The net finance costs of the Group for the Reporting Period amounted to approximately RMB18.9 million (2021: RMB26.4 million). The decrease in net finance costs was mainly due to the decrease in the interest expenses on bank and other borrowings due to the repayment during the Reporting Period and no more provision made on the interest cost on financial component of contract liabilities after the completion of the properties.

(V) Income tax expenses

The income tax expenses of the Group increased by 15.9% to approximately RMB153.0 million. Among which, the CIT and the LAT amounted to approximately RMB41.3 million and RMB142.9 million, respectively. The increase was mainly attributable to more operating profit of certain subsidiaries generated from the sales of completed projects being recorded during 2022.

(VI) Loss/profit attributable to owners of the Company

The loss attributable to owners of the Company for the Reporting Period amounted to approximately RMB631.6 million (2021: profit of RMB15.4). In 2022, the increase in properties delivered resulted in higher overall gross profit, but loss was recorded due to write-down of the currying value of properties under development to net realisable value.

(VII) Liquidity and financial resources

As at 31 December 2022, total assets of the Group amounted to approximately RMB8,698.5 million (2021: approximately RMB8,925.7 million), of which current assets amounted to approximately RMB7,884.0 million (2021: approximately RMB8,759.5 million). Total liabilities amounted to approximately RMB7,662.0 million (2021: approximately RMB7,269.2 million), of which non-current liabilities amounted to approximately RMB1,852.1 million (2021: approximately RMB1,660.3 million). Total equity amounted to approximately RMB1,036.6 million (2021: approximately RMB1,656.5 million). Total equity attributable to owners of the Company amounted to RMB921.2 million (2021: approximately RMB1,469.6 million).

As at 31 December 2022, the Group had cash and bank balances (including restricted cash) of approximately RMB1,078.1 million (2021: approximately RMB907.8 million); while bank and other borrowings was in the amount of approximately RMB1,815.9 million (2021: RMB1,640.9 million).

(VIII) Commitments

As at 31 December 2022, the Group had capital commitments outstanding but not provided for in the consolidated financial statements which amounted to approximately RMB2,236.0 million (2021: approximately RMB1,966.9 million).

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

(i) Transfer of equity interest in Danzhou Shuanglian

On 10 November 2022, Hailan Shiye (Guangzhou) Co., Ltd.* (海藍實業(廣州)有限公司) (“**Hailan Shiye Guangzhou**”) (an indirect non wholly-owned subsidiary of the Company) as vendor and Sanya Zhongzekai Shiye Co., Ltd.* (三亞中澤凱實業有限公司) (“**Sanya Zhongzekai**”) (an indirect wholly-owned subsidiary of the Company) as purchaser entered into the equity transfer agreement in relation to the transfer of 9.7% of equity interest in Danzhou Shuanglian from Hailan Shiye Guangzhou to Sanya Zhongzekai. The total consideration of RMB105,410,000 payable by Sanya Zhongzekai to Hailan Shiye Guangzhou for 9.7% of the equity interest in Danzhou Shuanglian. The consideration was payable by Sanya Zhongzekai to Hailan Shiye Guangzhou by way of setting off debt owed by Hailan Shiye Guangzhou to Sanya Zhongzekai.

Upon completion of the equity transfer, the effective interest in Danzhou Shuanglian owned by the Group would be increased to 98.908%. Danzhou Shuanglian would continue to be consolidated into the consolidated financial statements of the Group.

For details, please refer to the announcement of the Company dated 11 November 2022.

(ii) Disposal of equity interest in a subsidiary

On 10 November 2022, Hailan Shiye Guangzhou, Hailan Haoyue Holdings (Shenzhen) Co., Ltd.* (海藍浩越控股(深圳)有限公司) (“**Hailan Haoyue**”), Jiangxi Hailan Hongji Real Estate Development Co., Ltd.* (江西海藍鴻基房地產開發有限公司) (“**Jiangxi Hailan**”) entered into the equity transfer agreement with Guangdong Youming Enterprise Management Co., Ltd.* (廣東優銘企業管理有限公司) (the “**Purchaser**”) and Mr. Zhong Xunyong (鐘訓勇先生) (as guarantor) in relation to the disposal of the sale equity (i.e. 65% of equity interest in Jiangxi Hailan) by Hailan Shiye Guangzhou and the transfer of the sale loan in the amount of RMB39,210,171 to the Purchaser for a total consideration of RMB39,210,172.

For details, please refer to the announcement of the Company dated 11 November 2022.

Save as disclosed in this announcement, there were no other material acquisitions, disposals of subsidiaries, associates and joint ventures and significant investments during the Reporting Period.

GEARING RATIO

As at 31 December 2022, the gearing ratio (calculated by total debt divided by total equity; total debt includes interest-bearing bank and other borrowings) was 1.7 times (2021: 99.3%).

FUTURE PLAN FOR MATERIAL INVESTMENTS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, taking into account of Danzhou Phase I, the Group had 222 employees (as at 31 December 2021: 328 employees). For the Reporting Period, the Group incurred employee costs of approximately RMB56.0 million. The remuneration of the employees generally includes salary and performance-based bonuses. According to the applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

PLEDGE OF ASSETS

As at 31 December 2022, the restricted cash in amount of approximately RMB434.9 million (2021: RMB375.7 million) was pledged for properties under development. In addition, the carrying amount of properties under development and completed properties held for sale in the amount of approximately RMB2,392.2 million and RMB435.8 million (2021: RMB1,941.8 million and RMB79.1 million) respectively was pledged for bank and other borrowings.

Furthermore, as at 31 December 2022, the carrying amount of investment properties in the amount of approximately RMB461.4 million (2021: Nil) was pledged for the bank borrowings.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC. The Group's functional currency and the currency in which the Group denominates and settles substantially all of its transactions are Renminbi. The foreign currency denomination of commercial transactions, assets and liabilities, and net investments in foreign operations are mainly in US dollars. The Group is not subject to any significant foreign currency risk as the revenue, expenses and borrowings of the Group's foreign operating subsidiaries are denominated in the functional currency of those operations. Any change in the exchange rate of the Renminbi would affect the value of dividends that the Group pays to the shareholders of the Company outside the PRC. The Group currently does not engage in any hedging activities designed or intended to manage foreign exchange rate risk.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (2021: Nil) to the Company's shareholders.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Friday, 30 June 2023 (the "AGM") and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 26 June 2023.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance with a view to assure the conduct of management of the Company and protect the interests of all shareholders. The Company 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 maximise the shareholders' interest.

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

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

Under Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the current organisation structure of the Group, the function of chief executive officer is performed by Ms. Zhou Li. The Board is of the opinion that vesting the roles of both chairman and chief executive officer in Ms. Zhou Li has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group.

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

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the finance and accounting department which is under the supervision of the chief financial officer of the Company, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the Group’s auditor, Mazars CPA Limited (“Mazars”), to the amounts set out in the Group’s draft consolidated financial statements for the Reporting Period. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules for the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The annual results of the Group for the Reporting Period has been reviewed and approved by the Audit Committee. The Audit Committee has been established in compliance with Rule 3.21 of the Listing Rules with written terms of reference following the guidelines as set out in D.3.3 of the CG Code for the purpose of assisting the Board in fulfilling their audit duties through the review and supervision of financial reporting, risk management and internal control systems, the review of financial information, and the consideration of issues relating to external auditor and their appointment. The Audit Committee consists of three independent non-executive Directors, namely Dr. Zhao Guoqing (Chairman), Mr. Li Yong and Prof. Fan Conglai. The Audit Committee has reviewed the accounting principles and practices adopted by the Group together with the management of the Company.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE REPORTING PERIOD ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company’s website (www.hailanholdings.com). The annual report for the Reporting Period containing all the information required by the Listing Rules will be despatched to the shareholders and published on the above websites in due course.

ACKNOWLEDGEMENT

I would like to extend my heartfelt gratitude to the Directors, senior management and all staff members of the Group for their hard work and dedication in the past year. Their excellence in performance and contribution are the utmost important for the sustainable enhancement of the Group. At the same time, I also thank all our Shareholders and stakeholders for their enduring trust and support.

By order of the Board
Hailan Holdings Limited
Chairperson
Zhou Li

Hong Kong, 31 March 2023

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

* *for identification purposes only*