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)

Interim Results Announcement for the six months ended 30 June 2018

HIGHLIGHTS

	For the six months ended 30 June		
	2018	2017	Change
Revenue, in thousand HK$	**10,423**	27,798	-62.5%
Profit for the period[3], in thousand HK$	**64,274**	1,482	+4237.0%
Profit/(loss) attributable to owners of the Company, in thousand HK$	**62,404**	(249)	N/A
Basic earnings/(loss) per share, in HK cent	**3.65**	(0.01)	N/A

	As at 30 June 2018	As at 31 December 2017	Change
Current ratio	**7.6 times**	6.6 times	+15.2%
Gearing ratio[1]	**net cash**	net cash	-
Total assets, in million HK$	**5,303**	5,381	-1.4%
Net asset value per share[2], in HK$	**2.65**	2.64	+0.4%
Number of employees	**220**	225	-2.2%

Notes:
1. Gearing ratio = (Interest-bearing debt — cash and cash equivalents) ÷ Net assets
2. Net asset value per share = Equity attributable to owners of the Company ÷ Number of issued shares
3. Profit for the period included an one-off revesal of over-provision of land appreciation tax of HK$77,173,000.

UNAUDITED INTERIM RESULTS

The board of directors (the "Board of Directors") of Guangdong Land Holdings Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with comparative figures are as follows:

Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2018

	Notes	**2018 HK$'000**	2017 HK$'000
REVENUE	*5*	**10,423**	27,798
Cost of sales		**(241)**	(17,476)
Gross profit		**10,182**	10,322
Other income	*5*	**28,902**	36,402
Other losses, net	*5*	**(673)**	(1)
Selling and distribution expenses		**(7,767)**	(3,194)
Administrative expenses		**(40,941)**	(34,885)
(LOSS)/PROFIT BEFORE TAX	*6*	**(10,297)**	8,644
Income tax credit/(expense)	*7*	**74,571**	(7,162)
PROFIT FOR THE PERIOD		**64,274**	1,482
Attributable to:			
Owners of the Company		**62,404**	(249)
Non-controlling interest		**1,870**	1,731
		64,274	1,482
EARNINGS/(LOSS) PER SHARE	*8*		
Basic and diluted		**HK3.65 cent**	(HK0.01 cent)

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

	2018	2017
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**64,274**	1,482
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassifed to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(41,066)**	128,013
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**23,208**	129,495
Total comprehensive income for the period attributable to:		
Owners of the Company	**22,746**	123,264
Non-controlling interest	**462**	6,231
	23,208	129,495

Condensed Consolidated Balance Sheet
30 June 2018

	Note	**30 June 2018 HK$'000**	31 December 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**43,494**	5,413
Investment properties		**1,160,759**	1,156,891
Deferred tax assets		**79,631**	80,315
Total non-current assets		**1,283,884**	1,242,619
CURRENT ASSETS			
Completed properties held for sale		**267,271**	269,669
Properties held for sale under development		**1,983,376**	1,908,882
Prepayments, deposits and other receivables		**70,063**	34,624
Available-for-sale financial assets		**-**	1,161,178
Tax recoverable		**4,431**	-
Pledged bank deposit		**43,938**	44,316
Restricted bank balances		**181**	116,804
Cash and cash equivalents		**1,649,736**	602,749
Total current assets		**4,018,996**	4,138,222
CURRENT LIABILITIES			
Trade payables	*10*	**(17,686)**	(16,925)
Other payables, accruals and provisions		**(141,614)**	(150,636)
Receipts in advance		**-**	(57,847)
Contract liabilities		**(68,608)**	-
Tax payable		**(302,453)**	(405,282)
Total current liabilities		**(530,361)**	(630,690)
NET CURRENT ASSETS		**3,488,635**	3,507,532
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,772,519**	4,750,151
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(72,666)**	(73,506)
Net assets		**4,699,853**	4,676,645
EQUITY			
Equity attributable to owners of the Company			
Share capital		**171,154**	171,154
Reserves		**4,369,796**	4,347,050
		4,540,950	4,518,204
Non-controlling interest		**158,903**	158,441
Total equity		**4,699,853**	4,676,645

Notes:

(1) Corporation Information

Guangdong Land Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong. 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 period, the Group was involved in property development and investment.

(2) Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of new standards and amendments to standards effective for the financial year ending 31 December 2018.

<u>New standards and amendments to standards adopted by the Group</u>

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

(2) Basis of Preparation (Continued)

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

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

HKFRS 9, "Financial Instruments" – Impact of adoption

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

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

(i) Classification and measurement

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

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

(2) Basis of Preparation (Continued)

HKFRS 9, "Financial Instruments" – Impact of adoption (Continued)

(ii) Impairment

The Group is required to revise its impairment methodology to a new expected credit loss model under HKFRS 9 for various type of financial assets. Considering that there are no major financial assets as at 1 January 2018 and 30 June 2018 that are subject to the revised impairment methodology, the Group concluded that the financial impact to the Group's interim financial information is immaterial.

HKFRS 9, "Financial Instruments" – Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(2) **Basis of Preparation** (Continued)

HKFRS 9, "Financial Instruments" – Accounting policies applied from 1 January 2018 (Continued)

(ii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(2) Basis of Preparation (Continued)

HKFRS 9, "Financial Instruments" – Accounting policies applied from 1 January 2018 (Continued)

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

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

HKFRS 15, "Revenue from Contracts with Customers" – Accounting policies applied from 1 January 2018

From 1 January 2018 onwards, the Group has adopted the following accounting policies on revenues. Revenues from sales of properties are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

(2) Basis of Preparation (Continued)

HKFRS 15, "Revenue from Contracts with Customers" – Accounting policies applied from 1 January 2018 (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

(3) Critical Accounting Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

(4) 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that interest income and gain is excluded from such measurement.

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

(4) Segment Information (Continued)

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

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

	For the six months ended 30 June					
	Property development and investment		Other		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**10,423**	27,798	**-**	-	**10,423**	27,798
Segment results	**(21,185)**	(15,377)	**(18,014)**	(12,381)	**(39,199)**	(27,758)
Reconciliation:						
Interest income and gain					**28,902**	36,402
(Loss)/profit before tax					**(10,297)**	8,644

	Property development and investment		Other		Total	
	As at		As at		As at	
	30 June 2018	31 December 2017	**30 June 2018**	31 Dec 2017	**30 Jun 2018**	31 Dec 2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**5,077,539**	5,139,685	**145,710**	160,841	**5,223,249**	5,300,526
Reconciliation:						
Unallocated assets					**79,631**	80,315
Total assets					**5,302,880**	5,380,841
Segment liabilities	**(518,500)**	(610,796)	**(11,861)**	(19,894)	**(530,361)**	(630,690)
Reconciliation:						
Unallocated liabilities					**(72,666)**	(73,506)
Total liabilities					**(603,027)**	(704,196)

(5) Revenue, Other Income and Other Losses, Net

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

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
REVENUE		
Sale of properties (recognised at a point in time)	**8,873**	26,987
Rental income (recognised overtime)	**1,550**	811
	10,423	27,798
OTHER INCOME		
Bank interest income	**4,569**	15,114
Interest income and gain from financial assets at FVPL and at amortised costs/available-for-sale financial assets	**24,333**	21,288
	28,902	36,402
OTHER LOSSES, NET		
Fair value (losses)/gains on investment properties	**(881)**	11
Exchange gains/(losses), net	**133**	(177)
Others	**75**	165
	(673)	(1)
Other income and other losses, net	**28,229**	36,401

(6) (Loss)/profit Before Tax

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

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Cost of properties sold	**241**	17,476
Depreciation	**794**	801
Minimum lease payments under operating lease	**1,580**	1,580
Exchange (gains)/losses, net	**(133)**	177

(7) Income Tax (Credit)/Expense

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 period (for the six months ended 30 June 2017: 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 PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions. During the period, the over-provision of LAT in relation to the sales of certain properties in prior years amounting to HK$77,173,000 (for the six months ended 30 June 2017: Nil) was reversed, following tax clearance with the local tax authorities to charge the LAT at a deemed basis.

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current income tax		
- PRC taxation	**2,162**	6,363
LAT in Mainland China	**(76,512)**	6,484
Deferred income tax	**(221)**	(5,685)
	(74,571)	7,162

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

The calculation of the basic earnings/(loss) per share amount is based on the earnings/(loss) for the period attributable to ordinary equity holders of the Company and the number of shares of 1,711,536,850 (for the six months ended 30 June 2017: 1,711,536,850) in issue during the period.

The Group had no potentially dilutive shares in issue during the six months ended 30 June 2018 and 2017.

(9) Interim Dividend

The Board of Directors resolved not to declare the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

(10) Trade Payables

At 30 June 2018, the ageing analysis of the trade payables based on invoice date were as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Within 1 month	**28**	107
1 to 2 months	**-**	244
2 to 3 months	**-**	-
Over 3 months	**17,658**	16,574
	17,686	16,925

The trade payables are non-interest bearing.

(11) Contingent Liabilities

As at 30 June 2018, 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 held for sale. Pursuant to the terms of the guarantees, upon default in mortgage payments by any of these purchasers, the Group is responsible for repaying the relevant outstanding mortgage principals together with the accrued interest and penalty 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 30 June 2018, the Group's outstanding guarantees amounted to HK$660,937,000 (31 December 2017: HK$782,654,000) in respect of 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.

(12) Acquisition of 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.*)

On 27 April 2018, the Group entered into an agreement with 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.*) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.*), both of which are the Group's fellow subsidiaries, to acquire 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.*), of which the principal business is property development of Baohuaxuan Project and Zhuguanglu Project in the PRC at a cash consideration of HK$1,485,939,000 (RMB1,200,490,000) and to procure Guangdong Yuehai Property Development Co., Ltd.* to repay outstanding loans, together with accrued interest up to 31 March 2018, with an aggregate amount of HK$1,042,381,000 (RMB842,139,000). The transaction was completed on 11 July 2018. Management is in the progress of assessing the financial impact of the transaction including but not limited to the purchase price allocation as required under HKFRS 3 "Business Combination" as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group is engaged in property development and investment. The Group mainly holds the Buxin Project (a property development project) in Shenzhen City and the Ruyingju Project (a residential property project) in Panyu District, Guangzhou City during the period under review.

According to the information of the National Bureau of Statistics of the PRC, the preliminary statistical figure of the national gross domestic product for the first half of 2018 had a year-on-year increase of approximately 6.8%, and the nominal disposable income per capita increased by approximately 8.7% as compared with that in the same period last year. According to the price index of newly built residential properties of less than 90 square meters ("sq. m.") in 70 large to medium-sized cities in June 2018, the price index of newly built residential properties of Guangzhou City had an increase of approximately 3.6% and that of Shenzhen City had a decrease of approximately 1.4% as compared with those in June 2017.

Results

During the period under review, the consolidated revenue of the Group was approximately HK$10.42 million (six months ended 30 June 2017: HK$27.80 million), representing a decrease of approximately 62.5% from the same period last year. The decrease in revenue was mainly due to the fact that, in terms of the gross floor area ("GFA"), approximately 91.5% of the residential units under the Ruyingju Project were sold before the end of 2017. No residential unit under the Ruyingju Project was sold during the period under review. During the period under review, the Group's profit attributable to owners of the Company was approximately HK$62.40 million (six months ended 30 June 2017: loss of approximately HK$0.25 million).

When comparing to the same period last year, the major factors that affected the results of the Group for the period under review include the following:

(a) land appreciation tax was accrued as a result of the sale of certain properties by the Group in the previous year. During the period under review, the over-accrual of the land appreciation tax in the previous year of HK$77.17 million has been reversed following tax clearance with the local tax authorities. It is expected that further reversal of the land appreciation tax for the same properties will not be repeated in the future; and

(b) the revenue and interest income and gain of the Group were less than those in the same period last year, as a result of the decrease of sales of the residential units under the Ruyingju Project (most residential units were sold before the end of 2017) and the decrease of available funds following the development of the Buxin Project, respectively.

The Board of Directors resolved not to declare the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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 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 Buxin Project, which is in close proximity to the urban highway and subway station as well as adjoining Weiling Park, is surrounded by several municipal parks within a radius of 1.5 km, possessing convenient transportation 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. Based on the Group's current development plan, except for the underground car-parking spaces, properties built on the Northwestern Land under the first phase of development will be for sale upon completion. During the period under review, construction of properties on the Northwestern Land was on track and the main structures of the four buildings have been respectively constructed up to 19-27 floors, respectively. The design plan for the Southern Land and the Northern Land under the second phase of the development of the Buxin Project has been completed, and 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. It is expected that the second phase of the development will commence in the latter half of this year. During the period under review, the construction of exhibition center of the Buxin Project was on schedule in accordance with the plan. Meanwhile, the Group continued to visit potential customers and promoted the Buxin Project vigorously, and positive feedback has been received.

As at 30 June 2018, the cumulative development costs and fees of the Buxin Project amounted to approximately HK$3,155 million (31 December 2017: HK$3,038 million), representing a net increase of approximately HK$117 million during the period under review. As at 30 June 2018, approximately HK$1,983 million, HK$1,134 million and HK$38 million were attributable to "Properties under development" under the current assets, "Investment properties" and "Property, plant and equipment" under the non-current assets, respectively.

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 includes residential units and car-parking spaces for sale.

For the six months ended 30 June 2018, no residential unit was sold for the Ruyingju Project (six months ended 30 June 2017: 899 sq. m.). As at 30 June 2018, the accumulated GFA of the residential units sold under Ruyingju Project represented approximately 91.5% of the GFA of the residential units in aggregate.

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 discount), the carrying value (and future cost of sales) 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

	Note	**Six months ended 30 June 2018**	2017	Change
Profit/(loss) attributable to owners of the Company, in HK$'000		**62,404**	(249)	N/A
Return on equity, %	1	**1.38%**	(0.01%)	N/A

	30 June 2018	31 December 2017	Change
Net assets, in million HK$	**4,700**	4,677	+0.5%

Note:

1. Return on equity = Profit/(loss) attributable to owners of the Company ÷ average equity attributable to owners of the Company

During the first half of 2018, the profit attributable to owners of the Company increased from that of the same period last year. The increase was mainly as a result of the reversal of land appreciation tax accrued in the previous year. Please refer to the "Results" section of this Management Discussion and Analysis for details.

Operating Income, Expenses and Finance Costs

During the period under review, the Group's interest income and gain from bank and financial assets at FVPL/available-for-sale financial assets recorded an aggregate amount of approximately HK$28.90 million (six months ended 30 June 2017: HK$36.40 million), representing a decrease of approximately 20.6% from the same period last year. The decrease in interest income and gain was mainly due to a decrease in the amount of available funds of the Group.

In the first half of 2018, the Group recorded selling and distribution expenses of approximately HK$7.77 million (six months ended 30 June 2017: HK$3.19 million), representing an increase of approximately 143.6% from the same period last year. The increase of the selling and distribution expenses was mainly due to the expenses related to the pre-sale of the Buxin Project in the fourth quarter this year. The Group's administrative expenses were approximately HK$40.94 million (six months ended 30 June 2017: HK$34.89 million) in the first half of 2018, representing an increase of approximately 17.3% from the same period last year. The increase was mainly due to the professional fees incurred during the course of the acquisition of 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.*) during the period.

During the period under review, the Group did not borrow any bank loan. There was no finance cost recorded during the period under review (six months ended 30 June 2017: Nil).

Capital Expenditure

In the first half of 2018, the Group paid general capital expenditure for the purchase of property, plant and equipment of approximately HK$40.11 million (six months ended 30 June 2017: HK$0.42 million), representing an increase of 94.5 times from the same period last year. During the period, the capital expenditure incurred was mainly for the construction of exhibition center of the Buxin Project. In addition, capital expenditure in relation to investment properties in the Buxin Project recorded an increase of approximately HK$15.04 million (six months ended 30 June 2017: HK$513 million) in the first half of 2018.

Financial Resources and Liquidity

As at 30 June 2018, the equity attributable to owners of the Company was approximately HK$4.54 billion (31 December 2017: HK$4.52 billion), representing an increase of approximately 0.4% from the end of 2017. Based on the number of shares in issue as at 30 June 2018, the net asset value per share attributable to owners of the Company at the period end was approximately HK$2.65 (31 December 2017: HK$2.64 per share), representing an increase of approximately 0.4% from the end of 2017.

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$1.65 billion (31 December 2017: HK$0.6 billion), representing an increase of approximately 175.0% from the end of last year. Increase in cash and cash equivalents was mainly because no available-for-sale financial asset was held as at the period end. As at 31 December 2017, the Group held available-for-sale financial assets of HK$1,161 million for the purpose of earning interest income and gain higher than those from bank deposits by purchasing short-term principal-guaranteed wealth management products, classified as available-for-sale financial assets, issued by commercial banks in the PRC.

Of the Group's cash and bank balances as at 30 June 2018, approximately 91.3% was in RMB, approximately 8.4% was in USD and approximately 0.3% was in HKD. Net cash outflows used in operating activities for the first half of 2018 amounted to HK$48.03 million (six months ended 30 June 2017: HK$717 million).

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

As at 30 June 2018, the Group did not have any outstanding bank loan. Given the construction works of the Northwestern Land of the Buxin Project under the first phase of the development has been in full swing, the Group will review its funding needs from time to time and may obtain the funds through various financing channels according to the progress of its future business development, so as to ensure that adequate financial resources will be available to support its business development. As at 30 June 2018, the Group had been granted banking facilities of RMB500 million (equivalent to approximately HK$593 million).

Asset Pledged and Contingent Liabilities

As at 30 June 2018, save for a pledged bank deposit of HK$43.94 million, none of the assets of the Group was pledged to any creditors. Except for disclosures set out in note 11 to this announcement regarding the guarantees made in relation to the mortgages of properties disposed of approximately HK$661 million (31 December 2017: HK$783 million) as at 30 June 2018 and undertakings made in the master agreement relating to the disposal of brewery subsidiaries, the Group did not record any other material contingent liability as at 30 June 2018.

Material Acquisition

Reference is made to the Company's announcement dated 27 April 2018 regarding the acquisition of a 100% interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.*) (the "Target Company") by a wholly-owned subsidiary of the Company from the subsidiaries of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited*). The Target Company holds and is in charge of the development of the Zhuguanglu Project and the Baohuaxuan Project. The consideration for the acquisition comprised equity consideration of RMB1,200,490,000 (equivalent to approximately HK$1,485,939,000) (subject to adjustment (if any)). Upon the completion of the share transfer of the Target Company, the Group shall procure the repayment of the outstanding loans (being loans borrowed in the ordinary course of business of the Target Company) due from the Target Company to 廣東粵海控股集團有限公司 (Guangdong Holdings Limited*) and its associates in the aggregate amount of RMB842,139,229.20 (equivalent to approximately HK$1,042,381,000) (comprising the principal amounts and the related interest accrued up to and including 31 March 2018).

In relation to the Zhuguanglu Project, the Target Company has undertaken the construction and development of certain residential and commercial properties located at 43-79 Zhuguang Road, Yuexiu District (越秀區珠光路 43-79 號) in Guangzhou City, the PRC with a total site area of approximately 12,168 sq. m. The Zhuguanglu Properties have an aggregate GFA of approximately 119,267 sq. m. (comprising (a) approximately 65,636 sq. m. for residential use; (b) approximately 22,817 sq. m. for commercial use; and (c) approximately 18,464 sq. m. as car-parking spaces, with the remainder of approximately 12,350 sq. m. being public facilities). The filing in respect of the completion of construction (竣工備案) of the Zhuguanglu Project has been completed.

In relation to the Baohuaxuan Project, the Target Company has also undertaken the construction and development of certain residential properties located between Wenchang South Road (文昌南路) and Old Baohua Road (舊寶華路) in Liwan District (荔灣區) in Guangzhou City, the PRC with a total site area of approximately 1,374 sq. m. The Baohuaxuan Properties comprise 40 residential units and 20 car-parking spaces, with an aggregate GFA of approximately 5,240 sq. m. The filing in respect of the completion of construction (竣工備案) of the Baohuaxuan Project and the construction of the Baohuaxuan Properties have been completed.

Please refer to the circular of the Company dated 18 May 2018 for the details of such an acquisition and the Target Company. The completion of the acquisition took place in July 2018. Upon completion, the Target Company has become an indirect wholly-owned subsidiary of the Company; and the Company, through the Target Company, holds the Zhuguanglu Project and the Baohuaxuan Project.

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 policies, taxation policies and austerity measures on the real estate sector, etc. 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 of the Group located in Shenzhen City 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 30 June 2018, the Group did not have any outstanding interest-bearing loans.

As property development business has a relatively long product life cycle, values of certain properties stated at fair value will be affected by prices of local property markets as at the end of the period, the Group's future results and cash flows will be relatively volatile.

Policy and Performance on Environmental, Social and Governance

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 issues 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 optimising our environmental, social and governance policies, the Group has been communicating with stakeholders actively, to receive the feedback and suggestions over the Group from stakeholders such as employees, customers, business partners and suppliers, shareholders and investors, government authorities and regulators through various channels. Also, we conducted a comprehensive and all-round stakeholder engagement in various ways, such as face-to-face communication, telephone interviews, questionnaires and on-site visits with the assistance of an independent third-party professional consultant, in order to assist the Group to identify and analyse important topics from two dimensions, namely "Significance to our Stakeholders" and "Importance to Guangdong Land's Development" to allow the Group 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 ensures that all activities at the construction site of each project are performed in strict conformity with the relevant environmental laws and regulations of the relevant regions, including but not limited to the requirements for environmental protection, wastewater treatment and noise control, as well as clearly conveys the message of the Group's emphasis on environmental protection to the main contractors of the development projects, sparing no efforts in contributing to environmental protection.

The Company prepared and in July 2018 published its 2017 Environmental, Social and Governance Report. The report summarises the Group's efforts and achievement in respect of corporate social responsibility, covering various aspects including corporate governance, environmental protection, caring for employees, quality management, caring for the community and other aspects during the period from 1 January 2017 to 31 December 2017.

Human Resources

As at 30 June 2018, the Group had 220 (31 December 2017: 225) employees in aggregate. Various basic benefits were provided to the Group's staff. As to the staff incentive policy, it was determined with reference to both the Group's operating results as well as the performance of the individual staff member. There was no share option scheme of the Company in operation during the period under review. The Group offers different training courses to its employees.

Outlook

In 2018, the PRC government has continued to regulate 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 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 of the PRC to develop steadily.

The Company is cautiously 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 the economies of the cities in the Greater Bay Area are in prospect, and their economic positions will be further enhanced. 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 which is currently under development and construction would likewise benefit from the strong development momentum in the Guangdong-Hong Kong-Macau Greater Bay Area. Located in Luohu District, Shenzhen City, the Buxin Project has an enormous development potential. The Group will invest appropriate resources to develop that project in order to create and release its value, 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 second half 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.

The Target Company that holds the Zhuguanglu Project and the Baohuaxuan Project became a subsidiary of the Company following the completion in July 2018. The residential units under the Zhuguanglu Project are expected to commence sale in the fourth quarter of 2018. The residential units under the Baohuaxuan Project are currently available for sale. It is expected that both projects will contribute to the results and cash flows of the Group in the second half of 2018.

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 takes 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.

Under the leadership of the Board of Directors, 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.

CHANGE OF COMPANY LOGO

The Board of Directors is pleased to advise that the Company has adopted a new logo as shown at the top of this announcement.

The new logo will be printed on the relevant corporate documents of the Company, including but not limited to the Company's promotional materials, interim and annual reports, announcements and circulars.

All share certificates of the Company in issue bearing the old logo will continue to be effective as documents of title to the shares of the Company, and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of existing share certificates of the Company for new share certificates as a result of the change of logo of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018.

Review of Interim Results

The Audit Committee of the Company has reviewed the unaudited interim financial information of the Group and the Company's interim report for the six months ended 30 June 2018. In addition, the Company's external auditors, Messrs. PricewaterhouseCoopers, have also reviewed the aforesaid unaudited interim financial information.

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 securities listed on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2018.

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

Hong Kong, 23 August 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 of Directors 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.