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 2019

HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	Change
Revenue, in thousand HK$	**464,151**	10,423	+4353.1%
Gross profit, in thousand HK$	**119,628**	10,182	+1074.9%
(Loss)/profit attributable to owners of the Company, in thousand HK$	**(33,891)**	62,404	N/A
Basic (loss)/earnings per share, in HK cent	**(1.98)**	3.65	N/A

	As at 30 June 2019	As at 31 December 2018	Change
Current ratio	**3.2 times**	3.6 times	-11.1%
Gearing ratio[1]	**33.2%**	36.0%	-2.8 ppt
Total assets, in million HK$	**10,673**	10,648	+0.2%
Net asset value per share[2], in HK$	**2.61**	2.65	-1.5%
Number of employees	**253**	261	-3.1%

Notes:

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

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 2019 together with comparative figures are as follows:

Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2019

	Notes	**2019 HK$'000**	2018 HK$'000
REVENUE	*5*	**464,151**	10,423
Cost of sales		**(344,523)**	(241)
Gross profit		**119,628**	10,182
Other income	*5*	**-**	24,333
Other gains/(losses), net	*5*	**17,008**	(673)
Selling and marketing expenses		**(30,794)**	(7,767)
Administrative expenses		**(50,180)**	(40,941)
Operating profit/(loss)		**55,662**	(14,866)
Finance income	*6*	**4,704**	4,569
Finance cost	*6*	**(40,517)**	-
Finance (cost)/income, net		**(35,813)**	4,569
PROFIT/(LOSS) BEFORE TAX	*7*	**19,849**	(10,297)
Income tax (expense)/credit	*8*	**(47,242)**	74,571
(LOSS)/PROFIT FOR THE PERIOD		**(27,393)**	64,274
Attributable to:			
Owners of the Company		**(33,891)**	62,404
Non-controlling interest		**6,498**	1,870
		(27,393)	64,274
(LOSS)/EARNINGS PER SHARE			
Basic and diluted	*9*	**(HK1.98 cent)**	HK3.65 cent

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

	2019	2018
	HK$'000	HK$'000
(LOSS)/PROFIT FOR THE PERIOD	**(27,393)**	64,274
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassifed to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(31,300)**	(41,066)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(58,693)**	23,208
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	**(64,260)**	22,746
Non-controlling interest	**5,567**	462
	(58,693)	23,208

Condensed Consolidated Balance Sheet
30 June 2019

	Note	**30 June 2019 HK$'000**	31 December 2018 HK$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**50,777**	58,868
Right-of-use asset		**8,962**	-
Investment properties		**2,269,701**	2,211,312
Deferred tax assets		**205,749**	184,246
Total non-current assets		**2,535,189**	2,454,426
CURRENT ASSETS			
Completed properties held for sale		**4,588,146**	4,946,066
Properties held for sale under development		**2,307,564**	2,102,738
Prepayments, deposits and other receivables		**129,279**	89,244
Tax recoverable		**15,231**	-
Pledged bank deposit		**42,112**	42,278
Restricted bank balances		**282,343**	177,454
Cash and cash equivalents		**772,884**	835,579
Total current assets		**8,137,559**	8,193,359
Total assets		**10,672,748**	10,647,785
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	*11*	**(1,829)**	(4,178)
Other payables, accruals and provisions		**(829,766)**	(853,026)
Contract liabilities		**(824,457)**	(454,961)
Lease liabilities		**(5,305)**	-
Tax payable		**(510,297)**	(463,285)
Bank borrowings		**(250,096)**	(470,216)
Loan from a fellow subsidiary		**(113,680)**	-
Total current liabilities		**(2,535,430)**	(2,245,666)
NET CURRENT ASSETS		**5,602,129**	5,947,693
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,137,318**	8,402,119

Condensed Consolidated Balance Sheet (Continued)
30 June 2019

	30 June 2019 HK$'000	31 December 2018 HK$'000
NON-CURRENT LIABILITIES		
Bank borrowings	**(1,938,244)**	(2,041,785)
Lease liabilities	**(4,849)**	-
Deferred tax liabilities	**(1,592,902)**	(1,700,318)
Total non-current liabilities	**(3,535,995)**	(3,742,103)
Total liabilities	**(6,071,425)**	(5,987,769)
Net assets	**4,601,323**	4,660,016
EQUITY		
Equity attributable to owners of the Company		
Share capital	**171,154**	171,154
Reserves	**4,301,695**	4,365,955
	4,472,849	4,537,109
Non-controlling interest	**128,474**	122,907
Total equity	**4,601,323**	4,660,016

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 2019 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 2018, 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 2018, 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 2019.

<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 2019 and are relevant to its operation.

Annual Improvements to HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015 – 2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK(FRIC) 23	Uncertainty over Income Tax Treatments

(2) Basis of Preparation (Continued)

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

HKFRS 16, "Leases" – Impact of adoption

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

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

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	17,239
Discounted using the lessee's incremental borrowing rate at the date of initial application	(867)
Less: short-term leases recognised on a straight-line basis as expense	(3,734)
Lease liability recognised as at 1 January 2019	12,638
Of which are:	
Current lease liabilities	5,047
Non-current lease liabilities	7,591
	12,638

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

(2) Basis of Preparation (Continued)

HKFRS 16, "Leases" - Impact of adoption (Continued)

The recognised right-of-use asset relates to the following type of asset:

	30 June 2019 HK$'000	1 January 2019 HK$'000
Properties	8,962	11,451

(a) Impact on segment disclosures

Segment assets and segment liabilities as at 30 June 2019 increased and segment results for the period ended 30 June 2019 decreased as a result of the change in accounting policy. Right-of-use assets and lease liabilities are now included in segment assets and liabilities, respectively.

	Segment results HK$'000	Segment assets HK$'000	Segment liabilities HK$'000
Property development and investment	(90)	8,962	(10,154)

(b) Practical expedients applied

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

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

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

(2) Basis of Preparation (Continued)

HKFRS 16, “Leases” – Accounting policies applied from 1 January 2019

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(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 2018.

(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 profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance income and cost are 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	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**464,151**	10,423	**-**	-	**464,151**	10,423
Segment results	**57,921**	(21,185)	**(2,259)**	(18,014)	**55,662**	(39,199)
Reconciliation:						
Finance and interest income and gain					**4,704**	28,902
Finance cost					**(40,517)**	-
Profit/(loss) before tax					**19,849**	(10,297)

As at	Property development and investment		Other		Total	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018	**30 Jun 2019**	31 December 2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**10,364,220**	10,347,684	**102,779**	115,855	**10,466,999**	10,463,539
Reconciliation:						
Unallocated assets					**205,749**	184,246
Total assets					**10,672,748**	10,647,785
Segment liabilities	**(4,453,162)**	(4,224,657)	**(25,361)**	(62,794)	**(4,478,523)**	(4,287,451)
Reconciliation:						
Unallocated liabilities					**(1,592,902)**	(1,700,318)
Total liabilities					**(6,071,425)**	(5,987,769)

(5) Revenue, Other Income and Other Gains/(losses), Net

An analysis of revenue, other income and other gains/(losses), net is as follows:

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
REVENUE		
From contract with customers:		
- Sale of properties recognised at a point in time	**460,530**	8,873
From other sources:		
- Rental income and carpart rental income	**3,621**	1,550
	464,151	10,423
OTHER INCOME		
Interest income and gain from financial assets at fair value through profit or loss and at amortised costs	**-**	24,333
OTHER GAINS/(LOSSES), NET		
Fair value gains/(losses) on investment properties	**3,687**	(881)
Exchange gains, net	**12,168**	133
Others	**1,153**	75
	17,008	(673)

(6) Finance Income/(Cost)

	For the six months ended 30 June 2019 HK$'000	2018 HK$'000
FINANCE INCOME		
- bank interest income	**4,704**	4,569

	2019 HK$'000	2018 HK$'000
FINANCE COST		
- interest expenses on bank loans	**64,637**	-
- interest expenses on loan from a fellow subsidiary	**757**	-
- others	**322**	-
Total finance cost incurred	**65,716**	-
Less: amount capitalised in properties held for sale under development and investment properties under development	**(25,199)**	-
Total finance cost expensed during the period	**40,517**	-

For the six months ended 30 June 2019, the capitalised interest rate applied to funds borrowed and used for the development of properties is between 4.35% and 5.46% per annum (2018: not applicable).

(7) Profit/(loss) Before Tax

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

	For the six months ended 30 June 2019 HK$'000	2018 HK$'000
Cost of properties sold	**342,541**	241
Depreciation	**9,793**	794
Exchange gains, net	**(12,168)**	(133)
Staff costs		
- wages and salaries	**42,557**	28,107
- provident fund contributions	**5,644**	7,148
	48,201	35,255
Less: amount capitalised under properties under development	**(14,925)**	(11,736)
Total staff costs expensed during the period	**33,276**	23,519

(8) Income Tax Expense/(Credit)

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 2018: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The corporate income tax rate of the PRC is 25%.

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 six months ended 30 June 2018, the over-provision of LAT in relation to the sales of certain properties in prior year amounting to HK$77,173,000 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	
	2019	2018
	HK$'000	HK$'000
Current income tax		
- PRC taxation	**52,045**	2,162
Under-provision of corporate income tax in Mainland China	**906**	-
LAT in Mainland China	**119,287**	(76,512)
Deferred income tax	**(124,996)**	(221)
	47,242	(74,571)

(9) (Loss)/earnings per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings 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 2018: 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 2019 and 2018.

(10) Interim Dividend

The Board of Directors resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

(11) Trade Payables

At 30 June 2019, based on the invoice date, all of the trade payables of HK$1,829,000 (31 December 2018: HK$4,178,000) were aged over 3 months. The trade payables are non-interest bearing.

(12) Guarantee

As at 30 June 2019, 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 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 2019, the Group's outstanding guarantees amounted to HK$515,163,000 (31 December 2018: HK$370,276,000) in respect of these guarantees.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group was engaged in property development and investment. The Group currently holds the GDH City Project and certain investment properties in Shenzhen City, as well as the Ruyingju Project in Panyu District, the Laurel House Project in Yuexiu District and the Baohuaxuan Project in Liwan District, Guangzhou City.

According to the information of National Bureau of Statistics of the PRC, the nation's preliminary gross domestic product for the first half of 2019 rose by approximately 6.3% from that of the same period last year while nominal disposable income per capita recorded a year-on-year growth of approximately 8.8%. According to the price index of newly built commodity residential properties in 70 large to medium-sized cities in June 2019, the price indices of newly built residential properties in Guangzhou City and Shenzhen City increased by approximately 10.5% and 1.3%, respectively, from that for June 2018.

Against the backdrop of a complicated internal and external environment during the first half of the year, the management adhered to the principle of prudent development and carried out the construction of the GDH City Project cautiously in accordance with the requirements of "safeguarding quality, ensuring speed and meeting schedule". It focused on building up its strength in the real estate industry, coordinated internal and external resources, and seizing opportunities in the major urban development of the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") and the "Core, Coastal Belt and Area" (which fosters the optimised development of the Pearl River Delta Core Area, connects Eastern Guangdong, Western Guangdong and cities within the Pearl River Delta as a coastal economic belt like a beaded bracelet, and establishes the mountainous areas of Northern Guangdong as an ecological development zone). To secure the growth of the Group's business, it has also formulated comprehensive short-term, medium-term and long-term funding plans that tap into the capital markets in both Hong Kong and the mainland.

Results

During the period under review, the consolidated revenue of the Group amounted to approximately HK$464 million (six months ended 30 June 2018: HK$10.42 million), representing an increase of approximately 43.5 times from the same period last year. The increase in revenue was mainly attributable to a surge in the gross floor area ("GFA") of sold properties held for sale. During the period under review, the Group recorded a loss attributable to owners of the Company of approximately HK$33.89 million (six months ended 30 June 2018: profit of HK$62.40 million).

In addition to the aforementioned increase in the GFA of sold properties held for sale, when compared with the same period last year, the major factors affecting the results of the Group for the period under review included the followings:

(a) land appreciation tax was accrued as a result of the sale of certain properties by the Group in 2017. In the first half of 2018, the over-accrual of the land appreciation tax in 2017 of approximately HK$77.17 million had been reversed following tax clearance with the local tax authorities. In the first half of 2019, no such reversal of the land appreciation tax for the same property project was recorded;

(b) as funds of the Group were used for business development continuously, total interest and other income from banks and financial assets at fair value through profit or loss and at amortised costs decreased by approximately HK$24.20 million from that of the same period last year. Also, since July 2018, the Group has borrowed interest-bearing loans to finance its business development. As a result, interest expenses incurred on such loans and recognised in the consolidated statement of profit or loss in the first half of 2019 were approximately HK$40.32 million (six months ended 30 June 2018: nil);

(c) properties held by the Group under the first phase of the GDH City Project and the Laurel House Project commenced pre-sale and sale, respectively, in the fourth quarter of 2018. As such, certain sale and marketing activities were launched and mainly account for the increase in selling and marketing expenses of approximately HK$23.03 million; and

(d) the Group recorded net exchange gains of approximately HK$12.17 million (six months ended 30 June 2018: HK$0.13 million) during the first half of 2019. The increase in net exchange gains was mainly resulted from the settlement of certain loans denominated in Renminbi due to the Company from a subsidiary of the Company.

The Board of Directors resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

Business Review

The GDH City Project

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

Based on the Group's current development plan, the project will be developed in two phases, the first of which involves the Northwestern Land which mainly comprises business apartments, office premises and commercial units. Except for the underground car-parking spaces, properties built on the Northwestern Land are intended for sale upon completion. While, among others, office buildings that are approximately 180 meters and 300 meters respectively in height will be built on the Northern Land and Southern Land, which make up the second phase of the project. A shopping mall with a GFA of over 100,000 sq. m. is planned to be constructed across the Northern Land and Southern Land.

The Group accelerated the development and construction of the GDH City Project, and the structures of all buildings under the first phase of the project have been completed, while mechanical, electrical, curtain wall installation, public area decoration, utilities and road works were in progress on schedule during the period under review. As for the second phase of the project, the works in respect of the foundation pit support as well as earth-and-stone excavation for the Northern Land and Southern Land have been commenced. In December 2018, a pre-sale permit for the first phase of the GDH City Project has been obtained and the pre-sale has commenced. During the period under review, the Group achieved great success in the product launch event of the GDH City Project, during which the presence of target clients in the industry are widely invited, helping further promote the GDH City Project to the market, and establish a good brand image among.

In relation to the search for potential commercial occupiers of the GDH City Project, the Group has entered into an agreement on deepening strategic partnership with the Shanghai Diamond Exchange (a national factor market), pursuant to which both parties would engage in close co-operation in relation to, among others things, exhibitions, bonded transactions, innovative design, ancillary services as well as international industrial and cultural exchanges in respect of diamond, and would join hands in creating a new service platform for the affiliated members of the Shanghai Diamond Exchange in southern China. Meanwhile, the commercial positioning of the shopping mall has been set. Influential supermarket, movie theatre and other commercial chains were engaged in discussion to boost the search for key commercial tenants. To capitalise on the successful experience of its parent company in the commercial development of Teemall in Guangzhou City, the Group has also engaged the commercial management team of Teemall to offer consultancy services in relation to various aspects of the GDH City Project, such as the design of its commercial component, the coming search for potential commercial occupiers, as well as its operations management.

Moreover, in response to the demand for the jewellery-themed projects, the Group has further expanded its potential clientele by enlarging its client database, entered into framework agreements on strategic collaboration with a number of industrial resources platforms, started planning a vault for the project, and commenced the design, research and coordination works for a new innovative office-based business model. Through extensive communications and collaborative interactions with industrial resources related to the project, the Group continuously optimised the portfolio of this project in order to showcase its competitive strengths.

Lot	Usage	Approximate total site area (sq. m.)	Approximate GFA* (sq. m.)	Approximate GFA contracted during the period under review (sq. m.)	Interest owned by the Group	Progress	Expected completion and filing date
Northwestern Land	Business apartments / Commercial	16,680	116,000	4,991	100%	Structures completed, decoration and related works in progress	2020
Northern Land	Commercial / Offices / Mall	33,802	146,551	N/A	100%	Works of foundation pit support as well as earth-and-stone excavation in progress	2nd half of 2022
Southern Land	Offices / Mall	16,044	199,500	N/A	100%		2023

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

As at 30 June 2019, the cumulative development costs and direct expenses of the GDH City Project amounted to approximately HK$4,089 million (31 December 2018: HK$3,827 million), representing a net increase of approximately HK$262 million during the period under review.

The Laurel House Project and the Baohuaxuan Project

In July 2018, the Group completed 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.*) ("GYPD"), which holds the Laurel House Project and the Baohuaxuan Project. The Laurel House Project has a GFA of approximately 119,267 sq. m. and comprises residential units, commercial properties and car-parking spaces, among which all the residential units and some of the car-parking spaces are for sale while the remaining properties are for lease. The Baohuaxuan Project is comprised of residential units and car-parking spaces, all of which are for sale.

After starting the proactive search for potential commercial occupiers of the commercial properties of the Laurel House Project, the Group has ushered in several leading businesses and brands with distinctive characters that perfectly fit the position and theme of the project, i.e. a "high-end education-oriented community". As at 30 June 2019, total GFA of lease contracts signed under the commercial properties of the Laurel House Project were approximately 2,910 sq. m. The Group is currently carrying out the search for commercial occupiers, trial operation, preparation and delivery of shops as planned.

Property project	Usage	Approximate GFA (sq. m.)	Approximate GFA contracted (sq. m.)		Approximate GFA delivered (sq. m.)		Interest owned by the Group
			Period under review	Accumu-lated	Period under review	Accumu-lated	
Laurel House	Residential	65,636	6,198	10,607	4,440	7,383	100%
Baohuaxuan	Residential	3,884	-	3,582	102	3,456	100%

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

The Ruyingju Project

The Group holds an 80% interest in the Ruyingju Project, which is located in Panyu District, Guangzhou City in the PRC, with a GFA of approximately 126,182 sq. m. The Ruyingju Project comprises residential units and car-parking spaces, all of which are for sale.

Property project	Usage	Approximate GFA (sq. m.)	Approximate GFA contracted (sq. m.)		Approximate GFA delivered (sq. m.)		Interest owned by the Group
			Period under review	Accumu-lated	Period under review	Accumu-lated	
Ruyingju	Residential	94,617	2,083	91,350	2,816	89,759	80%
Ruyingju	Car-parking spaces	8,052	224	3,870	207	3,780	80%

The Group acquired the interest in the Ruyingju Project in April 2015. As the consideration paid for the acquisition 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 include its development costs and the fair value appreciation as of the completion date of the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

Key Financial Indicators

	Note	Six months ended 30 June **2019**	2018	Change
(Loss)/profit attributable to owners of the Company, in HK$'000		**(33,891)**	62,404	N/A
Return on equity, %	1	**(0.75%)**	1.38%	N/A

	30 June 2019	31 December 2018	Change
Net assets, in million HK$	**4,601**	4,660	-1.3%

Note:

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

During the first half of 2019, the Group recorded a loss attributable to owners of the Company mainly due to the insufficient gross profit generated from the sale of properties to cover various expenses. For details, please refer to the "Results" section in this Management Discussion and Analysis.

Operating Income, Expenses and Finance Costs

During the period under review, the Group recorded total interest income and gain from banks and financial assets at fair value through profit or loss and at amortised cost of approximately HK$4.70 million (six months ended 30 June 2018: HK$28.90 million), representing a decrease of approximately 83.7% compared to that for the same period last year. The decrease in interest income and gains was mainly due to a decrease in funds available to the Group.

During the first half of 2019, the Group recorded selling and marketing expenses of approximately HK$30.79 million (six months ended 30 June 2018: HK$7.77 million), representing an increase of approximately 296.3% from that for the same period last year. The increase in selling and marketing expenses was mainly due to the commencement of certain sale and marketing activities in relation to the GDH City Project and the Laurel House Project. The Group's administrative expenses for the first half of 2019 amounted to approximately HK$50.18 million (six months ended 30 June 2018: HK$40.94 million), representing an increase of 22.6% from that for the same period last year, mainly due to the recognition of the administrative expenses of GYPD, which was acquired in July 2018, as well as additional taxes and surcharges resulting from the increase in revenue.

During the period under review, the Group borrowed loans to support its business development and recorded finance costs from interest-bearing loans of approximately HK$65.40 million, of which approximately HK$25.08 million had been capitalised while the remaining portion of approximately HK$40.32 million were charged to the statement of profit or loss. The Group did not borrow any bank loans or record any finance costs during the same period last year.

Capital Expenditure

The amount of capital expenditure paid by the Group during the first half of 2019 was approximately HK$65.10 million (six months ended 30 June 2018: HK$55.16 million), representing an increase of approximately 18.0% from that during the same period last year. The capital expenditure for the period was mainly used for the construction of the investment properties of the GDH City Project.

Financial Resources and Liquidity

As at 30 June 2019, the equity attributable to owners of the Company was approximately HK$4.47 billion (31 December 2018: HK$4.54 billion), representing a decrease of approximately 1.5% from that as at the end of 2018. Based on the number of shares in issue as at 30 June 2019, the net asset value per share attributable to owners of the Company at the period end was approximately HK$2.61 (31 December 2018: HK$2.65 per share), representing a decrease of approximately 1.5% from that as at the end of 2018.

As at 30 June 2019, the Group had total cash and cash equivalents of approximately HK$773 million (31 December 2018: HK$836 million), representing a decrease of approximately 7.5% from that as at the end of last year. The decrease in cash and cash equivalents was mainly due to the repayment of certain bank loans of the Group during the period under review.

Of the Group's cash and bank balances (include pledged bank deposit, restricted bank balances and cash and cash equivalents) as at 30 June 2019, approximately 90.9% was in RMB, approximately 8.9% was in USD and approximately 0.2% was in HKD. Net cash inflows from operating activities for the first half of 2019 amounted to approximately HK$206 million (six months ended 30 June 2018: net cash outflows used in operating activities of HK$48.03 million).

As most of the transactions in the Group's daily operations in Mainland China are denominated in Renminbi, 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 2019, the Group borrowed loans from certain banks and a fellow subsidiary of the Company in an aggregate amount of approximately HK$2,302 million (31 December 2018: HK$2,512 million) with a gearing ratio[1] of approximately 33.2% (31 December 2018: 36.0%). As at 30 June 2019, the weighted average effective interest rate of the Group's interest-bearing debts was approximately 5.12% (31 December 2018: 5.11%) per annum. As at 30 June 2019, unutilised bank and other loan facilities available to the Group amounted to RMB750 million (equivalent to approximately HK$853 million) in aggregate. The Group reviews its funding needs from time to time according to the future development of the GDH City Project and other businesses and consider obtaining funds through various financing means and channels so as to secure adequate financial resources for business development.

Asset Pledged and Contingent Liabilities

As at 30 June 2019, the Group's certain real estate amounting to approximately HK$3,119 million and the entire share capital of GYPD were pledged to secure certain bank loans; and bank deposits amounting to HK$42.11 million were pledged for bank guarantees as stipulated by certain construction contracts. In addition, as at 30 June 2019, the Group provided guarantees of approximately HK$515 million (31 December 2018: HK$370 million) to certain banks in relation to the mortgages of properties sold. Save for the above, the Group did not have any other material contingent liabilities as at 30 June 2019.

[1] Gearing ratio = (Interest-bearing debts – Cash and cash equivalents) ÷ Net assets

Risks and Uncertainties

As the Group is engaged in the business of property development and investment in Mainland China, the risks and uncertainties of its business are principally associated with the property market and property prices in Mainland China, and the Group's revenue in the future will be directly affected accordingly. 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. Notwithstanding the rise in external uncertainties and the complicated domestic and overseas environment brought by the trade disputes between the PRC and the United States (the "US"), the overall national economy of the PRC managed to grow at a steady rate of 6.3% in the first half of the year and maintained a stable momentum. The impact of the US-China trade disputes on the PRC is still under control. Under the principle that "residential properties are for living, not speculation" and the policies of "stabilising expectation and controlling risks", the real estate market is cooling down steadily as a whole. At present, projects held by the Group are all located in first-tier cities and comprise different property types and uses, thereby effectively helping the Group to diversify its operating risks.

As property projects have a relatively long development period, the Company may need to obtain external funding to partially finance the development of such projects. Financing channels and costs are subject to the prevailing market conditions and lending interest rates as well as the financial position of the Group. As at 30 June 2019, the Group had total outstanding interest-bearing loans of approximately HK$2,302 million.

According to the applicable accounting standards, certain investment properties of the Group are stated at fair value. The fair value of such investment properties is affected by the prices in the property markets in which they are located as at the end of the respective reporting period. The fair value changes of such investment properties are recognised in the statement of profit or loss and affect the profit for the period.

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

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

To further refine its ESG policies, the Group has been actively communicating with stakeholders such as employees, customers, business partners and suppliers, shareholders and investors, government authorities and regulators through various channels in order to gather comments and suggestions from them. In addition to the development targets set by the management, the Group also identifies and analyses important topics at two levels, namely "Significance to our Stakeholders" and "Importance to Guangdong Land's Development", by conducting proactive 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, thereby allowing the Group to envisage changes in the operating environment and consequently achieving the goals of sustainable development and proper risk management.

The Group operates in the real estate business and it is very important to strictly comply with environmental laws and regulations on construction 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 newly constructed buildings comply with the environmental protection and energy-saving requirements set by the central and local governments. It also spares no efforts in contributing to environmental protection by actively collaborating with the main contractors of its development projects.

The Company prepared its 2018 ESG report and published it in June 2019. The report summarises the Group's initiatives and achievement in respect of corporate social responsibility, covering various aspects including corporate governance, environmental protection, care for employees, quality management, care for the community and other aspects in 2018. To redouble its ESG efforts, the Group is currently reviewing its ESG management framework with the aim of improving its ESG performance.

Human Resources

As at 30 June 2019, the Group had 253 (31 December 2018: 261) 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

Under the overarching principle that "residential properties are for living, not speculation" as well as the policies of "stabilising expectation and controlling risks", the PRC government continued to formulate tailor-made policies, guidance and control measures for different cities in the first half of 2019 based on local conditions in order to stabilise the real estate market. Therefore, the prices in the real estate market as a whole have risen steadily, thereby unleashing demands in first-tier and major second-tier cities. Some of the cities are rolling out more land plots, thus stimulating land auctions. Since April 2019, the Ministry of Housing and Urban-Rural Development has been issuing warnings against several cities with relatively volatile land and house prices. It is expected that instead of loosening its control over the real estate market, the PRC government will maintain or strengthen the consistency and stability of its control measures while tightening its grip on key cities.

The PRC is and will continue to enjoy significant strategic development opportunities so as to develop adequate resilience, unleash enormous potential and maintain long-term economic growth. The furtherance and implementation of the Development Plan for the Greater Bay Area and relevant policies is anticipated to foster the integration of all cities and strengthen the economic position of the Greater Bay Area. It is expected that the real estate industry in the area would benefit from the overall social and economic integration.

Projects held by the Group, such as the GDH City Project, are located at the heart of the Greater Bay Area and will therefore reap benefits from the promising development prospects of the Greater Bay Area. In view of the enormous development potential of the GDH City Project, the Group will invest appropriate resources in the construction of this project with the aim of realising and releasing its value. The pre-sale of phase one of the GDH City Project as well as the ongoing sale of the Laurel House Project, the Baohuaxuan Project and the Ruyingju Project will also contribute to the Group's performance.

The Group remains cautiously optimistic about the outlook of the real estate industry in first-tier cities in Mainland China. At present, the Group enjoys a strong financial position, the support of a strong controlling shareholder and ample project and financial resources. Through the development and construction of the GDH City Project, the Group has developed amicable co-operative relationship with local governments, accumulated relevant experience in urban renewal and old town redevelopment projects, laid the foundation for industry research, obtained information about the industry, established a professional development team and formulated an operating model for project development.

Capitalising on its well-established professional capacity, industry experience and abundant resources, the Group will proactively identify business opportunities in the future by accurately grasping government and industry policies, further coordinating internal and external resources, thoroughly understanding emerging businesses in the industry, actively exploring cooperative development and other new ways to secure land, and acquiring quality land resources by multiple means. On one hand, it will study the viability of replicating its mature business model and develop new projects in other first-tier and second-tier cities in Mainland China. On the other hand, it will continue to search for and carry out integrated real estate and urban development projects similar to the GDH City Project using the technological and industrial innovation capacity of the Greater Bay Area and the Core, Coastal Belt and Area, especially Hong Kong, during the development of the Greater Bay Area and the Core, Coastal Belt and Area so as to grasp any real estate development opportunities and investment projects in the Greater Bay Area and the Core, Coastal Belt and Area and procure sustainable growth.

Under the leadership of the Board of Directors, the Group is confident about the prospects 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 always.

SUPPLEMENTAL INFORMATION IN RESPECT OF DISCLOSEABLE TRANSACTIONS

Reference is made to the announcements of the Company dated 4 July 2019 (the "Announcements") in relation to (1) the discloseable transaction - Works Agreement and Supplemental Agreement for Foundation Pit Support as well as Earth-and-Stone and Piling in relation to the Northern Land under the GDH City Project; and (2) the discloseable transaction - Works Agreement and Supplemental Agreement for Foundation Pit Support as well as Earth-and-Stone and Piling in relation to the Southern Land under the GDH City Project, respectively (collectively the "Transactions"). Unless stated otherwise, terms and expressions as defined in the Announcements shall have the same meanings when used herein.

Under the section headed "Consideration and basis of determination of Consideration" in each of the Announcements, the Company mentioned that if the price volatility of steel bar and commodity concrete exceeds the percentage as stipulated under the Original Agreement or the value-added tax rate is subject to adjustments due to national policy, the Consideration may be subject to adjustments (if any) based on the relevant mechanism under the Original Agreement and the Supplemental Agreement.

The Company would like to provide further information in respect of the above adjustment mechanism for the Consideration for the respective Transactions:

(1) Price volatility of steel bar and commodity concrete
According to the requirements set out in the Professional Contractor Agreement for Foundation Pit Support as well as the Earth and Stone and Piling Works Implementation in relation to Yuecai City Northern Land《悅彩城北地塊基坑支護與土石方及樁基礎工程專業承包合同》(the "Northern Land Works Original Agreement") and the Professional Contractor Agreement for Foundation Pit Support as well as the Earth and Stone and Piling Works Implementation in relation to Guangdong Land Building《粵海置地大廈基坑支護與土石方及樁基礎工程專業承包合同》(the "Southern Land Works Original Agreement", which, together with the Northern Land Works Original Agreement, shall be referred to as the "Original Agreements"), respectively, in the event that there is any fluctuation in the prices of steel bar and/or commodity concrete (based on the prices quoted by "Shenzhen Construction Works Price Information" (《深圳建設工程價格信息》), of more than ±5% (other than caused by the relevant Contractors), the Consideration under the relevant agreement(s) will be adjusted such that the amount of the adjustment shall be calculated based on the amount of the fluctuation in the said price, the quantity of works/materials and the applicable tax rates.

(2) Value-added tax rate adjustments according to the PRC government policy
According to the terms of the Original Agreements, as supplemented by their respective Supplemental Agreements (collectively, the "Supplemental Agreements"), in the event that there is any adjustment to the applicable value-added tax rate according to the PRC government policy, the adjusted value-added tax rate would be adopted (and reflected in the value-added tax invoices to be issued by the Contractors), and the amount of the adjustment shall be calculated based on the project price under the Original Agreements and Supplemental Agreements, and the difference between the original and the adjusted value-added tax rates at the relevant time.

SUPPLEMENTAL INFORMATION IN RESPECT OF DISCLOSEABLE TRANSACTIONS (Continued)

The above adjustments (if any) would be the result of the fluctuation in prices of the materials or adjustments of the value-added tax rate due to the PRC government policy (both of such adjustments could be upward or downward), which are not within the control of the contract parties.

Based on the following reasons, the Board of Directors was (and still is) of the view that the said adjustment mechanisms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(1) Guangdong Land Shenzhen (being the wholly owned subsidiary of the Company that signed the relevant agreements) selected each of the Contractors to provide their services as mentioned in the Original Agreements through open tender, being an open and transparent process. The Contractors have the relevant experience and technical expertise in carrying out the Works.

(2) As the construction periods under the Original Agreements are relatively long, Guangdong Land Shenzhen and the Contractors could not accurately estimate the prices of major materials of construction at the time of entering into the Original Agreements. Thus, the two-way adjustment mechanisms as mentioned above based on the price quoted by "Shenzhen Construction Works Price Information" (《深圳建設工程價格信息》) are customary and fair to both parties. The adjustment mechanism was formulated with reference to the relevant requirements of "Code of Valuation with Bill Quantity of Construction Works*" (《建設工程工程量清單計價規範》) as promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部).

(3) For an adjustment due to a change of value-added tax rate, such adjustment would be due to a change in the relevant PRC government policy. Guangdong Land Shenzhen, as a company incorporated in the PRC, must comply with the relevant laws and regulations. Accordingly, such adjustment event is beyond the control of the contract parties.

(4) If the Contractors were to bear the additional costs in relation to the said price fluctuations of materials or changes in the value-added tax rate, Guangdong Land Shenzhen might need to accept higher bidding prices (hence higher costs to the Group) or fewer bidders would participate in the tenders for the Works.

The possibility of the Transactions being re-classified as transactions of a higher category under Chapter 14 of the Listing Rules in the event of adjustment to the Considerations (if any) is very low. In the event that the Transactions, after such price adjustments, contemplated under the Original Agreements as supplemented by the Supplemental Agreements would fall into a higher transaction threshold classification under Chapter 14 of the Listing Rules as a result of an adjustment to the Consideration, the Company would re-comply with the relevant Listing Rules, including the issue of a circular to the Shareholders.

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 2019.

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 2019. 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 2019.

By Order of the Board of Directors
Guangdong Land Holdings Limited
HOU Wailin
Chairman

Hong Kong, 22 August 2019

* *In this announcement, the English name of the entity or PRC laws and regulations 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. HOU Wailin; 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.