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 2017 and Proposed Change of Independent Auditor

HIGHLIGHTS

	Year ended 31 December		
	2017	2016	Change
Revenue, in thousand HK$	**186,694**	1,091,941	-82.9%
Profit attributable to owners of the Company, in thousand HK$	**49,287**	17,734	+177.9%
Basic earnings per share, in HK cent	**2.88**	1.04	+176.9%
	As at 31 December		
	2017	2016	
Current ratio	**6.6 times**	2.6 times	+153.8%
Gearing ratio[1]	**net cash**	net cash	-
Total assets, in million HK$	**5,381**	6,474	-16.9%
Net asset value per share[2], in HK$	**2.64**	2.45	+7.8%
Number of employees	**225**	229	-1.7%

Notes:

1. Gearing ratio = (Interest-bearing debt — cash and bank balances) / 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 2017 together with comparative figures for 2016 as follows:

Consolidated Statement of Profit or Loss
Year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
REVENUE	*5*	**186,694**	1,091,941
Cost of sales		**(21,073)**	(901,049)
Gross profit		**165,621**	190,892
Other income and gains	*5*	**65,387**	83,983
Selling and distribution expenses		**(7,570)**	(13,552)
Administrative expenses		**(74,372)**	(72,729)
Other operating expenses, net		**(2,780)**	(32,578)
PROFIT BEFORE TAX	*6*	**146,286**	156,016
Income tax expense	*7*	**(94,487)**	(125,690)
PROFIT FOR THE YEAR		**51,799**	30,326
Attributable to:			
Owners of the Company		**49,287**	17,734
Non-controlling interest		**2,512**	12,592
		51,799	30,326
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**2.88 HK cents**	1.04 HK cents

Consolidated Statement of Comprehensive Income
Year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000
PROFIT FOR THE YEAR	**51,799**	30,326
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**291,416**	(278,756)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**343,215**	(248,430)
Attributable to:		
Owners of the Company	**330,397**	(243,549)
Non-controlling interest	**12,818**	(4,881)
	343,215	(248,430)

Consolidated Balance Sheet
31 December 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,413**	8,112
Investment properties		**1,156,891**	1,057,327
Deferred tax assets		**80,315**	70,047
Total non-current assets		**1,242,619**	1,135,486
CURRENT ASSETS			
Completed properties held for sale		**269,669**	265,386
Properties under development		**1,908,882**	1,633,600
Prepayments, deposits and other receivables		**34,624**	26,108
Available-for-sale financial assets		**1,161,178**	447,160
Pledged bank deposit		**44,316**	-
Restricted bank balances		**116,804**	563,073
Cash and bank balances		**602,749**	2,402,840
Total current assets		**4,138,222**	5,338,167
CURRENT LIABILITIES			
Trade payables	*10*	**(16,925)**	(1,528,040)
Other payables, accruals and provisions		**(150,636)**	(155,310)
Receipts in advance		**(57,847)**	(20,245)
Due to a non-controlling shareholder		**-**	(27,948)
Tax payable		**(405,282)**	(336,502)
Total current liabilities		**(630,690)**	(2,068,045)
NET CURRENT ASSETS		**3,507,532**	3,270,122
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,750,151**	4,405,608
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(73,506)**	(72,178)
Net assets		**4,676,645**	4,333,430

Consolidated Balance Sheet (continued)
31 December 2017

	2017 HK$'000	2016 HK$'000
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**171,154**	171,154
Reserves	**4,347,050**	4,016,653
	4,518,204	4,187,807
Non-controlling interest	**158,441**	145,623
Total equity	**4,676,645**	4,333,430

Notes:

(1) Corporate Information

On 19 January 2017, GDH Limited entered into a sale and purchase agreement with Guangdong Investment Limited ("GDI"), a then fellow subsidiary of the Company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited, to sell its 73.82% equity interest of the Company for a consideration of RMB3,358,000,000, which was completed on 18 April 2017, and on the same date, GDI became the immediate holding company of the Company. 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.

(2) Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties and available-for-sale financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

(3) Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

(3) Changes in Accounting Policies and Disclosures (continued)

Other than as explained below regarding the impact of Amendments to HKAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(4) Operating Segment Information

For management purposes, the Group is organised into business units based on their products and activities 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 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.

(4) Operating Segment Information (continued)

Year ended 31 December	Property development and investment 2017 HK$'000	Property development and investment 2016 HK$'000	Other 2017 HK$'000	Other 2016 HK$'000	Total 2017 HK$'000	Total 2016 HK$'000
Segment revenue:						
Sales to external customers	**186,694**	1,091,941	**-**	-	**186,694**	1,091,941
Segment results	**103,651**	143,684	**(21,278)**	(61,104)	**82,373**	82,580
Reconciliation:						
Interest income					**63,913**	73,436
Profit before tax					**146,286**	156,016

As at 31 December	Property development and investment 2017 HK$'000	Property development and investment 2016 HK$'000	Other 2017 HK$'000	Other 2016 HK$'000	Total 2017 HK$'000	Total 2016 HK$'000
Segment assets	**5,139,685**	5,997,460	**160,841**	406,146	**5,300,526**	6,403,606
Reconciliation:						
Unallocated assets					**80,315**	70,047
Total assets					**5,380,841**	6,473,653
Segment liabilities	**(610,796)**	(2,041,067)	**(19,894)**	(26,978)	**(630,690)**	(2,068,045)
Reconciliation:						
Unallocated liabilities					**(73,506)**	(72,178)
Total liabilities					**(704,196)**	(2,140,223)
Year ended 31 December	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Other segment information:						
Changes in fair value of investment properties	**(773)**	(1,006)	**-**	-	**(773)**	(1,006)
Depreciation	**1,324**	1,003	**267**	225	**1,591**	1,228
Capital expenditure*	**24,280**	1,088,372	**171**	280	**24,451**	1,088,652

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

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 2017 and 2016.

(5) Revenue, Other Income and Gains

Revenue represents sales of completed properties held for sale and rental income received during the year.

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

	2017	2016
	HK$'000	HK$'000
REVENUE		
Sales of properties	**184,554**	1,090,261
Rental income	**2,140**	1,680
	186,694	1,091,941
OTHER INCOME		
Bank interest income	**12,293**	72,828
Interest income from available-for-sale financial assets	**51,620**	608
Others	**701**	1,769
	64,614	75,205
GAINS		
Changes in fair value of investment properties	**773**	1,006
Gain on disposal of items of property, plant and equipment	**-**	4,822
Others	**-**	2,950
	773	8,778
	65,387	83,983

(6) Profit Before Tax

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

	2017	2016
	HK$'000	HK$'000
Cost of properties sold	**21,073**	901,049
Depreciation	**1,591**	1,228
Minimum lease payments under operating leases	**3,159**	2,499
Auditor's remuneration	**2,570**	2,453
Foreign exchange differences, net #	**(2,891)**	32,306
Loss/(gain) on disposal of items of property, plant and equipment	**375**	(4,822)

Included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

(7) Income Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2016: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant laws and regulations in the PRC. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

	2017	2016
	HK$'000	HK$'000
Current - Hong Kong	**-**	-
Current - Elsewhere	**13,024**	169,342
LAT in Mainland China	**90,229**	223,753
Deferred	**(8,766)**	(267,405)
Total tax charge for the year	**94,487**	125,690

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company and the number of ordinary shares of 1,711,536,850 (2016: 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 2017 and 2016.

(9) Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

(10) 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:

	2017	2016
	HK$'000	HK$'000
Within 1 month	**107**	483
1 to 2 months	**244**	-
2 to 3 months	**-**	-
Over 3 months	**16,574**	1,527,557
	16,925	1,528,040

The trade payables are non-interest bearing.

(11) Contingent Liabilities

As at 31 December 2017, the Group provided guarantees to certain banks in respect of mortgage 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 2017, the Group's outstanding guarantees amounted to HK$782,654,000 (2016: HK$914,039,000) for these guarantees.

According to the master agreement dated 5 February 2013 relating to the disposal of the Group's then brewery business, the Group had undertaken to bear any losses arising from the brewery subsidiaries disposed of for additional obligations in relation to, among others, taxes, government levies, staff welfare and uncollectible trade receivables that occurred prior to the date of completion of the said disposal. The financial impact of the contingent liabilities that may arise from such arrangement is not disclosed as, in the opinion of the directors of the Company, the estimate of which is not practicable to do so.

CHAIRMAN'S STATEMENT

Results

During the year under review, the Group is engaged in property development and investment. The Group currently holds certain investment properties and the Buxin Project (a property development project) in Shenzhen, and the Ruyingju Project (a residential property project) in Panyu, Guangzhou in the PRC.

In 2017, the Group recorded a revenue of HK$187 million (2016: HK$1,092 million), representing a decrease of approximately 82.9% from last year. The Group recorded a profit attributable to owners of the Company for the year under review amounting to HK$49.29 million (2016: HK$17.73 million), representing an increase of approximately 177.9% from last year.

The main factors that affected the Group's revenue and results for the year ended 31 December 2017 as compared with 2016 include:

(a) In the fourth quarter of 2017, in order to provide funds for property project development, the Group disposed of certain properties which were held as staff quarters in previous years and recorded a revenue of approximately HK$154 million;

(b) In 2016, due to the depreciation of Renminbi ("RMB") against Hong Kong dollar, the Group consequently recorded net exchange losses of approximately HK$32.31 million. From 2016 onwards and in 2017, the Group injected its RMB deposits previously held in Hong Kong into a subsidiary established in the PRC which is responsible for the development of the Buxin Project, thereby significantly reducing the net exchange differences, arising from fluctuating exchange rates between RMB and Hong Kong dollar, recognised in the consolidated statement of profit or loss in 2017. For the year ended 31 December 2017, the Group recorded net foreign exchange gains of approximately HK$2.89 million; and

(c) a decrease in revenue and gross profit generated from the sale of residential units under the Ruyingju Project, which was mainly due to the fact that, in terms of the gross floor area ("GFA"), approximately 90.6% of the residential units under the Ruyingju Project were sold before the end of 2016 and the sale of the remaining residential units under the Ruyingju Project had to be postponed in view of the local government's relevant policies on property prices and the Group's intention of not lowering the selling prices of the remaining residential units.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil) to save funds for future needs of business development of the Company.

Business Review

The Group holds a 100% interest in the Buxin 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. 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. would be developed for commercial use. The Northwestern Land, which is under the first phase of the development of the Buxin Project, has a GFA of approximately 166,000 sq. m. Based on the Group's current development plan, except for the underground car-parking spaces, it is intended that properties built on the Northwestern Land will be for sale upon completion. During the year under review, construction of properties on the Northwestern Land was on track with construction of the basement and some floors having been completed. With regard to the Southern Land and the Northern Land, which are under the second phase of the development of the Buxin Project, the Group plans to build, among others, office buildings with a height of approximately 180 meters and 300 meters respectively as well as a shopping mall across the Southern Land and the Northern Land.

The Group holds an 80% interest in the Ruyingju Project, which is located in Panyu, Guangzhou in the PRC, with a GFA of approximately 126,182 sq. m. (adjusted after survey). The Ruyingju Project comprises residential units and car-parking spaces for sale. As at 31 December 2016, approximately 90.6% of the GFA of residential units under the Ruyingju Project were sold. For the year ended 31 December 2017, the GFA of residential units under the Ruyingju Project which had been delivered to the customers amounted to approximately 899 sq. m. (2016: 45,959 sq. m.), representing a decrease of approximately 98.0% from the last year. As at 31 December 2017, the accumulated GFA of residential units under the Ruyingju Project sold represented approximately 91.5% of the GFA of the residential units in aggregate. During the year under review, based on the residential units sold, the contractual average selling price denominated in RMB increased by approximately 30.4% over the contractual average selling price in 2016.

Outlook

In 2017, the PRC government showed no signs of abating in tightening regulation and control over the property market, constantly launching new policies governing the real estate sector. It is expected that the PRC government would not relax its policies that regulate and control the property market whereas the continuity and steadiness of such policies would either stand firm or reinforce. Generally speaking, the PRC's steady economic development coupled with steady property development and investment would continue to propel the industry of residential properties and commercial properties to develop steadily.

The Company is optimistic about the outlook of the real estate industry's development in the first-tier cities of Mainland China. Development in the Guangdong-Hong Kong-Macau Greater Bay Area is currently in full swing. Subsequent to the implementation of plans and relevant policies for the Guangdong-Hong Kong-Macau 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.

The Group's Buxin Project is currently under development and construction and would likewise benefit from the strong development momentum in the Guangdong-Hong Kong-Macau Greater Bay Area. Located in Luohu, Shenzhen, the Buxin 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 business apartments and office premises under the first phase of the development of the Buxin Project are expected to meet pre-sale conditions in the fourth quarter of 2018 and pre-sales would commence upon the pre-sale permit is granted.

Through the development and construction of the Buxin 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, and built an operating model for project development.

At present, the Group has a strong financial position with a strong controlling shareholder and enjoys ample project and financial resources. Looking ahead, the Group aspires to capitalise on opportunities and take an active approach in contemplating and delving into first-tier and second-tier cities in Mainland China, particularly cities located in the Guangdong-Hong Kong-Macau Greater Bay Area and the Pearl River Delta, so as to seek out opportunities for real estate development and investment projects and procure the Company's stable and healthy development in the long run.

Last but not the 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, 27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

According to the information of the National Bureau of Statistics of the PRC, the preliminary statistics of the national gross domestic product ("GDP") for 2017 has a year-on-year increase of approximately 6.9%, and the national nominal disposable income per capita increased by 9.0% as compared to that of last year. According to the price index of newly built residential properties in 70 large to medium-sized cities in December 2017, the residential price index of Guangzhou had an increase of approximately 5.5% and that of Shenzhen had a decrease of approximately 2.9% as compared to the same month of last year. Growth in the prices of newly built commodity residential properties across the first-tier cities in Mainland China has eased off.

Results

The consolidated revenue of the Group for 2017 amounted to HK$187 million (2016: HK$1,092 million), representing a decrease of approximately 82.9% from last year. The decrease in revenue was mainly due to approximately 90.6% of the GFA of the residential units under the Ruyingju Project had been sold by the end of 2016. Also, in view of the local government's relevant policies on property prices and the Group's intention of not lowering the selling prices of the remaining residential units under the Ruyingju Project, the sale of the remaining residential units under the Ruyingju Project had to be postponed. During the year under review, the Group's profit attributable to owners of the Company was HK$49.29 million (2016: HK$17.73 million), representing an increase of approximately 177.9% from last year.

Apart from a decrease in revenue from the Ruyingju Project as described above, the Group recorded an revenue of approximately HK$154 million in 2017 from the sale of certain properties which were held as staff quarters in previous years. In addition, from 2016 onwards and in 2017, the Group injected its RMB deposits previously held in Hong Kong into a subsidiary established in the PRC which is responsible for the development of the Buxin Project, thereby significantly reducing the net exchange differences, arising from fluctuating exchange rates between RMB and Hong Kong dollar, recognised in the consolidated statement of profit or loss in 2017. The Group recorded net exchange gains of approximately HK$2.89 million (2016: net exchange losses of HK$32.31 million) in 2017.

Business Review

The Buxin Project

The Group holds a 100% interest in the Buxin Project, which is a multi-functional commercial complex with jewelry as the main theme, located in the Buxin Area, Luohu, Shenzhen 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 Buxin Project, which is in close proximity to the urban highway and subway station as well as adjoining Weling Park, is surrounded by several municipal parks within a radius of 1.5 km, possessing convenient transport and superb landscape resources.

The Northwestern Land, which is under the first phase of the development of the Buxin Project, has a GFA of approximately 166,000 sq. m., of which the total saleable GFA is approximately 116,000 sq. m. In the second quarter of 2017, the Group completed the tender and engagement of the main contractor for the Northwestern Land development as detailed in the circular of the Company dated 19 June 2017. Based on the Group's current development plan, except for the car-parking spaces, properties built on the Northwestern Land will be for sale upon completion. During the year under review, construction of properties on the Northwestern Land was on track with construction of the basement and some floors having been completed. The Group has formed a sales management team and has been preparing to establish a sales center. Meanwhile, the Group continued to visit potential customers and promoted the Buxin Project vigorously, and positive feedback has been received. With regard to the South Land and the North Land which are under the second phase of the development of the Buxin Project, the Group plans to build, among others, office buildings with a height of approximately 180 meters and 300 meters, respectively, as well as a shopping mall across the South Land and the North Land.

As at 31 December 2017, the cumulative development costs and fees of the Buxin Project amounted to approximately HK$3,038 million (31 December 2016: HK$2,666 million), representing a net increase of approximately HK$372 million during the year under review. As at 31 December 2017, approximately HK$1,909 million and HK$1,129 million were attributable to the"Properties under development" under the current assets and the "Investment properties" under the non-current assets, respectively.

The Ruyingju Project

The Group holds an 80% interest in the Ruyingju Project, which is located in Panyu, Guangzhou in the PRC, with a GFA of approximately 126,182 sq. m. (adjusted after survey). The Ruyingju Project includes residential units and car-parking spaces for sale. As at 31 December 2016, approximately 90.6% of the GFA of residential units under the Ruyingju Project were sold. For the year ended 31 December 2017, sales contracts of residential units under the Ruyingju Project with an aggregated GFA of approximately 140 sq. m. were signed (2016: 30,962 sq. m.), representing a decrease of approximately 99.5% from the same period last year. As at 31 December 2017, the accumulated GFA of signed sales contract represented approximately 91.5% of the GFA of the residential units.

For the year ended 31 December 2017, the GFA of the delivered residential units of Ruyingju Project amounted to 899 sq. m. (2016: 45,959 sq. m.), representing a decrease of approximately 98.0% from last year. As at 31 December 2017, the accumulated GFA of the Ruyingju Project's residential units sold represented approximately 91.5% of the total GFA of the residential units. During the year under review, based on the residential units sold, the contracted average selling price denominated in RMB increased by approximately 30.4% over the average contractual selling price of 2016.

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 increases as of the completion date of the acquisition.

Financial Review

Key Financial Ratios

The key financial ratios mainly 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 years were provided for comparison.

	Note	Year ended 31 December 2017	2016	Change
Profit attributable to owners of the Company, in HK$'000		**49,287**	17,734	+177.9%
Return on equity, %	*1*	**1.1%**	0.4%	0.7 ppt

	2017 31 December	2016 31 December	
Net assets, in million HK$	**4,677**	4,333	+7.9%

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 disposal of certain properties which were held as staff quarters in previous years and certain net foreign exchange gains. As a result, the two key financial ratios, profit attributable to the owners of the Company and the return on equity, both improved over that of last year. The Group's business and most of its assets are denominated in Renminbi. In addition to the positive profit attributable to owners of the Company recorded, the appreciation of RMB against Hong Kong dollar in 2017 was the main reason for an increase in the Group's net assets presented in Hong Kong dollar. The two aforementioned factors in aggregate contributed to a year-on-year increase of approximately 7.9% in the Group's net assets.

Operating Income, Expenses and Finance Costs

During the year under review, the Group's interest income from the bank and available-for-sale financial assets recorded an aggregate amount of HK$63.91 million (2016: HK$73.44 million), representing a decrease of approximately 13.0% from last year. The decrease in interest income in 2017 was mainly due to a decrease in the amount of bank deposits of the Group.

During the year under review, the Group recorded net foreign exchange gains of HK$2.89 million (2016: net exchange losses of HK$32.31 million), mainly resulting from the Group's injection of its RMB deposits previously held in Hong Kong into a PRC subsidiary which is responsible for the development of the Buxin Project, thereby reducing the impact of exchange rate changes on the Group's consolidated statement of profit or loss.

The Group's selling and distribution expenses in 2017 amounted to HK$7.57 million (2016: HK$13.55 million), representing a decrease of approximately 44.1% from the last year, mainly due to a drop in relevant sales activities of the Ruyingju Project. The Group's administrative expenses in 2017 amounted to HK$74.37 million (2016: HK$72.73 million), representing an increase of approximately 2.3% from last year.

During the year under review and the last year, the Group did not have any bank and other loans and, therefore, did not record any finance costs.

Capital Expenditure

The Group's capital expenditure paid in 2017 was HK$541 million (2016: HK$479 million). The capital expenditure was mainly used for the Buxin Project's investment properties under development.

Financial Resources and Liquidity

As at 31 December 2017, the equity attributable to owners of the Company was HK$4.52 billion (2016: HK$4.19 billion), representing an increase of approximately 7.9% over that in 2016. Based on the number of shares in issue as at 31 December 2017, the net asset value per share at the end of the year was HK$2.64 (2016: HK$2.45) per share, representing an increase of approximately 7.8% over that in 2016.

As at 31 December 2017, the Group had cash and bank balances of HK$720 million (2016: HK$297 billion), representing a year-on-year decrease of approximately 75.8%. The aforementioned amount included restricted bank balances of HK$117 million (2016: HK$563 million) principally associated with amounts received from those sold but not yet delivered units under the Ruyingju Project. Other than the funds retained for daily operations, the Group purchased short-term principal-guaranteed wealth management products under the premise that no business operations were affected with a view to increase the returns, which resulted in a decrease in the Group's cash and bank balances as at the end of 2017. The distribution of the Group's cash and bank balances as at 31 December 2017 was 78.0% in Renminbi, 21.9% in USD and 0.1% in HKD. Net cash outflows used in operating activities for the year amounted to HK$1,076 million (2016: HK$278 million).

As most 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 2017, the Group did not have any outstanding bank loan. Given the construction works on the Northwestern Land under the first phase of the development of the Buxin Project was and will be in full swing in 2017 and 2018, the Group will review its funding needs according to the progress of business development from time to time so as to ensure that adequate financial resources will be available to support its business development.

As at 31 December 2017, save for a pledged bank deposit of HK$44.32 million, none of the assets of the Group was pledged to any creditors. Except as disclosed in note 11 to this announcement regarding the guarantees made to certain banks in relation to the mortgage of the property sold of approximately HK$783 million (2016: HK$914 million) as at 31 December 2017 and undertakings made in the master sales agreement relating to the disposal of the brewery subsidiaries, there were no material contingent liabilities recorded as at 31 December 2017.

Risks and Uncertainties

Given that the Group is engaged in the business of property development and investment in Mainland China, 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 and taxation policies and austerity measures on the real estate sector, etc. The GDP of Mainland China has maintained a year-on-year growth though the growth rate has slowed down gradually. Currently, the property projects of the Group are all located in first-tier cities, involving properties of different types and serving different purposes, so as to effectively diversify operational risks.

The Buxin Project in Shenzhen has a relatively prolonged development period, therefore the Company may need to seek external funds to partially finance its development. As such, the financing channels and financing 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 2017, the Group did not have any outstanding interest-bearing loans.

As property development business has a relatively long product life cycle, the Group's future profit and cash flows will be relatively volatile.

Relationship with Customers and Suppliers

Holding the interest of every customer in high regard, the Group provided training to its sales staff members on a regular basis. The Group also provided its customers with adequate information about its products and responded to any issue and question raised by customers or potential customers regarding the products offered with an aim to further build up customers' confidence in the products of the Company.

The Group's properties in relation to the property business were largely designed or constructed by a variety of suppliers and constructors. 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 attached great importance to anti-graft and anti-corruption measures, met with the suppliers regularly, and conveyed such information to them.

Policy and Performance on Environmental Protection

The Group strictly complies with the laws and regulations 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 integrates the views of various stakeholders and is supported by staff members from all levels and departments of the Company, especially for the important areas in relation to environmental, social and governance. Staff members jointly implement and execute relevant internal policies and promptly respond to the expectations of stakeholders.

In furtherance of on-going optimizing our environmental, social and governance policies, the Group has been communicating with stakeholders actively. Through surveys, group discussions and interviews with employees, customers, business partners, investors and governmental authorities, the Group identified important topics to envisage the changes in operational 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 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 strictly abided by relevant environmental laws and regulations at the construction site of each project, including but not limited to environmental protection, sewage treatment and environmental noise control, as well as engaged a professional greening company to relocate the trees near the site, sparing no efforts in contributing to environmental protection. In addition to environmental protection, the Group also participated in the "希望春蕾助學活動" (Spring Thunder Hope Student Assistance Activities) and the poverty alleviation activities of Dongbei Village to shoulder the social responsibility during the year.

The Company is currently in the process of preparing its environmental, social and governance report for the year ended 31 December 2017. The information contained in this announcement is based solely on the Company's environmental, social and governance policies, performance, along with information of internal management. As at the date of this announcement, the environmental, social and governance information of the Group for the year ended 31 December 2017 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 on or before July 2018.

Human Resources

The Group had 225 (2016: 229) employees as at 31 December 2017. The total employee remuneration and provident fund contributions (excluding directors' remuneration) in 2017 was HK$69.12 million (2016: HK$68.65 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 member. There was no share option scheme of the Company in operation during the year. The Group offers different training courses to its employees.

PROPOSED CHANGE OF INDEPENDENT AUDITOR

Ernst & Young has been the Company's independent auditor since the Company was incorporated and listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1997. In order to promote good corporate governance, the Company should consider rotation of its independent auditor after an appropriate period of time. Accordingly, Ernst & Young will retire as the auditor of the Company with effect from the close of the forthcoming Annual General Meeting of the Company.

The Board resolved, with the recommendation from the Audit Committee of the Company, to propose the appointment of PricewaterhouseCoopers as the new independent auditor of the Company following the retirement of the auditor, Ernst & Young, to hold office until the conclusion of the next annual general meeting of the Company. Such a proposed appointment is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

The Company has received a confirmation letter dated 27 March 2018 from Ernst & Young that there is no matter connected with its retirement which needs to be brought to the attention of the shareholders or creditors of the Company. The Board has confirmed that there is no matter in respect of the proposed change of auditor that needs to be brought to the attention of the shareholders of the Company.

The Board would like to express its appreciation to Ernst & Young for its services rendered to the Company in the past years.

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 2017 (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, 7 June 2018 at 3:00 p.m. (the "2018 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, 4 June 2018 to Thursday, 7 June 2018, both days inclusive, for determining the shareholders' eligibility to attend and vote at the 2018 Annual General Meeting.

In order to qualify for attending and voting at the 2018 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, 1 June 2018.

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, 27 March 2018

@ *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.