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)

2019 Annual Results Announcement

HIGHLIGHTS

	Year ended 31 December		
	2019	2018	Change
Revenue (HK$ '000)	**1,836,676**	312,421	+487.9%
Fair value gains on investment properties (HK$ '000)	**575,640**	13,813	+4,067.4%
Gain on bargain purchase (HK$ '000)	**-**	296,737	-100.0%
Profit attributable to owners of the Company (HK$ '000)	**341,063**	224,263	+52.1%
Basic earnings per share (HK cent)	**19.93**	13.10	+52.1%

	As at 31 December		
	2019	2018	Change
Current ratio	**2.7 times**	3.6 times	-25.0%
Gearing ratio[1]	**44.7%**	36.0%	+8.7 ppt
Total assets (HK$ million)	**11,853**	10,648	+11.3%
Net asset value per share[2] (HK$)	**2.78**	2.65	+4.9%
Number of employees	**269**	261	+3.1%

Notes:

1. Gearing ratio = (Interest-bearing loans + lease liabilities - 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 2019 together with comparative figures for 2018 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	4	**1,836,676**	312,421
Cost of sales		**(1,520,248)**	(217,055)
Gross profit		**316,428**	95,366
Gain on bargain purchase		**-**	296,737
Other income	4	**-**	23,664
Other gains, net	4	**587,484**	8,183
Selling and marketing expenses		**(86,037)**	(29,509)
Administrative expenses		**(117,939)**	(95,687)
Operating profit		**699,936**	298,754
Finance income		**11,168**	7,856
Finance cost		**(76,279)**	(33,127)
Finance cost, net		**(65,111)**	(25,271)
PROFIT BEFORE TAX	5	**634,825**	273,483
Income tax expense	6	**(285,336)**	(43,005)
PROFIT FOR THE YEAR		**349,489**	230,478
Attributable to:			
Owners of the Company		**341,063**	224,263
Non-controlling interest		**8,426**	6,215
		349,489	230,478
EARNINGS PER SHARE			
Basic and diluted	7	**HK19.93 cents**	HK13.10 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	2019	2018
	HK$'000	HK$'000
PROFIT FOR THE YEAR	**349,489**	230,478
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(116,752)**	(211,578)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**232,737**	18,900
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**226,740**	18,905
Non-controlling interest	**5,997**	(5)
	232,737	18,900

Consolidated Balance Sheet
As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**44,702**	58,868
Right-of-use assets		**18,780**	-
Investment properties		**2,941,373**	2,211,312
Deferred tax assets		**192,951**	184,246
Total non-current assets		**3,197,806**	2,454,426
CURRENT ASSETS			
Completed properties held for sale		**3,349,289**	4,946,066
Properties held for sale under development		**3,648,306**	2,102,738
Prepayments, deposits and other receivables		**184,780**	89,244
Contract assets		**26,119**	-
Tax recoverable		**103,313**	-
Pledged bank deposit		**42,895**	42,278
Restricted bank balances		**298,712**	177,454
Cash and cash equivalents		**1,001,458**	835,579
Total current assets		**8,654,872**	8,193,359
Total assets		**11,852,678**	10,647,785
CURRENT LIABILITIES			
Trade payables	*9*	**(1,565)**	(4,178)
Other payables, accruals and provisions		**(532,730)**	(853,026)
Contract liabilities		**(1,444,888)**	(454,961)
Lease liabilities		**(9,078)**	-
Tax payable		**(506,345)**	(463,285)
Bank borrowings		**(234,423)**	(470,216)
Loan from a fellow subsidiary		**(446,520)**	-
Total current liabilities		**(3,175,549)**	(2,245,666)
Net current assets		**5,479,323**	5,947,693
Total assets less current liabilities		**8,677,129**	8,402,119

Consolidated Balance Sheet (continued)
As at 31 December 2019

	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES		
Bank borrowings	**(1,495,842)**	(2,041,785)
Loan from a fellow subsidiary	**(982,344)**	-
Lease liabilities	**(10,415)**	-
Deferred tax liabilities	**(1,318,518)**	(1,700,318)
Total non-current liabilities	**(3,807,119)**	(3,742,103)
Total liabilities	**(6,982,668)**	(5,987,769)
Net assets	**4,870,010**	4,660,016
EQUITY		
Equity attributable to owners of the Company		
Share capital	**171,154**	171,154
Reserves	**4,592,695**	4,365,955
	4,763,849	4,537,109
Non-controlling interest	**106,161**	122,907
Total equity	**4,870,010**	4,660,016

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 and certain investment properties under development 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 2019 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 2015 – 2017 Cycle*
HKFRS 9 (Amendments)	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
HKAS 19 (Amendments)	*Plan Amendment, Curtailment or Settlement*
HKAS 28 (Amendments)	*Long-term Interests in Associates and Joint Ventures*
HKFRIC 23	*Uncertainty over Income Tax Treatments*

The Group has assessed the impact of the adoption of these new standards and amendments to standards. The impact of the adoption of HKFRS 16 "Leases" is disclosed below. The other new standards or amendments to standards did not have any significant impact on the Group's results.

HKFRS 16, "Leases" - Impact of adoption

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was approximately 5.46% per annum.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

(2) Basis of Preparation (continued)

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

HKFRS 16, "Leases" – Impact of adoption (continued)

(a) Practical expedients applied (continued)

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(FRIC) 4 Determining whether an Arrangement contains a Lease.

(b) Measurement of lease liabilities

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	17,239
Discounted using the lessee's incremental borrowing rate at the date of initial application	(867)
Less: short-term leases not recognised as a liability	(3,734)
Lease liability recognised as at 1 January 2019	12,638
Of which are:	
Current lease liabilities	5,047
Non-current lease liabilities	7,591
	12,638

(2) Basis of Preparation (continued)

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

HKFRS 16, "Leases" – Impact of adoption (continued)

(c) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(ii) New standards, amendments to standards and framework which are not yet effective for this financial year and have not been early adopted by the Group

The Group has not early adopted the following new standards, amendments to standards and framework that have been issued but are not yet effective for financial periods beginning on or after 1 January 2019:

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	*Definition of Material*	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	*Interest Rate Benchmark Reform*	1 January 2020
HKFRS 3 (Amendment)	*Definition of a Business*	1 January 2020
Conceptual Framework for Financial Reporting 2018	*Revised Conceptual Framework for Financial Reporting*	1 January 2020
HKFRS 17	*Insurance Contracts*	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	*Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	To be determined

The Group will adopt the new standards and amendments to standards and the Group is in the process of assessing the impact on the financial statements.

(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, property management 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 finance and interest income and finance cost are 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		Others		Total	
Year ended 31 December	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**1,836,676**	312,421	**-**	-	**1,836,676**	312,421
Segment results	**724,733**	19,647	**(24,797)**	(41,188)	**699,936**	(21,541)
Reconciliation:						
Gain on bargain purchase					**-**	296,737
Finance and interest income and gain					**11,168**	31,414
Finance cost					**(76,279)**	(33,127)
Profit before tax					**634,825**	273,483

(3) Segment Information (continued)

Segment assets and liabilities

As at 31 December	Property development and investment 2019 HK$'000	2018 HK$'000	Others 2019 HK$'000	2018 HK$'000	Total 2019 HK$'000	2018 HK$'000
Segment assets	**11,563,487**	10,347,684	**96,240**	115,855	**11,659,727**	10,463,539
Reconciliation:						
Unallocated assets					**192,951**	184,246
Total assets					**11,852,678**	10,647,785
Segment liabilities	**(5,624,333)**	(4,224,657)	**(39,817)**	(62,794)	**(5,664,150)**	(4,287,451)
Reconciliation:						
Unallocated liabilities					**(1,318,518)**	(1,700,318)
Total liabilities					**(6,982,668)**	(5,987,769)

Year ended 31 December	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Other information:						
Fair value gains on investment properties	**575,640**	13,813	**-**	-	**575,640**	13,813
Depreciation	**(18,668)**	(6,082)	**(453)**	(305)	**(19,121)**	(6,387)
Capital expenditure	**(220,535)**	(709,805)	**(204)**	(123)	**(220,739)**	(709,928)

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 2019 and 2018.

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

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

	2019	2018
	HK$'000	HK$'000
REVENUE		
From contract with customers:		
- Sales of properties recognised at a point in time	**1,826,370**	309,434
From other sources:		
- Rental income recognised over time	**10,306**	2,987
	1,836,676	312,421
OTHER INCOME		
Interest income and gain from financial assets at fair value through profit or loss and at amortised cost	**-**	23,558
Others	**-**	106
	-	23,664
OTHER GAINS,NET		
Fair value gains on investment properties	**575,640**	13,813
(Loss)/gain on disposal of property, plant and equipment	**(59)**	13
Exchange gains/(losses), net	**10,704**	(5,436)
Sales deposits forfeiture	**966**	-
Others	**233**	(207)
	587,484	8,183

(5) Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	HK$'000
Cost of sales		
- properties	**1,516,504**	215,648
- others	**3,744**	1,407
Depreciation of property, plant and equipment	**14,057**	6,387
Depreciation of right-of-use assets	**5,064**	-
Rental expenses *(note)*	**3,443**	6,232
Business taxes and surcharges	**18,385**	4,785
Auditor's remuneration		
- audit services	**2,200**	2,042
- non-audit services	**1,750**	4,826
Directors' emoluments	**1,640**	1,640
Staff costs		
- wages and salaries	**95,124**	69,457
- provident fund contributions	**10,627**	13,511
- forfeited contributions	**(28)**	-
	105,723	82,968
Less: Amount capitalised under property development project	**(31,273)**	(27,127)
Total staff costs expensed during the year	**74,450**	55,841

Note: The amount for the year ended 31 December 2019 was associated with short-term leases.

(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 (2018: 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% (2018: 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 2018, the over-provision of LAT in relation to the sales of certain properties in the prior year amounting to HK$77,173,000 was reversed, following tax clearance with the local tax authorities to charge the LAT at deemed basis. There was no such over-provision of LAT during the year.

	2019	2018
	HK$'000	HK$'000
Current income tax - PRC taxation	**164,610**	179,484
Under-provision of corporate income tax in Mainland China	**1,197**	-
LAT in Mainland China	**478,965**	9,586
Withholding income tax	**4,549**	7,117
Deferred income tax	**(363,985)**	(153,182)
	285,336	43,005

(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$341,063,000 (2018: HK$224,263,000) and the number of ordinary shares of 1,711,536,850 (2018: 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 2019 and 2018.

(8) Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: 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:

	2019	2018
	HK$'000	HK$'000
Not yet due	**62**	-
Over 3 months	**1,503**	4,178
	1,565	4,178

(10) Guarantees

As at 31 December 2019, 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 2019, the Group's outstanding guarantees amounted to HK$653,856,000 (2018: HK$370,276,000) for these guarantees.

(11) Post Balance Sheet Event

(a) The Group classified properties under the Southern Land development of the GDH City Project as investment properties under development and stated at cost as at 31 December 2019. On 15 January 2020, the construction permit in relation to the main construction under the Southern Land development of the GDH City Project has been obtained. Upon receipt of the construction permit, the Group is in the process of assessing the financial implication on whether the fair value of the investment properties under the Southern Land development can be reliably measured.

If the fair value of the investment properties under the Southern Land development can be reliably measured, the Group will adopt fair value model to measure such investment properties under development. Changes in fair value on such investment properties under development (if any) would then be recognised in the consolidated statement of profit or loss.

(b) After the outbreak of Coronavirus disease ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group has paid close attention to the development of the COVID-19 outbreak and evaluated its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the consolidated financial statements for the year ended 31 December 2019 as a result of the COVID-19 outbreak. The Group will continue to monitor the situation closely and carry out any necessary assessment on the potential financial impact to the Group's consolidated financial statements.

CHAIRMAN'S STATEMENT

With the impact of trade protectionism and unilateralism in 2019, the global economy demonstrated a stagnant growth in general. Due to the lack of new momentum for global economic growth and the lingering trade conflicts and frictions, the international division of labor in the world was facing restructuring. Under the complex international environment, the economy of the People's Republic of China (the "**PRC**", "**China**" or "**Mainland China**") remained resilient and stable in 2019. With the improving economic structure and the increasing quality of development, the aggregate gross domestic product ("**GDP**") amounted to nearly RMB100 trillion, representing a growth of 6.1% compared with that of last year, with the highest growth rate among the economies with economic scales of more than US$1 trillion. The PRC's GDP per capita was more than US$10,000 and the nominal disposable income per capita of its domestic residents increased by 8.9% as compared with that of the last year.

In 2019, focusing on managing financial risks in relation to properties, the PRC government affirmed the overarching principle of housing for living, but not for short-term economic stimulation, and kept close targeted supervision of the funds in the real estate industry throughout the year. Local policies based on the individual situation of each city and district were introduced to keep the property market stable. In addition, the basic operation system for the real estate industry in China has become more sophisticated, laying a stronger foundation for further implementation of long-term property management mechanism. The total investment of real estate development in the country for 2019 amounted to approximately RMB13.2 trillion, representing a growth of 9.9% compared with that of last year, while the gross floor area ("**GFA**") of commodity housing sold was approximately 1.716 billion square metres ("**sq. m.**"), which remained almost the same with that of last year. According to the sale price indices for newly-built commodity housing in 70 large and medium-sized cities in December 2019, the housing price indices for Shenzhen City and Guangzhou City showed an increase of approximately 3.6% and 4.7% respectively, as compared with those of the same month last year. Abiding by the overarching principle of "housing is for living, but not for speculation" (房住不炒), Shenzhen City has been benefiting from favorable policies including the release of the outline development plan for the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") and the opinion on the pilot demonstration zone and saw a significant recovery in its property market. As for Guangzhou City, more regional policies has been developed such as the new policies for talent attraction and household registration introduced to lower the threshold for regional household registration in Nansha, Huadu and Huangpu in Guangzhou City, and the market was generally stable. Carrying forward the favorable development of the Greater Bay Area in 2019, Jiangmen City has been loosening its housing policy in order to attract more talents to settle down in the city. A series of initiative policies were introduced such as "the lowest threshold for household registration in history" (史上最低入戶門檻), "providing houses for top talents" (頂尖人才直接送房) and "non-local individuals holding a college degree or above and with social insurance may purchase a house" (大專以上外地人有社保即可購房).

Results

During the year under review, the Group was 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, the Ruyingju Project in Panyu District, the Laurel House Project in Yuexiu District and the Baohuaxuan Project in Liwan District in Guangzhou City, as well as the Chenyuan Road Project in Pengjiang District in Jiangmen City, the PRC.

In 2019, the Group recorded a revenue of approximately HK$1,837 million (2018: HK$312 million), representing an increase of approximately 487.9% 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$341 million (2018: HK$224 million), representing an increase of approximately 52.1% 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 as compared with that for the same period of last year. Please refer to the section headed "Business Review" in the Management Discussion and Analysis for details of the Group's property sales in 2019. The increase in the profit attributable to owners of the Company for the year under review was mainly attributable to the fact that the investment properties on the Northern Land of the Group's GDH City Project were initially measured and accounted for at the fair value during the year, and recorded a net gain on fair value appreciation of approximately HK$454 million.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil) to save funds for future needs of business development of the Company.

Business Review

The Group conducted its business as planned in 2019 and achieved satisfactory results.

The Group holds a 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 in the PRC. Based on the Group's development plan, the project develops in two phases, the first of which involves the Northwestern Land development with a GFA of approximately 166,000 sq. m. that mainly comprises business apartments, office premises and commercial units. While, among others, office buildings that are approximately 180 metres and 300 metres respectively in height will be built on the Northern Land and the Southern Land, which make up the second phase of the project. A shopping mall with a GFA of over 100,000 sq. m. is planned to be constructed across such two pieces of Land.

During the year under review, the works of the GDH City Project had fully commenced with good progress. The construction works on the Northwestern Land in the first phase entered the final stage and completed the preparation for subsequent inspection and acceptance procedures. The pre-sale of the properties in the first phase of the project had commenced in December

2018. Meanwhile, the Group further stepped up its efforts in seeking potential commercial occupiers for the project through extensive communications and collaborative interactions with industrial and commercial resources related to the project, and continuously optimised its product portfolio in order to showcase the competitive edge of the project.

The Group holds a 100% interest in the Laurel House Project, which is located in Yuexiu District, Guangzhou City, the PRC, with a GFA of approximately 119,267 sq. m., and comprises residential units, commercial properties and car-parking spaces. In 2019, the GFA of residential units under the Laurel House Project which had been delivered to customers amounted to approximately 19,775 sq. m. (2018: 2,943 sq. m.), representing approximately 30.1% of the GFA of the residential units in aggregate. The commercial properties under the Laurel House Project have entered the trial operation. A new brand of community commercial product line, GD•Delin (粵海•得鄰) was officially unveiled. As at 31 December 2019, the occupancy rate was approximately 80%.

The Group holds a 100% interest in the Baohuaxuan Project, which is located in Liwan District, Guangzhou City, 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. In 2019, the GFA of residential units under the Baohuaxuan Project which had been delivered amounted to approximately 204 sq. m. (2018 (since the completion date of the acquisition): 680 sq. m.). As at 31 December 2019, the accumulated GFA of residential units under the Baohuaxuan Project delivered represented approximately 91.6% of the GFA of the residential units in aggregate.

The Group holds an 80% interest in the Ruyingju Project, which is located in Panyu District, Guangzhou City, the PRC, with a GFA of approximately 126,182 sq. m., and comprises residential units and car-parking spaces. In 2019, the GFA of residential units and car-parking spaces under the Ruyingju Project which had been delivered amounted to approximately 5,156 sq. m. (2018: 415 sq. m.) and 268 sq. m. (2018: 3,573 sq. m.), respectively. As at 31 December 2019, the accumulated GFA of residential units and car-parking spaces under the Ruyingju Project delivered represented approximately 97.3% and 47.7% of the GFA of the residential units and car-parking spaces in aggregate, respectively.

On 29 September 2019, the Group has succeeded in the bid for the land use rights of a state-owned construction land located in Pengjiang District, Jiangmen City, the PRC, through the public Listing-for-Sale Process (the "**Chenyuan Road Project**"). The land parcel has a site area of approximately 59,705 sq. m. and a maximum total GFA included in the calculation of the plot ratio of approximately 164,216 sq. m. The proposed types of properties including residential units, commercial units, and car-parking spaces, will all be for sale. The land transfer for the Chenyuan Road Project has been completed in 2019, while geological exploration works, project development and construction application, positioning, planning and design and preliminary preparation for site construction for the project are in progress. The project is expected to start construction in the second quarter of 2020 and will be developed by phases. It is expected that the properties for the first phase of development will be ready for pre-sale on or before 2021.

Outlook

In 2019, against the backdrop of slowing global economic growth and rising trade protectionism, China's economy continued to grow steadily, operating within a reasonable range. On 15 January 2020, the phase one economic and trade agreement was duly executed between China and the USA, which has contributed to market confidence and stabilised market expectations. As the COVID-19 outbreak has been spreading rapidly across the country during the Chinese New Year in 2020, the PRC government adopted a series of prevention and control measures such as home isolation and the extension of the Chinese New Year holiday in order to avoid a large amount of people going around and gathering. The plunge of demand and production has greatly affected the investment, consumption and export and will inevitably have a great impact on the Chinese economy. However, since the PRC government has attached the greatest importance to the epidemic and adopted effective measures to address the impact, it is believed that the economic impact of the epidemic on China will be short-term.

At the Central Economic Work Conference convened by the PRC government in December 2019, the overarching principle of "housing is for living, but not for speculation" (房住不炒) was reiterated. The localised policies based on the individual situation of each city and the long-term regulation and control mechanism of stabilising land prices, house prices and expectations would be implemented comprehensively to promote the stable and healthy development of the property market. Going forward, it is expected that the PRC government will continue to maintain the consistency and stability of its overall policies regarding the regulation and control of the real estate market. Generally speaking, the steady economic growth in the PRC coupled with steady property development and investment will continue to facilitate the steady and healthy development of the domestic industry of residential properties and commercial properties.

Released by 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 cities, with a portrayal of the relevant roadmap and timetables. Building on the four core cities of Hong Kong, Macao, Guangzhou and Shenzhen, the 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 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, the Laurel House Project and the Chenyuan Road Project, are located in the 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 Greater Bay Area or the "Core, Coastal Belt and Zone Initiative".

Located in Luohu District in Shenzhen City, the GDH City Project has an enormous development potential. The Group aggressively invests 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 GDH City Project commenced in December 2018. As the construction works of the project entered the final stage, it is expected that the filing in respect of the completion of construction of the project will be made and properties will be delivered within 2020, contributing to the revenue and profit for the Group. The types of properties under the second phase development include office buildings and a shopping mall, and both commercial activities and consumer groups are proposed to be brought into that community. The sales of residential properties of the Laurel House Project commenced in November 2018, ranking the first in terms of the residential sales in Yuexiu District, Guangzhou City in 2019, while its commercial properties have formally opened since January 2020, with an occupancy rate amounting to approximately 80% as of the end of 2019. Continuous activities will be carried out to drive up the rentals and thus the property value. It is expected that these two property projects will continue to contribute to the future performance and cash flows of the Group. In September 2019, the Group won the bid for a parcel of land located in the core area of the second phase of Binjiang New District Initiation Zone in Jiangmen City. As the western gateway of the Greater Bay Area, Jiangmen City has a promising development prospect. With convenient transportation, complete supporting facilities and rare landscape, the region where the land is situated in embraces the conditions in becoming a regional benchmark project, and is an excellent project subject of the Group as a stepping stone into the Jiangmen market.

The Group is cautiously optimistic about the outlook of the real estate industry in Mainland China. Through the development, construction and management of projects including the GDH City Project and the Laurel House 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 revitalisation 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. Going forward, by leveraging on the professional capabilities, industry experience and resource advantages secured by the Group, we will continue to proactively seek opportunities for business development. At present, the Group enjoys a strong financial position, the support of a robust controlling shareholder and ample project and financial resources. As the sole capital development platform for the real estate development business of Guangdong Holdings Limited, the largest foreign integrated conglomerate in Guangdong Province, the Group will, by seizing market opportunities, take an active approach in striving for and leveraging on the resources advantages of the Company's shareholders. Making use of and taking advantage of its status as a listed company, the Group will carry out project exploration and land reserve in an active and prudent manner, capitalise on the development opportunities presented by the Greater Bay Area and the "Core, Coastal Belt and Zone Initiative" through tapping the strengths of the Greater Bay 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 Greater Bay Area and the "Core, Coastal Belt and Zone Initiative" and promote 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 future business development and will actively promote the development of its property business in order to create greater returns for its shareholders as we did in the past.

XU Yeqin
Chairman

Hong Kong, 26 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The consolidated revenue of the Group for 2019 amounted to approximately HK$1,837 million (2018: HK$312 million), representing an increase of approximately 487.9% from that of last year. The increase in revenue was mainly attributable to the increase in GFA of sold properties held for sale. Please refer to the section headed "Business Review" hereof for details of the Group's property sale in 2019. During the year under review, the Group recorded a profit attributable to owners of the Company of approximately HK$341 million (2018: HK$224 million), representing an increase of approximately 52.1% from last year.

Apart from the growth in the sale of properties, when compared with the year 2018, the major factors affecting the results of the Group for the year ended 31 December 2019 include the following:

(a) the commercial properties on the Northern Land of the Group's GDH City Project intended for lease was stated at cost at the end of 2018. During the year under review, such commercial properties were accounted for initially at fair value and recorded a net gain on fair value appreciation of approximately HK$454 million. The fair value gain was included in the statement of profit or loss for the year;

(b) as funds of the Group were used for business development, total interest and other income from banks and financial assets at fair value through profit or loss and at amortised costs decreased by approximately HK$20.25 million from that for the same period last year. Since July 2018, the Group has continued to borrow interest-bearing loans to finance its business development which mainly render the finance costs recorded and recognised in the consolidated statement of profit or loss in 2019 were approximately HK$76.28 million (2018: HK$33.13 million), representing an increase of approximately HK$43.15 million from the same period last year; and

(c) the pre-sale and sale of the properties held by the Group under the first phase of the GDH City Project and the Laurel House Project, respectively, commenced in the fourth quarter of 2018. As such, certain sales and marketing activities were launched in respect of those projects, mainly contributing to the increase in selling and marketing expenses of approximately HK$56.53 million.

In addition, the Group's results in 2018 include the following three one-off items that were not available in 2019:

(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 its 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 of the said transactions. As the acquisition consideration was less than the fair value of net assets acquired, a gain on bargain purchase of approximately HK$297 million was recognised in the consolidated statement of profit or loss;

(b) land appreciation tax was accrued by the Group in 2017 as a result of the sale of certain properties. For the year ended 31 December 2018, the over-accrual of land appreciation tax in 2017 of approximately HK$77.17 million had been reversed following the tax clearance with the local tax authorities; and

(c) In 2018, a subsidiary of the Company had received demolition compensation income from another subsidiary of the Company. As a result, the first-mentioned subsidiary recognised a net income tax expense, net of the related deferred tax, of approximately HK$106 million accordingly.

Business Review

Material Acquisition - Successful Bidding for the Land Use Rights of a Land Parcel in Jiangmen City

On 29 September 2019, the Group has succeeded in the bid for the land use rights of a state-owned construction land located in Pengjiang District, Jiangmen City, the PRC through the public Listing-for-Sale Process. The cash consideration for the bid of the land use rights amounted to approximately RMB919 million (equivalent to approximately HK$1,019 million). The land parcel has a site area of approximately 59,705 sq. m. and a maximum total GFA included in the calculation of the plot ratio of approximately 164,216 sq. m., which is expected to be used for residential and commercial purposes. The proposed types of properties including residential units, commercial units, and car-parking spaces, will all be for sale.

Jiangmen City is positioned as the western gateway of the Greater Bay Area, with its value remaining at a bargaining level. Subsequent to improvements in the transportation infrastructure across the eastern and western areas, the future development of such area is expected to prosper. The project is situated in a region with high planning position and enjoys a strong market prospects, as well as convenient location as a bonus. Possessing rare landscape resources and sound living amenities, the project embraces the conditions in becoming a regional benchmark project, and is an excellent project subject of the Group as a stepping stone into the Jiangmen market. Adjacent to the prime lot in Jiangmen City, the land price of the project enjoys a cost advantage. Riding on the brief adjustment period of the Jiangmen land market, it was a good opportunity for the Group to acquire the aforesaid land parcel. The project will have a positive impact on the sustainable development of the Group in the future, and is also in the interests of the Group and the shareholders of the Company as a whole.

The Group is actively considering and studying its business development in the Greater Bay Area and first-tier and second-tier cities in Mainland China. The acquisition of the aforesaid land parcel is in line with the core business and development direction of the Group. The Group has established a wholly-owned subsidiary for the development of the Chenyuan Road Project and will provide appropriate resources to speed up the development of such land parcel.

The GDH City Project

The Group holds a 100% interest in the GDH City Project, which is a multi-functional commercial complex with jewelry as the main theme, located in Luohu District, Shenzhen City in 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 highways and subway stations and adjoins Weiling Park, is surrounded by several municipal parks within a radius of 1.5 kilometres and enjoys 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 that mainly comprises business apartments, office premises and commercial units. Except for the underground car-parking spaces, properties built on the Northwestern Land are intended for sale upon completion. While, among others, office buildings that are approximately 180 metres and 300 metres respectively in height will be built on the Northern Land and the Southern Land, which make up the second phase of the project. A shopping mall with a GFA of over 100,000 sq. m. is planned to be constructed across the Northern Land and the Southern Land. Based on the current plan, the filing in respect of the completion of construction 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.

During the year under review, the construction works in respect of the properties under construction in the first phase of the GDH City Project entered the final stage and completed the preparation for subsequent inspection and acceptance procedures; in respect of the second phase of the project, foundation pit support as well as earth-and-stone excavation works were completed and completion inspection was passed on the Northern Land, while the structural works such as foundation pit support, anchor cable and internal support works were completed and piling works were all completed on the Southern Land. The construction permits in relation to the main construction under the Northern Land and the Southern Land development were obtained in December 2019 and January 2020, respectively. The second phase of development is going to commence in full swing. In relation to the property sale under the project, the pre-sale of the properties in the first stage of the project had commenced in December 2018, with an aggregate GFA for which contracts had been signed of approximately 15,660 sq. m. for the year ended 31 December 2019.

In relation to the search for potential commercial occupiers of the GDH City Project, the Group, Luohu Government of Shenzhen and the Shanghai Diamond Exchange ("**SDE**") have reached an agreement to co-establish an extended service platform of SDE and planned to promote the innovative business of SDE in the GDH City based on such platform. The Luohu Government will actively participate in the establishment of the platform and provide corresponding policy support. 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 provide services for the GDH City Project such as the design of its commercial component, positioning, planning and the search for potential commercial occupiers. The Group has also entered into letters of intent to lease with some leading commercial brands, with an aim to develop a competitive and differentiated portfolio.

Moreover, in response to the demand for jewelry-themed projects and the need for creating differentiated competitive advantages, the Group has identified the brand partner and the consultant for the design, construction and operation of a vault facility. The Group also entered into framework agreements on strategic collaboration with a number of industrial resources platforms in relation to the intention to lease and the search for potential commercial occupiers for the GDH City Project making use of the resources of these platforms. Through extensive communications with industries 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, the Group established a wholly-owned company, 粵海悅生活物業管理有限公司 (Yuehai Yueshenghuo Property Management Co., Ltd.) ("**Property Management Company**"), which was tasked with offering property management services in relation to the GDH City Project (including the project sale and exhibition center) and certain properties of the Group. The Property Management Company has been involved in the takeover and acceptance works for the first phase of the GDH City Project and completed the preliminary preparation for the information system for property management, constantly enhancing its property management level with an aim of becoming a benchmark company in the industry.

Land lot	Usage	Appro-ximate total site area (sq. m.)	Appro-ximate GFA* (sq. m.)	Appro-ximate GFA contracted in 2019 (sq. m.)	Progress	Expected completion and filing date
Northwestern Land	Business apartments/ Commercial	16,680	116,000	15,660	Structures completed, and construction works entered the final stage	2020
Northern Land	Commercial/ Offices/Mall	33,802	146,551	N/A	Foundation pit support as well as earth-and-stone excavation completed	2nd half of 2022
Southern Land	Offices/Mall	16,044	199,500	N/A		2023

**Note: Including (1) underground commercial GFA of 30,000 sq. m.; and (2) common area.*

As at 31 December 2019, the cumulative development costs and direct expenses of the GDH City Project amounted to approximately HK$4,490 million (31 December 2018: HK$3,827 million), representing a net increase of approximately HK$663 million during the year under review. As at 31 December 2019, approximately HK$2,577 million thereof was attributable to the "Properties under development" under the current assets, while HK$1,865 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 the acquisition of a 100% 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 are for lease. 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 optimising the sales proposal for the project and stepping up its marketing efforts in a timely manner. For the year ended 31 December 2019, the GFA of residential units which had been delivered to customers amounted to approximately 19,775 sq. m. (out of which approximately 841 sq. m. were sold to the original property owners of that lot at agreed prices), representing approximately 30.1% 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 has fully entered the stage of seeking potential commercial occupiers, where the occupancy rate was approximately 80% as at the end of 2019.

Property sale under the Baohuaxuan Project had commenced prior to completion of the Company’s acquisition thereof. Since the completion date of such acquisition, the GFA of residential units under the Baohuaxuan Project which had been delivered to customers amounted to approximately 204 sq. m. in aggregate for the year ended 31 December 2019. As at 31 December 2019, the accumulated GFA of residential units under the Baohuaxuan Project delivered represented approximately 91.6% of the GFA of the residential units in aggregate.

Property project	Usage	Approximate GFA (sq. m.)	Approximate GFA contracted (sq. m.)		Approximate GFA delivered (sq. m.)	
			2019	Accumu-lated	2019	Accumu-lated
Laurel House	Residential	65,636	22,513	26,922	19,775	22,718
Baohuaxuan	Residential	3,884	102	3,684	204	3,558

The Group acquired the interests in the Laurel House and Baohuaxuan Projects in July 2018. As the consideration paid for the acquisition of these projects was determined with reference to the then market value of these projects (but acquired at a discount), the carrying values (and future costs of sales) of properties of the Laurel House Project and the Baohuaxuan Project included their development costs and fair value appreciation as of the completion date of the acquisition.

The Ruyingju Project

The Group holds an 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 comprises residential units and car-parking spaces, all of which are for sale.

For the year ended 31 December 2019, the GFA of residential units under the Ruyingju Project which had been delivered to customers amounted to approximately 5,156 sq. m. (2018: 415 sq. m.), representing an increase of approximately 11.4 times from that of last year. As at 31 December 2019, the accumulated GFA of the residential units and car-parking spaces under the Ruyingju Project delivered represented approximately 97.3% and 47.7% of the GFA of the residential units and car-parking spaces in aggregate, respectively.

Property project	Usage	Approximate GFA (sq. m.)	Approximate GFA contracted (sq. m.)		Approximate GFA delivered (sq. m.)	
			2019	Accumu-lated	2019	Accumu-lated
Ruyingju	Residential	94,617	4,586	93,853	5,156	92,099
Ruyingju	Car-parking spaces	8,052	212	3,858	268	3,841

The Group acquired the equity interest in the Ruyingju Project in April 2015. As the consideration paid for the acquisition of the project was determined with reference to the then market value of the Ruyingju Project (but acquired at a discount), the carrying value (and future cost of sales) of the Ruyingju properties included their development costs and the fair value appreciation as of the completion date of the acquisition.

The Chenyuan Road Project

In September 2019, the Group acquired a 100% interest of the land use right of the Chenyuan Road Project. The land parcel has a site area of approximately 59,705 sq. m. and a maximum total GFA included in the calculation of the plot ratio of approximately 164,216 sq. m. The proposed types of properties, including residential units, commercial units, and car parking spaces, will all be available for sale.

For the year ended 31 December 2019, the land transfer for the Jiangmen project has been completed, while geological exploration works, project development and construction application, positioning, planning and design and preliminary preparation for site construction for the project are in progress. The project is expected to start construction in the second quarter of 2020 and will be developed by phases. It is expected that the properties for the first phase of development will be ready for pre-sale by 2021.

Financial Review

Key Financial Indicators

	Note	Year ended 31 December **2019**	2018	Change
Profit attributable to owners of the Company (HK$'000)		**341,063**	224,263	+52.1%
Return on equity (%)	*1*	**7.3%**	5.0%	+2.3 ppt

	31 December 2019	31 December 2018	Change
Net assets (HK$ million)	**4,870**	4,660	+4.5%

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, as key financial indicators, both the profit attributable to owners of the Company and the return on equity improved over that of last year. The improvement in these financial indicators was mainly attributed to the increase in the revenue from the sale of properties and the fair value appreciation of investment properties. For the analysis of the profit attributable to owners of the Company for the year, please refer to the section headed "Results" in this Management Discussion and Analysis.

Other Income, Gains, Expenses and Finance Costs

The Group's selling and marketing expenses in 2019 amounted to approximately HK$86.04 million (2018: HK$29.51 million), representing an increase of approximately 191.6% from that of last year, mainly due to the fact that each of the first phase of the development of the GDH City Project and the Laurel House Project had entered the pre-sale and sale stages, leading to an increase in related marketing activities. The Group's administrative expenses in 2019 amounted to approximately HK$118 million (2018: HK$95.69 million), representing an increase of approximately 23.3% from that of last year. During the year under review, the increase in administrative expenses was mainly due to an increase in wages and related expenditures and an increase in the business taxes and surcharges payable of approximately HK$18.38 million (2018: HK$4.78 million) due to an increase in revenue.

The Group recorded net exchange gains of approximately HK$10.70 million (2018: net exchange losses of approximately HK$5.44 million) during the year under review. The net exchange gains for the year were mainly resulted from the settlement of certain loans denominated in Renminbi due to the Company from a subsidiary of the Company.

The Group secured interest-bearing loans for meeting its business development needs, which led to an increase in finance costs. During the year under review, the Group recorded finance costs of approximately HK$130.34 million (2018: HK$51.54 million), of which approximately HK$54.06 million had been capitalised while the remaining portion of approximately HK$76.28 million were charged to the statement of profit or loss.

Capital Expenditure

The Group's capital expenditure paid in 2019 was HK$215 million (2018: HK$700 million). The capital expenditure was mainly used for the development of the GDH City Project's investment properties under development.

Financial Resources and Liquidity

As at 31 December 2019, the equity attributable to owners of the Company was approximately HK$4.76 billion (2018: HK$4.54 billion), representing an increase of approximately 4.8% over that in 2018. Based on the number of shares in issue as at 31 December 2019, the net asset value per share at the end of the year was approximately HK$2.78 (2018: HK$2.65) per share, representing an increase of approximately 4.9% over that in 2018.

As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$1,001 million (2018: HK$836 million), representing a year-on-year increase of approximately 19.7%. The increase in the cash and cash equivalents mainly represented the property pre-sale and sale proceeds received during the year under review and net addition of bank and other borrowings of HK$647 million.

Of the Group's cash and bank balances (including pledged bank deposit, restricted bank balances and cash and cash equivalents) as at 31 December 2019, 93.6% was in RMB, 5.8% was in USD and 0.6% was in HKD. Net cash outflows used in operating activities for the year amounted to HK$312 million (2018: net cash inflows from operating activities of HK$83 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 2019, the Group borrowed interest-bearing loans from certain banks and a fellow subsidiary of the Company in the aggregate amount of approximately HK$3,159 million (31 December 2018: HK$2,512 million), with a gearing ratio[1] of approximately 44.7% (31 December 2018: 36.0%). According to the relevant loan agreement, approximately HK$681 million of the interest-bearing loans is repayable within one year; approximately HK$681 million is repayable within one to two years; and the remaining approximately HK$1,797 million is repayable within two to five years. With the unfavorable impact of a tightening financing market in 2019, the Group managed to control its finance costs effectively, with a weighted average effective interest rate of the Group's bank and other borrowings of 4.83% per

[1] Gearing ratio = (Interest-bearing loans + lease liabilities – cash and cash equivalents) ÷ Net assets

annum as at 31 December 2019 (31 December 2018: 5.11%). As at 31 December 2019, the available banking facilities to the Group were RMB450 million (equivalent to approximately HK$502 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.

As at 31 December 2019, certain property assets amounting to HK$2,167 million and the entire shares of GYPD as well as bank deposits amounting to HK$42.90 million of the Group were pledged for the purposes of securing bank loans and performance as stipulated under certain construction contracts, respectively. Except as the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK$654 million as at 31 December 2019 (2018: HK$370 million), no material contingent liabilities was recorded as at 31 December 2019.

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 or the Greater Bay Area, 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 2019, the Group had outstanding interest-bearing loans amounting to approximately HK$3,159 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.

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. The Company's internal management for environmental, social and governance ("**ESG**") takes into consideration the views of various stakeholders, especially for important ESG issues, and is supported by staff members from all levels and departments of the Company. Staff members jointly implement and execute relevant internal policies and promptly respond to the expectations of stakeholders.

To further refine its ESG policies, the Group has been actively communicating with stakeholders such as employees, customers, business partners and suppliers, shareholders and investors, government authorities and regulators through various channels in order to gather comments and suggestions from them. Coupled with the management's expectations on development, the Group identifies and analyses important topics at two dimensions, namely "Significance to our Stakeholders" and "Importance to Guangdong Land's Development", by conducting proactive and comprehensive stakeholder communication 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, 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 business and it is very important to strictly comply with environmental laws and regulations on construction works. 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 newly constructed buildings comply with the environmental protection and energy conservation requirements set by the central and local governments. It also spares no efforts in contributing to environmental protection by actively collaborating with the main contractors of its development projects.

The Company is currently in the process of preparing its ESG report for the year ended 31 December 2019. 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 2019 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 May 2020.

Human Resources

The Group had 269 (2018: 261) employees as at 31 December 2019. The total employee remuneration and provident fund contributions (excluding directors' remuneration) in 2019 was approximately HK$106 million (2018: HK$82.97 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 under review. The Group offers different training courses to its employees.

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 of 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, the Company has complied with the code provisions and, where appropriate, adopted the applicable recommended best practices set out in the CG Code throughout the year ended 31 December 2019.

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 Friday, 12 June 2020 at 10:30 a.m. (the "**2020 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 Tuesday, 9 June 2020 to Friday, 12 June 2020, both days inclusive, for determining the shareholders' eligibility to attend and vote at the 2020 Annual General Meeting.

In order to qualify for attending and voting at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 June 2020.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2019 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 ended 31 December 2019 as set out in this 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 ended 31 December 2019. 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 this preliminary announcement.

By Order of the Board
Guangdong Land Holdings Limited
XU Yeqin
Chairman

Hong Kong, 26 March 2020

In this announcement, the English names of the PRC entities are translations of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. XU Yeqin, Mr. LI Yonggang, Mr. WU Mingchang, Ms. ZHU Guang and Mr. ZHANG Jun; and three Independent Non-Executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.