Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

粵海置地

GUANGDONG LAND HOLDINGS LIMITED
粵 海 置 地 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0124)

Announcement of Annual Results for the year ended 31 December 2018

HIGHLIGHTS

	Year ended 31 December		
	2018	2017	Change
Revenue, in thousand HK$	**312,421**	186,694	+67.3%
Profit attributable to owners of the Company, in thousand HK$	**224,263**	49,287	+355.0%
Basic earnings per share, in HK cent	**13.10**	2.88	+354.9%
	As at 31 December		
	2018	2017	Change
Current ratio	**3.6 times**	6.6 times	-45.5%
Gearing ratio[1]	**36.0%**	net cash	N/A
Total assets, in million HK$	**10,648**	5,381	+97.9%
Net asset value per share[2], in HK$	**2.65**	2.64	+0.4%
Number of employees	**261**	225	+16.0%

Notes:

1. Gearing ratio = (Interest-bearing loans — cash and cash equivalents) / Net assets
2. Net asset value per share = Equity attributable to owners of the Company / Number of issued shares

FINANCIAL RESULTS

The board of directors (the "Board") of Guangdong Land Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with comparative figures for 2017 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
REVENUE	*4*	**312,421**	186,694
Cost of sales		**(217,055)**	(21,073)
Gross profit		**95,366**	165,621
Gain on bargain purchase	*10*	**296,737**	-
Other income	*4*	**23,664**	51,775
Other gains, net	*4*	**8,183**	3,900
Selling and marketing expenses		**(29,509)**	(7,570)
Administrative expenses		**(95,687)**	(79,733)
Operating profit		**298,754**	133,993
Finance income		**7,856**	12,293
Finance cost		**(33,127)**	-
Finance (cost)/income, net		**(25,271)**	12,293
PROFIT BEFORE TAX	*5*	**273,483**	146,286
Income tax expense	*6*	**(43,005)**	(94,487)
PROFIT FOR THE YEAR		**230,478**	51,799
Attributable to:			
Owners of the Company		**224,263**	49,287
Non-controlling interest		**6,215**	2,512
		230,478	51,799
EARNINGS PER SHARE	*7*		
Basic and diluted		**HK13.10 cents**	HK2.88 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	2018	2017
	HK$'000	HK$'000
PROFIT FOR THE YEAR	**230,478**	51,799
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(211,578)**	291,416
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**18,900**	343,215
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**18,905**	330,397
Non-controlling interest	**(5)**	12,818
	18,900	343,215

Consolidated Balance Sheet
As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**58,868**	5,413
Investment properties		**2,211,312**	1,156,891
Deferred tax assets		**184,246**	80,315
Total non-current assets		**2,454,426**	1,242,619
CURRENT ASSETS			
Completed properties held for sale		**4,946,066**	269,669
Properties held for sale under development		**2,102,738**	1,908,882
Prepayments, deposits and other receivables		**89,244**	34,624
Available-for-sale financial assets		**-**	1,161,178
Pledged bank deposit		**42,278**	44,316
Restricted bank balances		**177,454**	116,804
Cash and cash equivalents		**835,579**	602,749
Total current assets		**8,193,359**	4,138,222
Total assets		**10,647,785**	5,380,841
CURRENT LIABILITIES			
Trade payables	9	**(4,178)**	(16,925)
Other payables, accruals and provisions		**(853,026)**	(150,636)
Receipts in advance		**-**	(57,847)
Contract liabilities		**(454,961)**	-
Tax payable		**(463,285)**	(405,282)
Bank borrowings		**(470,216)**	-
Total current liabilities		**(2,245,666)**	(630,690)
Net current assets		**5,947,693**	3,507,532
Total assets less current liabilities		**8,402,119**	4,750,151
NON-CURRENT LIABILITIES			
Bank borrowings		**(2,041,785)**	-
Deferred tax liabilities		**(1,700,318)**	(73,506)
Total non-current liabilities		**(3,742,103)**	(73,506)
Total liabilities		**(5,987,769)**	(704,196)
Net assets		**4,660,016**	4,676,645

Consolidated Balance Sheet (continued)
As at 31 December 2018

	2018	2017
	HK$'000	HK$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	**171,154**	171,154
Reserves	**4,365,955**	4,347,050
	4,537,109	4,518,204
Non-controlling interest	**122,907**	158,441
Total equity	**4,660,016**	4,676,645

Notes:

(1) Corporate Information

Guangdong Land Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. In the opinion of the directors, the ultimate holding company of the Company is 廣東粵海控股集團有限公司 (Guangdong Holdings Limited), a company established in the People's Republic of China (the "PRC").

During the year, the Group was involved in property development and investment.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

(2) Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention, as modified by the revaluation of completed investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) New standards and amendments to standards adopted by the Group

The Group has adopted the following new standards and amendments to standards which are mandatory for the financial year beginning 1 January 2018 and are relevant to its operation.

(2) Basis of Preparation (continued)

(i) New standards and amendments to standards adopted by the Group (continued)

Annual Improvements to HKFRSs (Amendments)	*Annual Improvements to HKFRSs 2014 – 2016 Cycle*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
HKFRIC 22	*Foreign Currency, Transactions and Advance Consideration*
HKAS 40 (Amendments)	*Investment Property*

The Group has assessed the impact of the adoption of these new standards and amendments to standards. The impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" are disclosed below. The other new standards or amendments to standards did not have any significant impact on the Group's results.

HKFRS 9, "Financial Instruments" - Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions of HKFRS 9, comparative figures have not been restated.

(2) Basis of Preparation (continued)

(i) New standards and amendments to standards adopted by the Group (continued)

(a) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group owned certain wealth management products issued by commercial banks in the PRC, of which HK$1,017,622,000 and HK$143,556,000 were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss and financial assets at amortised cost respectively on 1 January 2018.

No related cumulative fair value gain or loss was transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018 as there was no cumulative fair value gain or loss recognised in other comprehensive income in prior periods in respect of the Group's available-for-sale financial assets given their short maturity date. The adoption of HKFRS 9 had no significant impact on the measurement of the Group's financial assets.

(b) Impairment

The Group is required to revise its impairment methodology to a new expected credit loss model under HKFRS 9 for various type of financial assets. Considering that there are no major financial assets and financial guarantees as at 1 January 2018 and 31 December 2018 that are subject to the revised impairment methodology, the Group concluded that the financial impact to the Group's consolidated financial statements is immaterial.

(2) Basis of Preparation (continued)

(i) New standards and amendments to standards adopted by the Group (continued)

HKFRS 15, "Revenue from Contracts with Customers" - Impact of adoption

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has elected the modified retrospective approach for transition to the new revenue standard. Except for the reclassification of receipt in advance of HK$57,847,000 as at 1 January 2018 to contract liabilities, management assessed that the impact of adoption of HKFRS 15 is immaterial and no adjustment was made on the opening balance of retained profits at the date of initial application.

(ii) New standards and amendments to standards which are not yet effective in this financial period and have not been early adopted by the Group

The Group has not early adopted the following new standards and amendments that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs (Amendments)	*Annual Improvements to HKFRSs 2015 – 2017 Cycle*	1 January 2019
HKFRS 3 (Amendment)	*Definition of a Business*	1 January 2020
HKFRS 9 (Amendment)	*Prepayment Features with Negative Compensation*	1 January 2019
HKFRS 16	*Leases*	1 January 2019
HKFRS 17	*Insurance Contracts*	1 January 2021
HKAS 19 (Amendment)	*Plan Amendment, Curtailment or Settlement*	1 January 2019
HKAS 28 (Amendment)	*Long-term Interests in Associates and Joint Ventures*	1 January 2019
HKFRIC 23	*Uncertainty over Income Tax Treatments*	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	*Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*	To be determined
HKAS 1 and HKAS 8 (Amendments)	*Definition of Material*	1 January 2020

The Group has already commenced an assessment of the likely impact of adopting the above new standards and amendments to standards.

(3) Segment Information

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

(a) the property development and investment segment consists of property development and property investment; and

(b) the other segment consists of corporate and other income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about the resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and gain and finance cost is excluded from such measurement.

Segment assets exclude deferred tax assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

Segment Results

	Property development and investment		Other		Total	
Year ended 31 December	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**312,421**	186,694	**-**	-	**312,421**	186,694
Segment results	**19,647**	103,651	**(41,188)**	(21,278)	**(21,541)**	82,373
Reconciliation:						
Gain on bargain purchase					**296,737**	-
Interest income and gain					**31,414**	63,913
Finance cost					**(33,127)**	-
Profit before tax					**273,483**	146,286

(3) Segment Information (continued)

Segment assets and liabilities

As at 31 December	Property development and investment 2018 HK$'000	Property development and investment 2017 HK$'000	Other 2018 HK$'000	Other 2017 HK$'000	Total 2018 HK$'000	Total 2017 HK$'000
Segment assets	**10,347,684**	5,139,685	**115,855**	160,841	**10,463,539**	5,300,526
Reconciliation:						
Unallocated assets					**184,246**	80,315
Total assets					**10,647,785**	5,380,841
Segment liabilities	**(4,224,657)**	(610,796)	**(62,794)**	(19,894)	**(4,287,451)**	(630,690)
Reconciliation:						
Unallocated liabilities					**(1,700,318)**	(73,506)
Total liabilities					**(5,987,769)**	(704,196)

Year ended 31 December	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Other segment information:						
Fair value gains on investment properties	**13,813**	773	**-**	-	**13,813**	773
Depreciation	**(6,082)**	(1,324)	**(305)**	(267)	**(6,387)**	(1,591)
Capital expenditure	**(709,805)**	(24,280)	**(123)**	(171)	**(709,928)**	(24,451)

Geographical information

Revenue and non-current assets information is based on the locations of the customers and the locations of the assets. As the Group's major operations are principally located in Mainland China, no further geographical segment information is provided.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each of the years ended 31 December 2018 and 2017.

(4) Revenue, Other Income and Other Gains, Net

The Group is involved in property development and investment.

An analysis of revenue and other income and other gains, net is as follows:

	2018 HK$'000	2017 HK$'000
REVENUE		
From contract with customers:		
- Sales of properties recognised at a point in time	**309,434**	184,554
From other sources:		
- Rental income and carpark rental income	**2,987**	2,140
	312,421	186,694
OTHER INCOME		
Interest income and gain from financial assets at fair value through profit or loss and at amortised cost/available-for-sale financial assets	**23,558**	51,620
Others	**106**	155
	23,664	51,775
OTHER GAINS,NET		
Fair value gains on investment properties	**13,813**	773
Gain/(loss) on disposal of property, plant and equipment	**13**	(375)
Exchange (losses)/gain, net	**(5,436)**	2,891
Others	**(207)**	611
	8,183	3,900

(5) Profit Before Tax

The Group's profit before tax is arrived at after charging:

	2018	2017
	HK$'000	HK$'000
Cost of sales		
- properties	**215,648**	21,021
- others	**1,407**	52
Depreciation	**6,387**	1,591
Minimum lease payments under operating leases	**6,369**	3,159
Auditor's remuneration		
- audit services	**2,042**	2,035
- non-audit services	**4,826**	535
Directors' emoluments	**1,640**	1,640
Staff costs		
- wages and salaries	**69,457**	59,569
- provident fund contributions	**13,511**	9,554
	82,968	69,123
Less: Amount capitalised under property development project	**(27,127)**	(23,445)
Total staff costs expenses during the year	**55,841**	45,678

(6) Income Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. PRC corporate income tax has been provided at the rate of 25% (2017: 25%) on the estimated assessable profit for the year.

Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions. During the year, the overprovision of LAT in relation to the sales of certain properties in the prior year amounting to HK$77,173,000 (2017: Nil) was reversed, following tax clearance with the local tax authorities to change the LAT at deemed basis.

(6) Income Tax (continued)

	2018 HK$'000	2017 HK$'000
Current income tax - PRC taxation	**179,484**	13,024
LAT in Mainland China	**9,586**	90,229
Withholding income tax	**7,117**	-
Deferred income tax	**(153,182)**	(8,766)
	43,005	94,487

(7) Earnings per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$224,263,000 (2017: HK$49,287,000) and the number of ordinary shares of 1,711,536,850 (2017: 1,711,536,850) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

(8) Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

(9) Trade Payables

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**-**	107
1 to 2 months	**-**	244
2 to 3 months	**-**	-
Over 3 months	**4,178**	16,574
	4,178	16,925

(10) Business Combination - acquisition of a subsidiary

On 27 April 2018, the Group entered into an agreement with 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.[@]) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.[@]), both of which are the Group's fellow subsidiaries, to acquire 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.[@]), of which the principal business is property development of Baohuaxuan Project and Zhuguanglu Project in the PRC at a cash consideration of HK$1,390,761,000 (RMB1,172,550,000). The transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rule and was completed on 11 July 2018.

Net assets acquired:

	Guangdong Yuehai Property Development Co., Ltd.
	HK$'000
Completed investment properties	**483,929**
Properties held for sale	**68,794**
Properties held for sale under development	**4,974,503**
Bank borrowings	**(459,021)**
Amounts due from fellow subsidiaries	**21,784**
Amounts due to fellow subsidiaries	**(1,475,734)**
Deferred tax liabilities	**(1,782,953)**
Cash and bank balances	**29,167**
Others	**(172,971)**
Net identifiable assets acquired	**1,687,498**
Less: considerations paid	**(1,390,761)**
Gain on bargain purchase	**296,737**
Net cash outflow arising on acquisition:	
Cash consideration paid	**1,390,761**
Cash and bank balances acquired	**(29,167)**
	1,361,594

(10) Business Combination - acquisition of a subsidiary (continued)

Note:

The gain on bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendors.

The properties held for sale under development was subsequently completed and transferred to completed properties held for sale as of 31 December 2018.

The acquired business contributed total revenues of HK$202,884,000 and net profit of HK$24,848,000 to the Group for the period from its completion date of acquisition to 31 December 2018. Had this company been consolidated from 1 January 2018, the consolidated statement of comprehensive income would show pro-forma revenue of HK$367,097,000 and profit for the year of HK$290,710,000.

(11) Guarantees

As at 31 December 2018, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2018, the Group's outstanding guarantees amounted to HK$370,276,000 (2017: HK$782,654,000) for these guarantees.

CHAIRMAN'S STATEMENT

The overall global economy continued its moderate growth in 2018 but with a slackened momentum, as the China-US trade friction brought more uncertainties and a far-reaching impact to the economic development of both the People's Republic of China (the "PRC" or "China") and the rest of the world. Faced with challenges, China's economy achieved overall steady results with certain improvements in 2018, with its aggregate gross domestic product (GDP) having exceeded the RMB90 trillion mark for the first time. Firmly ranking second globally in terms of GDP, China posted a GDP growth of 6.6% compared with that of last year - the highest growth rate among the top five economies in the world. The nominal disposable income per capita of its domestic residents also posted a growth of 8.7% compared with that of last year.

In 2018, abiding by the overarching principle of "housing is for living, but not for speculation" (房住不炒), the PRC government introduced diverging policies based on the individual situation of each city, offered categorised guidance, and continued to implement differentiated regulation and control measures in a bid to forcefully contain the rise in housing prices. It also accelerated the establishment of a housing system involving supply from multiple sources, multi-channel protection, and enhanced support for both the sale and rental of property, such that the real estate market demonstrated a steady trend of general growth. The real estate development and investment in the country for 2018 amounted to approximately RMB12.0 trillion, a growth of 9.5% compared with that of last year, while the gross floor area ("GFA") of commodity housing sold for 2018 was approximately 1.72 billion square meters ("sq. m."), a growth of 1.3% compared with that of last year. In 2018, the regulation and control measures in Shenzhen City were heightened with the successive introduction of three relevant policies: the "Three Unified Prices" (三價合一) policy, the "731 Policy", and the "Second Housing Reform" which were promulgated in March, July and August respectively. With the influence from such factors as policy-based regulation and control, the property market of Shenzhen City posted a stable full-year performance in terms of both transaction price and transaction volume. In the second half of the year, the authorities in Guangzhou City selectively fine-tuned their policy regarding real estate regulation and control, which involved the cancellation of "price ceiling" and the relaxation of purchase restrictions in relation to commercial and office property, such that property prices could return to their true levels and the market pressure could be eased amid diverging, specific policies based on the individual situation of each city. According to the price indices for newly-built commodity housing in 70 large- and medium-sized cities as at December 2018, the housing price indices for Shenzhen City and Guangzhou City showed a decrease of approximately 0.1% and an increase of approximately 8.3%, respectively, compared with those of the same month of the previous year.

Results

During the year under review, the Group is engaged in property development and investment. The Group currently holds the GDH City Project (a marketing name used by the Group for promoting the Buxin Project) and certain investment properties in Shenzhen City, as well as the Ruyingju Project in Panyu District, the Zhuguanglu Project (now named as the Laurel House Project) in Yuexiu District, and the Baohuaxuan Project in Liwan District in Guangzhou City, in the PRC.

In 2018, the Group recorded a revenue of approximately HK$312 million (2017: HK$187 million), representing an increase of approximately 67% from that of last year. The Group recorded a profit attributable to owners of the Company for the year under review amounting to approximately HK$224 million (2017: HK$49 million), representing an increase of approximately 3.6 times from that of last year.

During the year under review, the increase in revenue was mainly attributable to the increased GFA of the properties sold this year compared with that for the same period of last year. Please refer to the section headed "Business Review" hereof for details of the Group's property sale in 2018. The increase in the profit attributable to owners of the Company for the year under review was mainly attributable to the completion of acquisition in July 2018 by the Group of 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.[@]) ("GYPD") from 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.[@]) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.[@]), both of which are the Group's fellow subsidiaries, resulting in a gain on bargain purchase of approximately HK$297 million (2017: nil) which was recognised in the consolidated statement of profit or loss for the year under review.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil) to save funds for future needs of business development of the Company.

Business Review

The Group conducted its business as planned in 2018 and achieved satisfactory results.

The Group holds 100% interest in the GDH City Project, which is a multi-functional commercial complex with jewellery as the main theme, located in the Buxin Area, Luohu District, Shenzhen City in the PRC. Based on the Group's current development plan, the project will be developed in two phases, the first of which involves the Northwestern Land development with a GFA of approximately 166,000 sq. m. which will be mainly composed of products such as business apartments, office premises and commercial units; while, among others, office buildings with a height of approximately 180 meters and 300 meters, respectively, are planned to be built on the Northern Land and the Southern Land (i.e. these two land parcels making up the second phase development of the project), and a shopping mall with a GFA of over 100,000 sq. m. is planned to be built across these land parcels. During the year under review, the works of the GDH City Project were on track, and its works implementation stage had fully commenced. Upon the Group securing a pre-sale approval from the government in December 2018, the pre-sale of the properties in the first phase of the project had commenced. Meanwhile, the Group further stepped up its efforts in seeking potential commercial occupiers for the project through extensive contact and collaborative interactions with industrial resources related to the project, and continuously optimised its project portfolio in order to showcase the competitive strengths of the project.

The Group holds 80% interest in the Ruyingju Project, which is located in Panyu District, Guangzhou City in the PRC, with a GFA of approximately 126,182 sq. m., and comprises residential units and car-parking spaces. For the year ended 31 December 2018, the GFA of residential units under the Ruyingju Project for which contract(s) had been signed amounted to approximately 2,739 sq. m. (2017: 140 sq. m.). As at 31 December 2018, the accumulated GFA of residential units under the Ruyingju Project for which contract(s) had been signed represented approximately 94.3% of the GFA of the residential units in aggregate. For the year ended 31 December 2018, the GFA of residential units under the Ruyingju Project which had been delivered to customers amounted to approximately 415 sq. m. (2017: 899 sq. m.); while the GFA of car-parking spaces under the Ruyingju Project which had been delivered to customers amounted to approximately 3,573 sq. m. (2017: nil). As at 31 December 2018, the accumulated GFA of residential units and car-parking spaces under the Ruyingju Project delivered represented approximately 91.9% and 44.4% of the GFA of the residential units and car-parking spaces in aggregate, respectively.

The Group holds 100% interest in the Laurel House Project, which is located in Yuexiu District, Guangzhou City in the PRC, with a GFA of approximately 119,267 sq. m., and comprises residential units, commercial properties and car-parking spaces. The sale of the residential units under the Laurel House Project commenced in November 2018. For the year ended 31 December 2018, the GFA of residential units under the Laurel House Project which had been delivered to customers amounted to approximately 2,943 sq. m., representing approximately 4.5% of the GFA of the residential units in aggregate. After going through preparatory works, such as preliminary planning for seeking potential commercial occupiers as well as preparation for trial operations, the commercial properties under the Laurel House Project have now fully entered the stage of seeking potential commercial occupiers, and letters of intent to lease have been entered into with certain customers.

The Group holds 100% interest in the Baohuaxuan Project, which is located in Liwan District, Guangzhou City in the PRC, with a GFA of approximately 5,241 sq. m., and comprises residential units and car-parking spaces. Property sale under the Baohuaxuan Project had commenced prior to completion of the Company's acquisition thereof. Since the completion date of such acquisition on 11 July 2018 ("Completion Date"), the GFA of residential units under the Baohuaxuan Project which had been delivered to customers amounted to approximately 680 sq. m. in aggregate. As at 31 December 2018, the accumulated GFA of residential units under the Baohuaxuan Project delivered represented approximately 86.3% of the GFA of the residential units in aggregate.

Outlook

Against the backdrop of a declining momentum in the global economy in 2019, there remains considerable uncertainty in relation to the development of the China-US trade tensions. But as the negative impact of the trade friction on the US economy gradually takes shape, the US government is expected to improve its proactiveness in responding to China's sensible approach to solving the issue, and the risks associated with the China-US trade friction are generally manageable. Meanwhile, given that China still finds itself - and will for extended periods remain - in a key development period with significant opportunities, the country presents sizeable potential for a sufficiently resilient development. As the pro-growth factors still abound, its long-term, positive economic trend will remain intact.

The importance of building a long-term mechanism for ensuring the sound development of the real estate market was reiterated at the Economic Work Conference convened by the PRC authorities in December 2018, where officials affirmed the overarching principle of "housing is for living, but not for speculation" and spoke on such topics as the introduction of diverging policies based on the individual situation of each city, categorised guidance, reinforcement of responsibilities on the part of municipal government entities, as well as the refinement of the housing market system and the housing protection system. Going forward, it is expected that the PRC authorities will continue to maintain their continuity and stability in relation to their overall policy regarding the regulation and control of the real estate market. Generally speaking, the PRC's steady economic development coupled with steady property development and investment would continue to propel the domestic industry of residential properties and commercial properties to develop steadily and robustly.

Released by the Central Committee of the Communist Party of China and the PRC government on 18 February 2019, the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area sets out a comprehensive framework for the development objectives and positioning of the Greater Bay Area and the planned development of the various cities, with a portrayal of the relevant roadmap and timetables. Building on the four core cities of Hong Kong, Macao, Guangzhou and Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay Area is poised to witness fast-track development which entails the pursuit of development of the "Guangzhou-Shenzhen-Hong Kong-Macao" innovation and technology corridor, as well as the development of a globally influential, international innovation and technology hub, and a vibrant world-class city cluster. With the implementation of plans and relevant policies for the Guangdong-Hong Kong-Macao Greater Bay Area, further integration and development of cities in the Greater Bay Area and subsequently enhanced economic position are in prospect. It is anticipated that the real estate industry in the area would benefit from the social and economic integration as a whole.

Projects held by the Group, such as the GDH City Project, are located in the Guangdong-Hong Kong-Macao Greater Bay Area or covered by the "Core, Coastal Belt and Zone Initiative" (which fosters the optimised development of the Pearl River Delta Core Area, connects Eastern Guangdong, Western Guangdong and cities within the Pearl River Delta as a coastal economic belt like a beaded bracelet, and establishes the mountainous areas of Northern Guangdong as an ecological development zone), and would benefit from the strong development momentum in the Guangdong-Hong Kong-Macao Greater Bay Area or the "Core, Coastal Belt and Zone Initiative". Located in Luohu District, Shenzhen City, the GDH City Project has an enormous development potential. The Group will invest appropriate resources to create and release the value of the project, and will consider arranging external financing to support the development of the project. The pre-sale of the business apartments and office premises under the first phase of the development of the GDH City Project commenced in December 2018. The types of property under the second phase of the development will include office buildings and a shopping mall, upon the completion of which both commercial activities and consumer groups are expected to be brought into that community.

GYPD, which became an indirect wholly-owned subsidiary of the Company upon completion of the acquisition in July 2018, holds the Laurel House Project and the Baohuaxuan Project. The sale of residential units under the Laurel House Project commenced in November 2018, while that of residential units under the Baohuaxuan Project is now underway. These two property projects are expected to continue to contribute to the Group's results and cash flows in 2019.

At present, the Group has a strong financial position with a strong controlling shareholder and enjoys ample project and financial resources. Through the development and construction of the GDH City Project, the Group has developed a sound cooperative relationship with the local government, accumulated experience in projects under the categories of urban re-development and revitalization of old cities, laid the foundations for relevant industry research, mastered relevant industry information, established a professional development team, and built an operating model for project development.

The Group is cautiously optimistic about the outlook of the real estate industry in first-tier cities in Mainland China. Going forward, by leveraging on the professional capabilities, industry experience and resource advantages secured by the Group, we will proactively seek opportunities for business development. On one hand, we will take an active approach in contemplating and delving into the possibility of replicating our familiar model and developing new projects in first-tier and second-tier cities in Mainland China. On the other hand, we will capitalise on the development opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area and the "Core, Coastal Belt and Zone Initiative" through tapping the strengths of Area and the "Core, Coastal Belt and Zone Initiative" (especially Hong Kong) in science and technology innovation and industrial innovation, and continue to explore and build upon the development model of city-industry integration as demonstrated by the GDH City Project, so as to seek out opportunities for real estate development and investment projects in the Area and the "Core, Coastal Belt and Zone Initiative", and to procure the Company's stable and healthy development in the long run.

Last but not least, on behalf of the Board, I would like to acknowledge the contribution by the management and its staff during the previous year. Under the leadership of the Board, the Group is confident in the prospect of its business development and will actively promote the development of its real estate business in order to create greater returns for its shareholders as we did in the past.

HUANG Xiaofeng
Chairman

Hong Kong, 26 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The consolidated revenue of the Group for 2018 amounted to approximately HK$312 million (2017: HK$187 million), representing an increase of approximately 67% from that of last year. The increase in revenue was mainly attributable to the increased GFA of properties sold during the year compared with that for the same period of last year. Please refer to the section headed "Business Review" hereof for details of the Group's property sale in 2018. During the year under review, the Group's profit attributable to owners of the Company was approximately HK$224 million (2017: HK$49 million), representing an increase of approximately 3.6 times from last year.

Apart from the growth in the sale of properties, when compared with the year 2017, the major factors affecting the results of the Group for the year ended 31 December 2018 include the following:

(a) in July 2018, the Group completed the acquisition of 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.[@]) ("GYPD") from 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.[@]) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.[@]), both of which are the Group's fellow subsidiaries. The acquisition consideration was determined on the basis of the then market value of the assets and liabilities of GYPD (at a discount) as of the Completion Date. As the consideration of the acquisition was less than the fair value of net assets acquired, a gain on bargain purchase of approximately HK$297 million (2017: nil) was recognised in the consolidated statement of profit or loss during the year under review. Such gain on bargain purchase was a one-off gain; and

(b) land appreciation tax was accrued as a result of the sale of certain properties by the Group in 2017. In the first half of 2018, the over-accrual of the land appreciation tax in 2017 of approximately HK$77.17 million (2017: nil) had been reversed following tax clearance with the local tax authorities. It is expected that no further reversal of the land appreciation tax for the same properties will be recorded in the future.

The effect of the above factors was mitigated by, among others, the following:

(a) a subsidiary of the Company had received demolition compensation income from another subsidiary of the Company for the year ended 31 December 2018. During the year under review, the first-mentioned subsidiary recognised an income tax expense, net of the related deferred tax, of approximately HK$106 million (2017: nil) accordingly. It is expected that no further demolition compensation income for the same subsidiary will be recorded in the future;

(b) as funds of the Group were used for the acquisition of GYPD and the development of the GDH City Project, interest income and gain from banks and financial assets at fair value through profit or loss and at amortised costs/available-for-sale financial assets were less than those in 2017. For the year ended 31 December 2018, the Group's interest income and gain from banks and financial assets at fair value through profit or loss and at amortised cost/available-for-sale financial assets was approximately HK$31.41 million (2017: HK$63.91 million) in aggregate, representing a decrease of 50.9% when comparing to that in 2017. In addition, the Group borrowed external loans for business development since July 2018. For the year ended 31 December 2018, the Group recognised finance costs of approximately HK$33.13 million (2017: nil) in the statement of profit or loss; and

(c) the Group recorded a revenue of approximately HK$154 million in 2017 from the sale of certain properties which were held as staff quarters, and then recorded a revenue of approximately HK$8.52 million in 2018 from the sale of the remaining two units of staff quarters in respect of which were contracted in the previous year and were delivered during the current year.

Business Review

Material Acquisition

Reference is hereby made to the Company's announcement and circular dated 27 April 2018 and 18 May 2018, respectively, in relation to the acquisition of GYPD, in which 100% equity interest was held by two subsidiaries of Guangdong Holdings Limited, by a wholly-owned subsidiary of the Company. GYPD holds, and takes charge of the development of, the Zhuguanglu Project (now named as the Laurel House Project) and the Baohuaxuan Project. The final equity consideration was approximately RMB1,173 million (equivalent to approximately HK$1,391 million). The said acquisition was completed on 11 July 2018. Upon the Completion Date, GYPD has become an indirect wholly-owned subsidiary of the Company and the Company, through GYPD, holds the Laurel House Project and the Baohuaxuan Project.

As the price paid by the Group to acquire GYPD was determined with reference to the then market value of the property projects held by it (but acquired at a discount), the carrying value (and future cost of sales) of the properties held by GYPD consisted of development costs and the fair value appreciation as of the Completion Date of the acquisition.

The GDH City Project (a marketing name used by the Group for promoting the Buxin Project)

The Group holds 100% interest in the GDH City Project, which is a multi-functional commercial complex with jewellery as the main theme, located in Luohu District, Shenzhen City, the PRC. The total site area of the project amounts to approximately 66,526 sq. m., and the GFA included in the calculation of the plot ratio amounts to approximately 432,051 sq. m. In addition, an underground area of 30,000 sq. m. could be developed for commercial use. The project, which is in close proximity to the urban highway and subway station as well as adjoining the Weiling Park, is surrounded by several municipal parks within a radius of 1.5 km, possessing convenient transportation and superb landscape resources.

Based on the Group's current development plan, the project will be developed in two phases, the first of which involves the Northwestern Land which will mainly comprise products such as business apartments, office premises and commercial units, and except for the underground car-parking spaces, properties built on the Northwestern Land will be intended for sale upon completion; while, among others, office buildings with a height of approximately 180 meters and 300 meters, respectively, are planned to be built on the Northern Land and the Southern Land (i.e. these two land parcels making up the second phase of the project), and a shopping mall with a GFA of over 100,000 sq. m. is planned to be built across these land parcels. Based on the current plan, the filing in respect of the completion of construction (竣工備案) of the properties on the Northern Land and the Southern Land is expected to be made in the second half of 2022 and in 2023, respectively.

In December 2018, the Group optimised the commercial layout of the Northern Land and the Southern Land, and increased the GFA of the underground commercial area on the Northern Land from 9,000 sq. m. to 21,000 sq. m. with an aggregate consideration of approximately RMB470 million (equivalent to approximately HK$535 million). The Board was of the view that it was more beneficial to the overall business plan and future development of the GDH City Project as well as the Group as a result of increasing the GFA of the underground commercial area. At the same time, as part of the overall planning of the GDH City Project, since the Southern Land, consisting mainly of a landmark towers and buildings, is not desirable for large-scale commercial use, the GFA of the underground commercial area on the Southern Land has been reduced from 21,000 sq. m. to 9,000 sq. m. Please refer to the Company's announcement dated 21 December 2018 for relevant details.

During the year under review, the roof-sealing in respect of the properties under construction in the first phase of the GDH City Project was all completed; in respect of the second phase of the project, the demolition of all the old buildings on the Southern Land was completed, and foundation pit and tangent pile works, as well as soil and gravel excavation works had commenced on the Southern Land and the Northern Land. In relation to the property sale under the project, upon the Group's securing a pre-sale approval from the government in December 2018, the pre-sale of the properties in the first stage of the project had commenced, with an aggregate subscribed GFA of approximately 2,857 sq. m. for the year ended 31 December 2018.

In relation to the search for potential commercial occupiers of the GDH City Project, the Group has entered into an agreement on deepening strategic partnership with the Shanghai Diamond Exchange (a national factor market), pursuant to which the two parties would be engaged in close cooperation in relation to exhibitions, bonded transactions and innovative design of diamonds, ancillary services as well as international exchanges of the industry culture, and would join hands in creating a new service platform for the affiliated members of the Shanghai Diamond Exchange based in southern China. Leveraging on the successful experience of its parent company in the commercial development of TeeMall in Guangzhou, the Group has also engaged the commercial management team of TeeMall to offer consultancy services in relation to various aspects of the GDH City Project, such as the design of its commercial component, the search for potential commercial occupiers going forward, as well as its operations management.

Moreover, in response to the demands relating to the project-based jewellery industry theme, the Group has entered into framework agreements of strategic collaboration with a number of industrial resources platforms, and has launched its planning work for the vault facility under the project. Through extensive contact and collaborative interactions with industrial resources related to the project, the Group continuously optimised its project portfolio in order to showcase the competitive strengths of the project.

In order to provide its customers with quality property management services, during the year under review, the Group established a wholly-owned property management company which was tasked with offering property management services in relation to the GDH City Project.

As at 31 December 2018, the cumulative development costs and fees of the GDH City Project amounted to approximately HK$3,827 million (31 December 2017: HK$3,038 million), representing a net increase of approximately HK$789 million during the year under review. As at 31 December 2018, approximately HK$2,090 million thereof was attributable to the "Properties under development" under the current assets, while HK$1,689 million and HK$48 million thereof were attributable to the "Investment properties" and "Property, plant and equipment" under the non-current assets, respectively.

The Laurel House Project and the Baohuaxuan Project

In July 2018, the Group completed its acquisition of 100% equity interest in GYPD, which holds the Laurel House Project and the Baohuaxuan Project. The Laurel House Project is located in Yuexiu District, Guangzhou City, the PRC, with a GFA of approximately 119,267 sq. m. The Laurel House Project includes residential units, commercial properties and car-parking spaces, among which all the residential units and some of the car-parking spaces are for sale while the remaining properties will be for rent. The Baohuaxuan Project includes residential units and car-parking spaces, all of which are for sale.

The sale of the residential units under the Laurel House Project commenced in November 2018. Against a relatively unfavorable backdrop with policy-based regulation and control, the Group took proactive countermeasures by reviewing and optimizing the sales proposal for the project and stepping up its marketing efforts in a timely manner. For the year ended 31 December 2018, the GFA of residential units under the Laurel House Project for which contract(s) had been signed amounted to approximately 4,409 sq. m., of which the GFA of residential units which had been delivered to customers amounted to approximately 2,943 sq. m. (out of which approximately 1,139 sq. m. were sold to the original property owners of that lot at agreed prices), representing approximately 4.5% of the GFA of the residential units in aggregate. After going through preparatory works, such as preliminary planning for seeking potential commercial occupiers as well as preparation for trial operations, the commercial property under the Laurel House Project has now fully entered the stage of seeking potential commercial occupiers, and letters of intent to lease have been entered into with individual customers.

The Baohuaxuan Project had commenced sales before the completion of the acquisition by the Company. Subsequent to the Completion Date, residential units with a GFA of approximately 680 sq. m. were delivered to customers under the Baohuaxuan Project during the year ended 31 December 2018. As at 31 December 2018, the accumulated GFA of the residential units delivered under the Baohuaxuan Project represented approximately 86.3% of the GFA of the residential units.

Property project	Use	Approximate GFA (sq. m.)	Approximate GFA contracted (sq. m.)		Approximate GFA delivered (sq. m.)		Interest owned by the Group
			Current year*	Accumu-lated	Current year*	Accumu-lated	
Laurel House	Residential	65,636	4,409	4,409	2,943	2,943	100%
Baohuaxuan	Residential	3,884	381	3,582	680	3,354	100%

* *Note: From the Completion Date to 31 December 2018*

The Ruyingju Project

The Group holds 80% interest in the Ruyingju Project, which is located in Panyu District, Guangzhou City in the PRC, with a GFA of approximately 126,182 sq. m. The Ruyingju Project includes residential units and car-parking spaces, all of which are for sale. For the year ended 31 December 2018, the GFA of residential units under the Ruyingju Project for which contract(s) had been signed amounted to approximately 2,739 sq. m. (2017: 140 sq. m.). As at 31 December 2018, the accumulated GFA of residential units under the Ruyingju Project for which contract(s) had been signed represented approximately 94.3% of the GFA of the residential units in aggregate. For the year ended 31 December 2018, the GFA of residential units under the Ruyingju Project which had been delivered to customers amounted to approximately 415 sq. m. (2017: 899 sq. m.); while the GFA of car-parking spaces under the Ruyingju Project which had been delivered to customers amounted to approximately 3,573 sq. m. (2017: nil). As at 31 December 2018, the accumulated GFA of residential units and car-parking spaces under the Ruyingju Project sold represented approximately 91.9% and 44.4% of the GFA of the residential units and car-parking spaces in aggregate, respectively.

Property project	Use	Approximate GFA (sq. m.)	Approximate GFA contracted (sq. m.)		Approximate GFA delivered (sq. m.)		Interest owned by the Group
			Current year	Accumu-lated	Current year	Accumu-lated	
Ruyingju	Residential	94,617	2,739	89,267	415	86,943	80%
Ruyingju	Car-parking spaces	8,052	3,646	3,646	3,573	3,573	80%

The Group acquired the equity interest in the Ruyingju Project in April 2015. As the acquisition price paid was determined with reference to the then market value of the Ruyingju Project (but acquired at a discounted price), the carrying value (and future selling cost) of the Ruyingju properties consists of its development costs and the fair value appreciation as of the Completion Date.

Financial Review

Key Financial Ratios

The key financial indicators reflect the Group's profit attributable to the owners of the Company and the return on equity during the year under review as well as the net assets at the end of the reporting period. Figures for the previous year are also provided for comparison.

		Year ended 31 December		
	Note	**2018**	2017	Change
Profit attributable to owners of the Company, in HK$'000		**224,263**	49,287	+355.0%
Return on equity, %	*1*	**5.0%**	1.1%	3.9 ppt
		2018 31 December	2017 31 December	
Net assets, in million HK$		**4,660**	4,677	-0.4%

Note:

1. Return on equity = profit attributable to owners of the Company / average equity attributable to owners of the Company

During the year under review, the Group's profit attributable to owners of the Company increased year-on-year mainly because of the recognition of a gain on bargain purchase of approximately HK$297 million in relation to the acquisition of equity interest in GYPD. As key financial indicators, both the profit attributable to owners of the Company and the return on equity improved over that of last year. Given that the Group's business and most of its assets are denominated in Renminbi. The profit attributable to owners of the Company and the exchange rate movements of RMB against Hong Kong dollar for the year are the primary factors affecting the change in its net assets. The two aforementioned factors in aggregate contributed to a year-on-year decrease of approximately 0.4% in the Group's net assets.

Other Income, Gains, Expenses and Finance Costs

The Group's selling and marketing expenses in 2018 amounted to approximately HK$29.51million (2017: HK$7.57 million), representing an increase of approximately 289.8% from that of last year, mainly due to the fact that each of the several property projects had entered the pre-sale and sale stages, leading to an increase in related marketing activities. The Group's administrative expenses in 2018 amounted to approximately HK$95.69 million (2017: HK$79.73 million), representing an increase of approximately 20.0% from that of last year. This was attributable to an increase in wages and related expenditures, and to the following situations that arose during the year under review: the Group incurred transaction costs of approximately HK5.77 million in connection with the acquisition of GYPD, sustained GYPD's administrative expenses of approximately HK5.18 million for the period between the Completion Date and the end of 2018, and experienced an increase in the tax and additional levy payable of approximately HK$4.78 million (2017: HK$1.91 million) due to an increase in revenue.

During the year under review, the Group recorded net foreign exchange losses of approximately HK$5.44 million (2017: net foreign exchange gains of approximately HK$2.89 million). During the year under review, the Group's interest income and gain from banks and financial assets at fair value through profit or loss and at amortised cost/available-for-sale financial assets recorded an aggregate amount of approximately HK$31.41 million (2017: HK$63.91 million), representing a decrease of approximately 50.9% from that of last year. The decrease in interest income and gain in 2018 was mainly due to a decrease in the amount of available funds of the Group.

During the year under review, the Group secured interest-bearing loans for meeting its business development needs, and recorded finance costs of approximately HK$51.54 million (2017: nil), of which approximately HK$18.41 million had been capitalised while the remaining portion of approximately HK$33.13 million were charged to the statement of profit or loss.

Capital Expenditure

The Group's capital expenditure paid in 2018 was HK$700 million (2017: HK$542 million). The capital expenditure was mainly used for the GDH City Project's exhibition center and investment properties under development.

Financial Resources and Liquidity

As at 31 December 2018, the equity attributable to owners of the Company was approximately HK$4.54 billion (2017: HK$4.52 billion), representing an increase of approximately 0.4% over that in 2017. Based on the number of shares in issue as at 31 December 2018, the net asset value per share at the end of the year was approximately HK$2.65 (2017: HK$2.64) per share, representing an increase of approximately 0.4% over that in 2017.

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$836 million (2017: HK$603 million), representing a year-on-year increase of approximately 38.6%. The increase in the cash and cash equivalents mainly represented the property pre-sale and sale proceeds received during the year under review. As at 31 December 2018, the Group did not hold any available-for-sale financial assets (31 December 2017: approximately HK$1,161 million, representing then surplus funds held through short-term principal-guaranteed wealth management products issued by commercial banks in the PRC) . Upon maturity, they had been utilised in full for property development purposes by the end of June 2018.

Of the Group's cash and bank balances (including pledged bank deposit, restricted bank balances and cash and cash equivalents) as at 31 December 2018, 89.2% was in RMB, 10.6% was in USD and 0.2% was in HKD. Net cash inflows from operating activities for the year amounted to HK$83 million (2017: net cash outflows used in operating activities of HK$608 million).

As the vast majority of the transactions from the Group's daily operations in Mainland China are denominated in Renminbi, currency exposure from these transactions is low. During the year under review, the Group did not take the initiative to perform currency hedge for such transactions.

As at 31 December 2018, the Group borrowed loans from certain banks in the aggregate amount of approximately HK$2,512 million (31 December 2017: nil), with a gearing ratio[1] of approximately 36.0% (31 December 2017: nil). With the unfavorable impact of a tightening financing market in 2018, the Group managed to control its finance costs effectively, with a weighted average effective loan interest rate of approximately 5.51% for the bank loans borrowed during the year under review. As at 31 December 2018, the available banking facilities to the Group were RMB500 million (equivalent to approximately HK$571 million). The Group will review its funding needs from time to time and consider obtaining the funds through various financing means and channels according to the future development of the GDH City Project and its other businesses in 2019, so as to ensure that adequate financial resources will be available to support its business development.

[1] Gearing ratio = (Interest-bearing loans – cash and cash equivalents) / Net assets

As at 31 December 2018, certain property assets amounting to HK$3,979 million and the entire shares of GYPD as well as bank deposits amounting to HK$42.28 million of the Group were pledged for the purposes of securing bank loans and performance as stipulated under certain construction contracts, respectively. Except as disclosed in note 11 to this announcement regarding the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK$370 million as at 31 December 2018 (2017: HK$783 million), no material contingent liabilities was recorded as at 31 December 2018.

Risks and Uncertainties

Given that the Group is engaged in the business of property development and investment in Mainland China, the risks and uncertainties of its business are principally associated with the property market and property prices in Mainland China, and the Group's revenue in the future will be directly affected by such risks and uncertainties. The property market in Mainland China is affected by a number of factors which include, among others, economic environment, property supply and demand, the PRC government's fiscal and monetary policies, taxation policies and austerity measures on the real estate sector. Currently, the property projects held by the Group are all located in first-tier cities, involving properties of different types and serving different purposes for the effective diversification of operational risks.

As property projects have a relatively prolonged development period, the Company may need to seek external funds to partially finance the development of such projects. As such, the financing channels and finance costs will be subject to the prevailing market conditions, the level of loan interest rates and the Group's financial position. As at 31 December 2018, the Group had outstanding interest-bearing loans amounting to approximately HK$2,512 million in aggregate.

Certain investment properties of the Group were carried at fair value according to the applicable accounting standards. The fair value of such investment properties is affected by prices of the property markets in which they are located as at the end of each of the reporting periods. The fair value changes of the investment properties are recognised in the statement of profit or loss and affected the profit for the period.

As property development business has a relatively long product life cycle, the Group's future results and cash flows will be relatively volatile. In order to reduce the volatility of its revenue and profit, the commercial properties of the Laurel House Project and some properties under development in GDH City held by the Group are for rental purpose, which would contribute a stable rental income to the Group in future.

Dividend Policy

The Group is currently still in the stage of business development and intends to prioritise the application of funds towards its existing projects and future business development. The Group takes an active approach in contemplating and delving into the possibility of seeking out opportunities for real estate development and investment projects in first-tier and second-tier cities in Mainland China (particularly in cities located in the Guangdong-Hong Kong-Macao Greater Bay Area, the Pearl River Delta and the "Core, Coastal Belt and Zone Initiative"). The Company aims to generate stable and sustainable returns for its shareholders in the long run.

The Board will review the dividend policy of the Company from time to time. In deciding whether to propose the payment of any dividend and in determining the amount thereof, the Board will take into account the Group's operating income, operating cash flows, financial position, investment and financing needs and so on.

Relationship with Customers and Suppliers

Holding the interest of every customer in high regard, the Group provides training to its sales staff on a regular basis. The Group also provides its customers with adequate information about its products and responds to any issue and question raised by customers or potential customers regarding the products offered with the aim of building customers' confidence in the Company's products.

The Group's properties in relation to the property business were largely designed or constructed by a variety of suppliers and contractors. The tender procedures for selecting the appropriate suppliers of major projects of the Group are conducted by adhering to the general principle of "openness, fairness and impartiality", establishing a database of supplier resources and brands, and managing the suppliers by conducting performance appraisal and review. Besides, the Group attaches great importance to anti-graft and anti-corruption measures, meets with the suppliers regularly, and conveys such information to them.

Policy and Performance on Environmental Protection

The Group strictly complies with the laws enacted by the Mainland China and Hong Kong Governments, including those in relation to environmental protection, social and governance issues. The Company's internal management for environmental, social and governance ("ESG") issues integrates the views of various stakeholders and is supported by staff members from all levels and departments of the Company, especially for important ESG areas. Staff members jointly implement and execute relevant internal policies and promptly respond to the expectations of stakeholders.

In furtherance of the on-going optimization of our ESG policies, the Group has been communicating with stakeholders actively, in order to receive feedback on and suggestions for the Group from stakeholders such as employees, customers, business partners and suppliers, shareholders and investors, government authorities and regulators through various channels. Also, we conduct comprehensive and all-round stakeholder engagement in various ways, such as face-to-face communication, telephone interviews, questionnaires and on-site visits with the assistance of an independent third-party professional consultant, in order to assist the Group in identifying and analyzing important topics from two dimensions, namely "Significance to our Stakeholders" and "Importance to Guangdong Land's Development", thereby allowing the Group to envisage changes in the operating environment, and consequently achieving the goals of sustainable development and proper risk management.

The Group operates in the real estate industry and it is very important to strictly comply with environmental laws and regulations on construction work. Any failure to observe the relevant environmental laws and regulations may result in the relevant authorities' rejection of the applications for construction projects. The Group ensures that all activities at the construction site of each project are performed in strict compliance with the relevant environmental laws and regulations, including but not limited to the requirements for environmental protection, wastewater treatment and noise control, and clearly conveys the message of the Group's emphasis on environmental protection to the main contractors of the development projects, sparing no effort in contributing to environmental protection.

The Company is currently in the process of preparing its ESG report for the year ended 31 December 2018. The information contained in this announcement is based solely on the Company's ESG policies, performance, along with information of internal management. As at the date of this announcement, the ESG information of the Group for the year ended 31 December 2018 has yet to be finalised and may be subject to necessary adjustments. Such information, which may differ from the information contained in this announcement, is expected to be published in or before July 2019.

Human Resources

The Group had 261 (2017: 225) employees as at 31 December 2018. The total employee remuneration and provident fund contributions (excluding directors' remuneration) in 2018 was HK$82.97 million (2017: HK$69.12 million).

Various basic benefits were provided to the Group's staff, with an incentive policy which was designed to remunerate staff by combined references to the Group's operating results as well as the performance of individual staff members. There was no share option scheme of the Company in operation during the year. The Group offers different training courses to its employees.

Change of Independent Auditors

Since the Company's incorporation and listing on The Stock Exchange of Hong Kong Limited in 1997, Ernst & Young had always been the independent auditors of the Company. In furtherance of sound corporate governance, the Company should consider arranging for the rotation of its independent auditors at suitable intervals. Accordingly, Ernst & Young retired as the Company's auditors with effect from the conclusion of the Company's annual general meeting held on 7 June 2018. The Company received a confirmation letter dated 27 March 2018 from Ernst & Young confirming that there was no matter relating to its retirement that would be required to be brought to the attention of the Company's shareholders or creditors. The Board has confirmed that there was no matter relating to the proposed change of auditors that would be required to be brought to the attention of the Company's shareholders. The Board would like to express its heartfelt gratitude to Ernst & Young for the services rendered to the Company in previous years.

The Board resolved, with the recommendation from the Audit Committee of the Company, to propose the appointment of PricewaterhouseCoopers as the new independent auditors of the Company following the retirement of Ernst & Young. Such appointment took effect from the conclusion of the Company's annual general meeting held on 7 June 2018, and the term of office shall expire upon the conclusion of the next annual general meeting of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the opinion of the Directors of the Company, the Company has complied with the code provisions of the CG Code and, where appropriate, the applicable recommended best practices of the CG Code for the year ended 31 December 2018 (the "Year").

Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

Closure of Register of Members

The annual general meeting of the Company will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 6 June 2019 at 3:00 p.m. (the "2019 Annual General Meeting").

The register of members of the Company will be closed and no transfer of shares will be effected during the period from Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive, for determining the shareholders' eligibility to attend and vote at the 2019 Annual General Meeting.

In order to qualify for attending and voting at the 2019 Annual General Meeting, unregistered holders of shares of the Company should ensure that all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 31 May 2019.

Review of Consolidated Results of the Group for the Year

The consolidated results of the Group for the Year have been reviewed by the Audit Committee of the Company.

Review of Preliminary Announcement

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements and Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

By Order of the Board
Guangdong Land Holdings Limited
HUANG Xiaofeng
Chairman

Hong Kong, 26 March 2019

@ *In this announcement, the English name of the entity marked with an @ is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.*

As at the date of this announcement, the Board comprises one Non-Executive Director, namely Mr. HUANG Xiaofeng; four Executive Directors, namely Ms. ZHAO Chunxiao, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi; and three Independent Non-Executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.