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GUANGDONG LAND HOLDINGS LIMITED

(於 百 慕 達 註 冊 成 立 之 有 限 公 司)

(Incorporated in Bermuda with limited liability)

股份代號 Stock Code: 0124

2018 年報
ANNUAL REPORT

Contents

Corporate Information

As at 26 March 2019

Board of Directors

Non-Executive Director

HUANG Xiaofeng *(Chairman)*

Executive Directors

ZHAO Chunxiao *(Chief Executive Officer)*
LI Wai Keung
WU Mingchang
ZENG Yi

Independent Non-Executive Directors

Alan Howard SMITH *JP*
Felix FONG Wo *BBS, JP*
Vincent Marshall LEE Kwan Ho *Deputy of the National People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*

Audit Committee

Vincent Marshall LEE Kwan Ho *Deputy of the National People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)* *(Committee Chairman)*
Alan Howard SMITH *JP*
Felix FONG Wo *BBS, JP*

Remuneration Committee

Felix FONG Wo *BBS, JP* *(Committee Chairman)*
Alan Howard SMITH *JP*
Vincent Marshall LEE Kwan Ho *Deputy of the National People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*

Nomination Committee

HUANG Xiaofeng *(Committee Chairman)*
Alan Howard SMITH *JP*
Felix FONG Wo *BBS, JP*
Vincent Marshall LEE Kwan Ho *Deputy of the National People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*

Company Secretary

LI Wai Keung

Auditors

PricewaterhouseCoopers

Website Address

http://www.gdland.com.hk

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank
Shanghai Pudong Development Bank
Bank of China

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office & Principal Place of Business in Hong Kong

18th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Telephone:	(852) 2165 6262
Facsimile:	(852) 2815 2020

Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Branch Share Registrar in Hong Kong

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Share Information

Place of Listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code:	0124
Board Lot:	2,000 shares
Financial year end:	31st December

@ *In this annual report, 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.*

Highlights

	Year ended 31 December		
	2018	2017	Change
Revenue, in thousand HK$	**312,421**	186,694	+67.3%
Profit attributable to owners of the Company, in thousand HK$	**224,263**	49,287	+355.0%
Basic earnings per share, in HK cent	**13.10**	2.88	+354.9%

	As at 31 December		
	2018	2017	Change
Current ratio	**3.6 times**	6.6 times	–45.5%
Gearing ratio[1]	**36.0%**	net cash	N/A
Total assets, in million HK$	**10,648**	5,381	+97.9%
Net asset value per share[2], in HK$	**2.65**	2.64	+0.4%
Number of employees	**261**	225	+16.0%

Notes:

1. Gearing ratio = (Interest-bearing loans – cash and cash equivalents) ÷Net assets

2. Net asset value per share = Equity attributable to owners of the Company÷Number of issued shares

Chairman’s Statement

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

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

Results

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

Results (continued)

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

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

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

Business Review

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

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

Business Review (continued)

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

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

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

Outlook

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

Outlook (continued)

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

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

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

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

Outlook (continued)

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

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

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

HUANG Xiaofeng
Chairman

Hong Kong, 26 March 2019

Management Discussion and Analysis

Results

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

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

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

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

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

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

Results (continued)

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

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

Business Review

Material Acquisition

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

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

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

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

Business Review (continued)

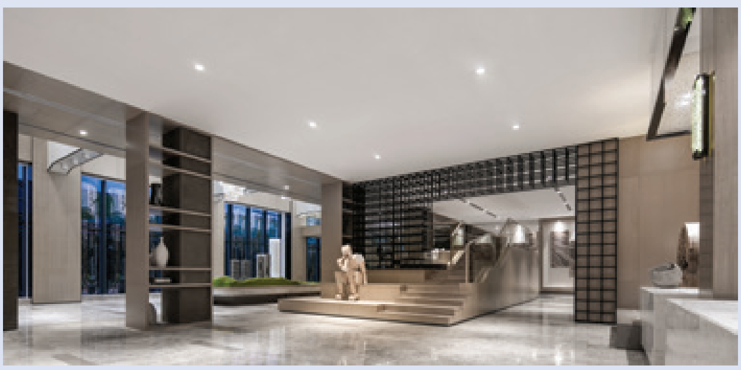
The GDH City Project (a marketing name used by the Group for promoting the Buxin Project) (continued)

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

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

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

Pre-sale properties under the first phase of the GDH City Project, photo taken on 26 December 2018



On-site photo of the Exhibition Center of the GDH City Project

Business Review (continued)

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

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

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

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

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

Business Review (continued)

The Laurel House Project and the Baohuaxuan Project

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

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

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

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

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

Business Review (continued)

The Ruyingju Project

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

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

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

Financial Review

Key Financial Ratios

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

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

	2018 31 December	2017 31 December	Change
Net assets, in million HK$	**4,660**	4,677	−0.4%

Note:

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

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

Financial Review (continued)

Other Income, Gains, Expenses and Finance Costs

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

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

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

Capital Expenditure

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

Financial Resources and Liquidity

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

Financial Review (continued)

Financial Resources and Liquidity (continued)

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

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

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

As at 31 December 2018, the Group borrowed loans from certain banks in the aggregate amount of approximately HK$2,512 million (31 December 2017: nil), with a gearing ratio[1] of approximately 36.0% (31 December 2017: nil). With the unfavorable impact of a tightening financing market in 2018, the Group managed to control its finance costs effectively, with a weighted average effective interest rate of the Group's bank borrowings of 5.11% per annum as at 31 December 2018. As at 31 December 2018, the available banking facilities to the Group were RMB500 million (equivalent to approximately HK$571 million). The Group will review its funding needs from time to time and consider obtaining the funds through various financing means and channels according to the future development of the GDH City Project and its other businesses in 2019, so as to ensure that adequate financial resources will be available to support its business development.

As at 31 December 2018, certain property assets amounting to HK$3,979 million and the entire shares of GYPD as well as bank deposits amounting to HK$42.28 million of the Group were pledged for the purposes of securing bank loans and performance as stipulated under certain construction contracts, respectively. Except as disclosed in note 26 to the financial statements regarding the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK$370 million as at 31 December 2018 (2017: HK$783 million), no material contingent liabilities was recorded as at 31 December 2018.

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

Risks and Uncertainties

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

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

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

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

Dividend Policy

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

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

Relationship with Customers and Suppliers

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

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

Policy and Performance on Environmental Protection

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

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

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

Policy and Performance on Environmental Protection (continued)

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

Human Resources

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

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

Change of Independent Auditors

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

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

Report of the Directors

The directors (the "Directors") of Guangdong Land Holdings Limited (the "Company") herein present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engage in property development and investment.

There were no significant changes in the nature of the Group's principal activities during the year under review.

Business Review

A review of the business of the Group during the year under review and a discussion on the Group's future business development are set out in the section headed "Chairman's Statement" on pages 4 to 8 and in the section headed "Management Discussion and Analysis" on pages 9 to 20 of this report.

Principal risks and uncertainties that the Group may be facing are set out in the section headed "Management Discussion and Analysis" on page 18 of this report. The financial risk management objectives and policies of the Group are provided in note 30 to the financial statements on pages 128 to 136 of this report.

An analysis of the Group's performance during the year under review using financial key performance indicators is provided in the section headed "Management Discussion and Analysis" on page 15 of this report.

Discussion on the Group's environmental policy and compliance with the relevant laws and regulations that have a significant impact on the Company are set out in the section headed "Management Discussion and Analysis" on pages 19 and 20 of this report.

The Company's key relationships with its employees, customers and suppliers and business associates that have a significant impact on the Company and on which the Company's success depends are provided in the section headed "Management Discussion and Analysis" on pages 19 to 20, in the section headed "Report of the Directors" on page 40, in the section headed "Corporate Governance Report" on page 55 and in note 2(l) to the financial statements on page 87 of this report.

Financial Summary

A summary of the results and the financial position of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

Results

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**312,421**	186,694	1,091,941	857,937	3,422
Gain on bargain purchase	**296,737**	—	—	233,862	—
Profit attributable to owners of the Company	**224,263**	49,287	17,734	174,773	81,773
Dividend	**—**	—	—	—	—

Financial position

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**10,647,785**	5,380,841	6,473,653	5,840,539	4,618,249
Total liabilities	**(5,987,769)**	(704,196)	(2,140,223)	(1,230,732)	(280,464)
Net assets	**4,660,016**	4,676,645	4,333,430	4,609,807	4,337,785
Non-controlling interest	**(122,907)**	(158,441)	(145,623)	(178,451)	—
Equity attributable to owners of the Company	**4,537,109**	4,518,204	4,187,807	4,431,356	4,337,785

Major Properties Held by the Group

Details of the particulars of major properties held by the Group as at 31 December 2018 are set out on page 140 of this report.

Results and Dividends

The results of the Group for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the financial statements on pages 65 to 139.

No interim dividend was paid during the year under review and the Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2018.

The forthcoming annual general meeting of the Company will be held on Thursday, 6 June 2019 at 3:00 p.m. (the "2019 Annual General Meeting") and the register of members of the Company will be closed and no transfer of shares will be effected during the period from Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive, for determining the shareholders' entitlement to attend and vote at the 2019 Annual General Meeting.

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

Share Capital

There were no movements in the Company's share capital during the year under review.

Distributable Reserves

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the provision of the Companies Act 1981 of Bermuda, amounted to HK$2,126,180,000.

In addition, the Company's share premium of HK$1,688,606,000 may be distributed in the form of fully paid bonus shares.

Charitable Contributions

There were no charitable contributions made by the Group during the year under review.

Retirement Benefits Schemes

Particulars of the Group's retirement benefit schemes are set out in note 2(l)(ii) to the financial statements.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2018 are set out in note 33 to the financial statements.

Directors

The Directors of the Company during the financial year and up to the date of this report are:

Non-Executive Director
HUANG Xiaofeng *(Chairman)*

Executive Directors
ZHAO Chunxiao *(Chief Executive Officer)*
LI Wai Keung
WU Mingchang
ZENG Yi

Independent Non-Executive Directors
Alan Howard SMITH *JP*
Felix FONG Wo *BBS, JP*
Vincent Marshall LEE Kwan Ho *Deputy of the National People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*

In accordance with Bye-law 87 of the Bye-Laws of the Company (the "Bye-Laws"), Mr. WU Mingchang (an Executive Director), Mr. ZENG Yi (an Executive Director) and Mr. Vincent Marshall LEE Kwan Ho (an Independent Non-Executive Director) will retire by rotation at the 2019 Annual General Meeting and shall be eligible for re-election.

Mr. WU Mingchang, Mr. ZENG Yi and Mr. Vincent Marshall LEE Kwan Ho, being eligible, have offered themselves for re-election and if re-elected, they will hold office from the date of re-election, to the earlier of (a) the conclusion of the annual general meeting of the Company to be held in 2022; and (b) 30 June 2022, subject to earlier determination in accordance with the Bye-Laws and/or any applicable laws and regulations.

Directors' and Senior Management's Profile

Non-Executive Director

Mr. HUANG Xiaofeng, aged 60, has been appointed a Non-Executive Director of the Company in October 2008 and has acted as the Chairman of the Company since November 2010. He is also the chairman of the Nomination Committee of the Company. Mr. Huang graduated from South China Normal University, the PRC and holds a Bachelor's degree in History. He also holds a Master's degree in Public Administration from Sun Yat-Sen University, the PRC. From 1987 to 1999, Mr. Huang worked for the General Office of the Communist Party of China (the "CPC") Guangdong Provincial Committee in a number of positions. Between 1999 and 2003, Mr. Huang was the deputy director general of the General Office of the CPC Guangzhou Committee and thereafter the deputy secretary general of the CPC Guangzhou Committee. Between 2003 and 2008, Mr. Huang was the deputy director general of the General Office of the Guangdong Provincial Government and then the deputy secretary general of the Guangdong Provincial Government. Mr. Huang was appointed a director and a deputy general manager of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited[@]) ("Guangdong Holdings") in April 2008 and was subsequently appointed an executive director and a deputy general manager of GDH Limited ("GDH"). He has been appointed the chairman of Guangdong Holdings and GDH in September 2010 and October 2010, respectively. Mr. Huang was the general manager of both Guangdong Holdings and GDH during the period from February 2009 to May 2012. Mr. Huang was appointed a non-executive director of Guangdong Investment Limited ("GDI") in June 2008 and subsequently has been appointed the chairman and re-designated as an executive director of GDI in November 2010. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of GDI, respectively, which in turn is the immediate controlling shareholder of the Company. GDI is listed in Hong Kong.

Executive Directors

Ms. ZHAO Chunxiao, aged 49, has been appointed an Executive Director of the Company in December 2014 and has been appointed the Chief Executive Officer since August 2016. Ms. Zhao graduated from Liaoning Normal University, the PRC (Faculty of Chinese Studies) and the School of China Journalism and Communication (major in Domestic News) and obtained two Bachelor's degrees. She also holds a degree of Executive Master of Business Administration from The Hong Kong University of Science and Technology. From 1994 to 2002, she worked for the Guangdong Branch of Xinhua News Agency as director of the Finance Office and also director of the Featured News Division. Between 2003 and 2008, she held a number of positions in Asia Television Limited (Hong Kong) including director of Information Division of News and Public Relations Department and assistant vice president. Ms. Zhao joined GDH and Guangdong Holdings in December 2008 and January 2009, respectively. Ms. Zhao acts as a deputy general manager and the chief administration officer of Guangdong Holdings and an executive director, the chief administration officer and the company secretary of GDH. She has been appointed a non-executive director of GDI in August 2011. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of GDI, respectively, which in turn is the immediate controlling shareholder of the Company. GDI is listed in Hong Kong.

Directors' and Senior Management's Profile (continued)

Executive Directors (continued)

Mr. LI Wai Keung, aged 62, was appointed a Non-Executive Director of the Company in October 2011 and has then been re-designated as an Executive Director of the Company in March 2012. Mr. Li has also been appointed the Company Secretary of the Company since March 2017. He is also a director of a subsidiary of the Company. Mr. Li graduated from the Hong Kong Polytechnic and holds a Master's degree in Business Administration from the University of East Asia. He is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a standing committee member of the Chinese People's Political Consultative Conference Guangdong Provincial Committee. Mr. Li had worked for Henderson Land Development Company Limited. Mr. Li is an executive director and the chief financial officer of GDH and also the chief financial officer of Guangdong Holdings. He is also a director of 永順泰麥芽（中國）有限公司 (Supertime Malting Company Limited@) ("Supertime") and GDH Finance Co., Ltd. ("GDH Finance"). Supertime is a subsidiary of GDH and GDH Finance is a subsidiary of Guangdong Holdings. He is also an independent non-executive director of Shenzhen Investment Limited, Hans Energy Company Limited and China South City Holdings Limited (these three companies are listed in Hong Kong). Mr. Li is an advisor to the Management Accounting of the Ministry of Finance, the PRC, the chairman of the Council of the Hong Kong Chinese Orchestra Limited, a director of the China Overseas Friendship Association, the vice chairman and secretary of the Financial and Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association and the honorary president of the Hong Kong Business Accountants Association. Mr. Li was appointed a non-executive director of GDI in May 2000. He acted as an executive director and the chief financial officer of GDI from July 2006 to April 2008 and has been re-designated as a non-executive director of GDI since April 2008. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of GDI, respectively, which in turn is the immediate controlling shareholder of the Company. GDI is listed in Hong Kong.

Mr. WU Mingchang, aged 54, was appointed a Non-Executive Director of the Company in March 2016 and has been then re-designated as an Executive Director of the Company in June 2016.

Mr. Wu served as the deputy division chief, division chief and deputy director of the Guangzhou Urban Planning Bureau, the deputy chief executive of the Haizhu District Government of Guangzhou City, and the director and party secretary of the Legislative Affairs Office of Guangzhou Municipal Government. Mr. Wu is currently the general counsel of Guangdong Holdings and also an executive director and the general counsel of GDH. Guangdong Holdings and GDH are the ultimate controlling shareholder and the indirect controlling shareholder of the Company, respectively.

Mr. Wu holds a Bachelor of Laws degree and a Master of Laws degree in International Law from Sun Yat-Sen University, the PRC, a Master's degree in Human Geography from Sun Yat-Sen University, the PRC, and a Doctor's degree in Civil and Commercial Law from the School of Law of Wuhan University, the PRC.

Directors' and Senior Management's Profile (continued)

Executive Directors (continued)

Mr. ZENG Yi, aged 40, has been appointed an Executive Director of the Company in October 2016.

Mr. Zeng joined Guangdong Holdings in July 2006 and worked in strategic development department, office of board of directors and finance department of Guangdong Holdings and GDH, and was appointed as the assistant general manager from June 2015 to October 2016. He is currently the chief strategic development officer of Guangdong Holdings and GDH. He is also the chairman of 廣東粵港資產經營有限公司 (Guangdong Yuegang Assets Management Co., Limited)@; a director of GDH Finance, a director of 廣東粵海水務股份有限公司 (Guangdong Water Co., Ltd.)@ (both of which are subsidiaries of Guangdong Holdings, and Guangdong Holdings is the ultimate controlling shareholder of the Company); the chairman of Guangdong Assets Management Limited; and a director of Supertime Development Limited (both of which are subsidiaries of GDH, and GDH is the indirect controlling shareholder of the Company); a director of Guangdong Water Group (H.K.) Limited (which is a subsidiary of GDI, and GDI is the immediate controlling shareholder of the Company). He also acts as chairman or a director of other subsidiaries of Guangdong Holdings, and a director of other subsidiaries of GDH.

Mr. Zeng holds a Bachelor's degree in Taxation from the Faculty of Finance and Taxation and Computer and Application from the Faculty of Computer Science of Sun Yat-Sen University, the PRC, a Master's degree in Economics from The Center for Studies of Hong Kong, Macao and Pearl River Delta of Sun Yat-Sen University, the PRC and a Doctoral degree in Economics from Lingnan College of Sun Yat-Sen University, the PRC. He is a senior accountant and senior economist.

Independent Non-Executive Directors

Mr. Alan Howard SMITH, *JP*, aged 75, has been appointed an Independent Non-Executive Director of the Company in January 1999. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee respectively of the Company.

Mr. Smith was the vice chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was chairman of the Jardine Fleming group from 1994 to 1996. Mr. Smith has over twenty-seven years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for ten years been a member of the Hong Kong Government's Standing Committee on Company Law Reform. He was a trustee of the Hospital Authority Provident Fund Scheme from 2002 to 2014.

Directors' and Senior Management's Profile (continued)

Independent Non-Executive Directors (continued)

Mr. Smith is an independent non-executive director of Genting Hong Kong Limited and Wheelock and Company Limited, both of which are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of ICBC Credit Suisse Asset Management Co., Ltd. Mr. Smith was an independent non-executive director of Noble Group Limited from March 2002 to April 2016 (which is listed on the Singapore Exchange Securities Trading Limited).

Mr. Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted a solicitor in England in 1967 and in Hong Kong in 1970.

Mr. Felix FONG Wo, *BBS, JP*, aged 68, has been appointed an Independent Non-Executive Director of the Company in January 2007. He is the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee of the Company respectively.

Mr. Fong is a founding partner of Arculli Fong & Ng (now renamed as King & Wood Mallesons) and is a consultant of King & Wood Mallesons. Mr. Fong has practised law for over thirty years, eight of which in Toronto. Mr. Fong undertook a number of community and social roles, such as the former chairman of the Chinese Canadian Association of Hong Kong, the Liquor Licensing Board and the Advisory Council on Food and Environmental Hygiene. Mr. Fong is a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference (9th and 10th Sessions), a director of China Overseas Friendship Association and a director of Hong Kong Basic Law Institute Limited. Mr. Fong is a Justice of Peace and has been awarded a Bronze Bauhinia Star by the Government of the Hong Kong SAR in recognition of his public service. In the area of education, Mr. Fong is a founding member and the first director of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada. Mr. Fong is the honorary legal counsels of a number of nonprofit organizations in Hong Kong such as Hong Kong Institute of Professional Photographers Ltd. and The Chinese Manufacturers' Association of Hong Kong.

Mr. Fong is an independent non-executive director of a number of listed companies, namely Greenland Hong Kong Holdings Limited, Evergreen International Holdings Limited, Sheen Tai Holdings Group Company Limited, Xinming China Holdings Limited and WuXi Biologics (Cayman) Inc., the shares of the above five companies are listed on the Hong Kong Stock Exchange. Mr. Fong is an independent non-executive director of Bank of Shanghai (Hong Kong) Limited. From May 2010 to May 2016, Mr. Fong was an independent non-executive director of China Oilfield Services Limited (whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) and from April 2011 to July 2018, he was an independent non-executive director of China Investment Development Limited (whose shares are listed on the Hong Kong Stock Exchange).

Directors' and Senior Management's Profile (continued)

Independent Non-Executive Directors (continued)

Mr. Fong received his engineering degree in Canada in 1974 and his juris doctor from Osgoode Hall Law School in Toronto in 1978. Mr. Fong is a member of the law societies of Hong Kong, Upper Canada and England, and one of the China-appointed attesting officers in Hong Kong appointed by the Ministry of Justice of China.

Mr. Vincent Marshall LEE Kwan Ho, *Deputy of the National People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*, aged 63, has been appointed an Independent Non-Executive Director of the Company in March 2009. He is the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee respectively of the Company.

Mr. Lee is the chairman of Tung Tai Group of Companies. He has been appointed as an independent non-executive director of HK Asia Holdings Limited (whose shares are listed on the Hong Kong Stock Exchange) with effect from 27 August 2018. Mr. Lee was an independent non-executive director of Hong Kong Exchanges and Clearing Limited between 2000 and April 2017 and was a non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) between March 2013 and June 2017, the shares of the above two companies are listed on the Hong Kong Stock Exchange. Mr. Lee has over thirty years of experience in the securities and futures industry and has extensive experience in banking, corporate finance and investment. He worked for Coopers and Lybrand, Los Angeles & Boston from 1978 to 1981, and for HSBC group, Hong Kong & Vancouver from 1981 to 1990.

He has undertook a number of public service and community activities. Mr. Lee is at present a deputy of the National People's Congress of PRC, and vice-chairman of Standing Committee of the Hong Kong Association for the Promotion of Peaceful Reunification of China. He is also the chairman of Correctional Services Children's Education Trust Investment Advisory Board, and a member of the Council of The Chinese University of Hong Kong.

He was the chairman of the Sir Murray MacLehose Trust Fund Investment Advisory Committee between 2012 and 2018, a non-official member of Financial Services Development Council from 2013 to January 2019, and the chairman of Hong Kong Guangxi CPPCC Members Friendship Association Limited from 2016 to 2018. He was also a part-time member of Central Policy Unit of the Government of the HKSAR from 2007 to 2008, a member of Academic and Accreditation Advisory Committee of Securities and Futures Commission from 2002 to 2006, a member of Securities and Futures Appeals Tribunal from 2003 to 2009, and the chairman of the Institute of Securities Dealers Limited from 2005 to February 2009. He is a founding member of Canadian International School of Hong Kong Limited since 1990 and acted as its chairman from 2006 to 2008.

Mr. Lee graduated Magna Cum Laude in Accounting and International Finance from the University of Southern California, USA and received a Master of Economics from the London School of Economics and Political Science at the University of London, UK. He is a certified public accountant in State of California, USA and a fellow member of Hong Kong Institute of Certified Public Accountants.

Directors' and Senior Management's Profile (continued)

Senior Management

The senior management of the Group comprise the four Executive Directors above, namely, Ms. ZHAO Chunxiao, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi and the Chief Financial Officer of the Company, Mr. ZHOU Tao. Due to work re-allocation, Mr. ZHANG Jun has been appointed as Chief Financial Officer of the Company to replace Mr. ZHOU Tao with effect from 26 March 2019.

Mr. ZHOU Tao, aged 48, joined the Company in April 2010 and was appointed as the Chief Financial Officer of the Company in September 2010. Due to work re-allocation, Mr. ZHOU Tao ceased to be the Chief Financial Officer with effect from 26 March 2019.

Mr. Zhou worked in the Personnel and Appraisal Department and Finance Department of GDH from 2001 to 2005. GDH is the indirect controlling shareholder of the Company. He was a director and the chief financial officer of Guangdong (International) Hotel Management Holdings Limited (which is a subsidiary of GDI) from March 2005 to February 2008, a director and the chief financial officer of the production bases of Guangdong Tannery Limited ("GDT") in Xuzhou and also a deputy chief financial officer of GDT from March 2008 to March 2010. GDI and GDT are subsidiaries of GDH and are listed in Hong Kong. He possesses extensive experience in financial management, internal audit as well as management.

Mr. Zhou graduated from the faculty of accountancy of Zhongnan University of Economics and Law, and holds a Master's degree in Management. He is an accountant, auditor and economist, and a member of The Chinese Institute of Certified Public Accountants. Mr. Zhou obtained the qualification of senior accountant from the Department of Human Resources and Social Security of Guangdong Province in February 2016, and the graduation certificate of leading talent in accounting in Guangdong Province which was jointly awarded by the Department of Finance of Guangdong Province and the Beijing National Accounting Institute in December 2018.

Mr. ZHANG Jun, aged 48, has been appointed as the Chief Financial Officer of the Company in March 2018. He possesses over 27 years of extensive experience in financial management, internal audit as well as accounting and so on. Mr. Zhang joined a subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, in March 2003. He was chief financial officer of construction headquarters of 上海粵海大酒店有限公司 (Guangdong Hotel (Shanghai) Limited[@])[#] ("Guangdong Hotel (Shanghai)") from November 2003 to August 2004. From August 2004 to January 2008, he acted as chief financial officer of Guangdong Hotel (Shanghai) and 珠海粵海酒店 (Guangdong Hotel (Zhuhai)[@])[#] respectively. He was deputy chief financial officer of GDH Real Estates (China) Limited[#] and 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.[@])[#] from January 2008 to March 2011 and was promoted to a director and chief financial officer of these two companies in March 2011.

[#] These companies were subsidiaries of Guangdong Holdings at the relevant time

Mr. Zhang graduated from Jinan University and holds an undergraduate qualification of higher education accounting specialist. He is a senior accountant and a member of The Chinese Institute of Certified Public Accountants.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2019 Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as "Connected Transactions" section on pages 37 to 39, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year under review.

Permitted Indemnity Provision

Indemnity provision within the meaning of permitted indemnity provision under the Hong Kong Companies Ordinance for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2018. In addition, the Company has taken out and kept in force appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company.

Directors' Interests in Competing Business

The interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") during the year ended 31 December 2018 and up to the date of this report are as follows:

I. Core Business Activities of the Group

Property development and investment

II. Interests in Competing Business

Name of Director	Name of entity (Note)	Nature of interest (Note)	Competing Business
HUANG Xiaofeng	廣東粵海控股集團有限公司 (Guangdong Holdings Limited@)	chairman	Property development and investment
	GDH Limited	chairman	Property development and investment
	Guangdong Investment Limited	chairman and executive director	Property development and investment
ZHAO Chunxiao	GDH Limited	executive director	Property development and investment
	Guangdong Investment Limited	non-executive director	Property development and investment
LI Wai Keung	GDH Limited	executive director	Property development and investment
	Guangdong Investment Limited	non-executive director	Property development and investment
WU Mingchang	GDH Limited	executive director	Property development and investment

Note: The aforementioned entities are engaged in, among others, property development and investment. The interests of each of the aforementioned Directors in the businesses of the aforementioned entities may also arise through their respective directorships in its holding companies, subsidiaries, associated companies or other form of investment vehicles of such entities.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Directors' Interests and Short Positions in Securities

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

I. Shares

(i) The Company

Name of Director	Capacity/ Nature of interest	Number of shares held	Long/Short position	Approximate percentage of interests held (Note)
HUANG Xiaofeng	Personal	3,880,000	Long position	0.227%
Alan Howard SMITH	Personal	317,273	Long position	0.019%
Vincent Marshall LEE Kwan Ho	Corporate	1,000,000	Long position	0.058%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 shares of the Company in issue as at 31 December 2018.

(ii) GDI

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note)
HUANG Xiaofeng	Personal	2,595,580	Long position	0.040%
ZHAO Chunxiao	Personal	582,170	Long position	0.009%
LI Wai Keung	Personal	1,927,160	Long position	0.029%

Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of GDI in issue as at 31 December 2018.

Directors' Interests and Short Positions in Securities (continued)

II. Share Options

(i) The Company

There was no share option scheme of the Company in operation during the year under review.

(ii) GDI

Interests in options relating to ordinary shares (Long positions)

(1) Share Option Scheme adopted by GDI on 24 October 2008 (the "2008 Scheme")

Name of Director	Date of grant of share options *(dd.mm.yyyy)*	Number of share options: At date of grant	At 1 January 2018	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2018	Total consideration paid for share options granted *HK$*	Exercise price of share options* *HK$ (per share)*	Price of ordinary share at date immediately before date of grant** *HK$ (per share)*	Price of ordinary share at date immediately before the exercise date** *HK$ (per share)*
HUANG Xiaofeng	22.01.2013	2,693,.000	877,420	–	–	(877,420)	–	–	6.20	6.30	–
ZHAO Chunxiao	22.01.2013	2,268,000	778,630	–	–	(778,630)	–	–	6.20	6.30	–
LI Wai Keung	22.01.2013	2,243,000	815,840	–	–	(815,840)	–	–	6.20	6.30	–

Notes to the above share options granted pursuant to the 2008 Scheme:

(a) The option period of all the share options was five years and six months from the date of grant.

(b) Any share option was only exercisable during the option period after it has become vested.

(c) The normal vesting scale of the share options was as follows:

Date	***Percentage Vesting***
The date two years after the date of grant	*40%*
The date three years after the date of grant	*30%*
The date four years after the date of grant	*10%*
The date five years after the date of grant	*20%*

(d) The vesting of the share options was further subject to the achievement of such performance targets as determined by the board of directors of GDI upon grant and stated in the offer of grant.

Directors' Interests and Short Positions in Securities (continued)

II. Share Options (continued)

(ii) GDI (continued)

Interests in options relating to ordinary shares (Long positions) (continued)

(1) Share Option Scheme adopted by GDI on 24 October 2008 (the "2008 Scheme") (continued)

(e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or which has lapsed) was as follows:

Date on which event occurs	***Percentage Vesting***
Before the date which was four months after the date of grant	*0%*
On or after the date which was four months after but before the date which was one year after the date of grant	*10%*
On or after the date which was one year after but before the date which was two years after the date of grant	*25%*
On or after the date which was two years after but before the date which was three years after the date of grant	*40%*
On or after the date which was three years after but before the date which was four years after the date of grant	*70%*
On or after the date which was four years after the date of grant	*80% The remaining 20% also vested upon passing the overall performance appraisal for those four years*

*(f) * The exercise price of the share options was subject to adjustment in the case of rights or bonus issues or other similar changes in the share capital of GDI.*

*** The price of the ordinary share of GDI disclosed as "at date immediately before date of grant" of the share options was the closing price on the Hong Kong Stock Exchange on the business day prior to which the share options were granted.*

The price of the ordinary share of GDI disclosed as "at date immediately before the exercise date" of the share options was the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the directors of GDI or all other participants as an aggregate whole.

The 2018 Scheme expired in October 2018.

Directors' Interests and Short Positions in Securities (continued)

Save as disclosed above, as at 31 December 2018, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Arrangement to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' Interests and Short Position in Securities" of this report, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

Substantial Shareholders' Interests

As at 31 December 2018, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interests	Number of shares held	Long/Short position	Approximate percentage of interests held *(Note 1)*
廣東粵海控股集團有限公司 (Guangdong Holdings Limited@) *(Note 2)*	Interest in controlled corporation	1,263,494,221	Long position	73.82%
GDH Limited *(Note 2)*	Interest in controlled corporation	1,263,494,221	Long position	73.82%
Guangdong Investment Limited	Beneficial owner	1,263,494,221	Long position	73.82%

Notes:

1. *The approximate percentage of interests held was calculated on the basis of 1,711,536,850 shares of the Company in issue as at 31 December 2018.*

2. *The attributable interest which Guangdong Holdings has in the Company is held through its wholly-owned subsidiary, namely GDH, and the attributable interest of the latter is held through its subsidiary, GDI.*

Substantial Shareholders' Interests (continued)

Save as disclosed above, as at 31 December 2018, so far as is known to any director or chief executive of the Company, no other person (other than a director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Connected Transactions

The Group's connected transactions and continuing connected transactions conducted during the year and disclosed in accordance with Chapter 14A of the Listing Rules are as follows:

I. Connected Transactions

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

On 27 April 2018, 粵海置地發展(深圳)有限公司 (Guangdong Land Development (Shenzhen) Limited@) ("Guangdong Land Development (Shenzhen)"), a wholly-owned subsidiary of the Company, 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 subsidiaries of Guangdong Holdings, the ultimate controlling shareholder and a connected person of the Company. According to the agreement, Guangdong Land Development (Shenzhen) agreed to acquire 100% equity interest in GYPD, of which the principal business is property development of the Laurel House Project and the Baohuaxuan Project in the PRC. The total consideration of the acquisition is RMB1,172,550,000 (equivalent to approximately HK$1,390,761,000). After completion of equity transfer of GYPD, the Group agreed to procure GYPD to repay the loan principal borrowed in the ordinary course of business from Guangdong Holdings and its associates together with the accrued interest as at 31 March 2018. The transaction was completed on 11 July 2018. Details of the transaction are set out in the announcements and circulars of the Company dated 27 April 2018, 18 May 2018 and 13 July 2018, and note 29 to the financial statements.

Connected Transactions (continued)

II. Continuing connected transactions

(i) Tenancy of the Company's office premises

Reference is made to the announcement of the Company of 28 November 2016 regarding the continuing connected transactions of the tenancy agreement between the Company and Guangdong Power (International) Limited (a non-wholly owned subsidiary of GDI, a fellow subsidiary of the Company) for the tenancy of the office premises of the whole of 18th Floor of Guangdong Investment Tower as the Company's head office and principal place of business in Hong Kong at a monthly rent of HK$263,000 from 1 December 2016 to 30 November 2019.

(ii) Zhuguanglu Property Management Agreement and Sales Centre Property Services Agreement

Reference is made to the announcement of the Company of 18 July 2018 regarding the continuing connected transactions of the Zhuguanglu Property Management Agreement and Sales Centre Property Services Agreement (as defined in such an announcement) between GYPD (a wholly-owned subsidiary of the Company) and 粵海物業管理有限公司 (Yuehai Property Management Co., Ltd.[@]) ("YPM") (an indirect non-wholly owned subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company).

On 26 October 2016, GYPD and YPM entered into Zhuguanglu Property Management Agreement, pursuant to which YPM shall provide certain property management services to GYPD in respect of the properties of Zhuguanglu Project (now named as the Laurel House Project) from 1 September 2016 to 31 August 2018. On 1 February 2018, GYPD and YPM entered into Sales Centre Property Services Agreement, pursuant to which YPM shall provide certain preliminary property preparation services in respect of the sales venue of the Laurel House Project to GYPD from 1 February 2018 to 31 January 2019.

The Board of the Company, including the Independent Non-Executive Directors, have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (a) in the ordinary course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements of the respective continuing connected transactions, on terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected Transactions (continued)

II. Continuing connected transactions (continued)

PricewaterhouseCoopers, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions

Details of the significant related party transactions in the normal course of business are provided on pages 37 to 39 of this report under the section headed "Connected Transactions" and note 28(a) to the financial statements. The related party transactions described in notes (ii) and (v) of note 28(a) to the financial statements also constitute connected transactions or continuing connected transactions discloseable under the Listing Rules. In respect of these connected transaction and continuing connected transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Apart from the connected transaction and continuing connected transactions disclosed in the section headed "Connected Transactions" of this report, none of the other related party transactions as disclosed in note 28(a) to the financial statements is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year under review.

Equity-Linked Agreements

During the year ended 31 December 2018, the Company had not entered into any equity-linked agreements.

Significant Contracts with Controlling Shareholder or its Subsidiaries

Save as disclosed in pages 37 to 39 of this report, the Company and the controlling shareholders of the Company or its subsidiaries had not entered into any contracts of significance during the year under review.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Bye-Laws and there are no restrictions against such rights under the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year under review.

Purchases from the Group's five largest suppliers accounted for approximately 95.9% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 65.6% of the total purchases for the year under review.

None of the Directors, their respective associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued share of the Company) had any interest in the Group's five largest customers or suppliers.

Auditors

PricewaterhouseCoopers will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 26 March 2019

Corporate Governance Report

Corporate Governance Code

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of the Code Provisions of the Corporate Governance Code (the "CG Code"), contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the CG Code throughout the year ended 31 December 2018.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors and also implemented internal policy to govern the dealing in securities by the employees of the Group. In response to specific enquiry made, all the Directors confirmed that they had complied with the required standards of dealings as set out in the Model Code during the year under review.

Board of Directors

The board of Directors (the "Board") is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management is entrusted by the Board with the authority and responsibility for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

As of the date of this report, the Board comprises one Non-Executive Director, being Mr. HUANG Xiaofeng who is also the Chairman of the Board, four Executive Directors, being Ms. ZHAO Chunxiao who is also the Chief Executive Officer, Mr. LI Wai Keung who is also the Company Secretary, Mr. WU Mingchang and Mr. ZENG Yi, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

Board of Directors (continued)

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's annual, interim and quarterly results. During the year under review, seven Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

The Company has devised the annual meeting schedule for next year before the end of the year, setting out all meeting dates of the Board and its committees, in order for the Directors to plan ahead. At least fourteen days' notice of a Board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The Bye-Laws also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates has a material interest. Every Director is entitled to have access to the Board papers and related materials as well as to the advice and services of the Company Secretary.

Corporate Governance Functions

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions under CG Code include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and

(e) to review the Company's compliance with the CG Code and the information disclosed in the Corporate Governance Report.

Corporate Governance Functions (continued)

During the year under review, the Board considered, among other matters, the following corporate governance issues:

(a) reviewed the training and continuous professional development of Directors;

(b) monitored the report or complaint regarding possible improprieties in financial reporting and internal control (if any);

(c) reviewed the effectiveness of the risk management and internal control systems of the Company through the Internal Audit Department and the Audit Committee; and

(d) reviewed the Company's compliance with the CG Code and the information disclosed in the Corporate Governance Report.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. HUANG Xiaofeng and the Chief Executive Officer is Ms. ZHAO Chunxiao. Their roles are clearly defined and segregated to ensure independence, proper checks and balances. Mr. Huang as the Chairman of the Board, with his strategic vision and with a non-executive perspective, provides leadership to the Board and gives direction in the development of the Company, which is of added benefit to the check and balance mechanism of the Company. Ms. Zhao as the Chief Executive Officer focuses on the day-to-day management of the Group's business, and leads the management team of the Group.

Non-Executive Directors

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an additional member to the existing Board shall hold office only until the first general meeting after their appointment and shall be eligible for re-election.

Moreover, each Non-Executive Director (including Independent Non-Executive Directors) is appointed for a term of not more than approximately three years expiring on the earlier of either (a) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director; or (b) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Bye-Laws and/or applicable laws and regulations.

During the year under review, the Non-Executive Directors (including Independent Non-Executive Directors) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee meetings.

Independence of Independent Non-Executive Directors

During the year under review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received annual confirmation of independence from the three Independent Non-Executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho in accordance with Rule 3.13 of the Listing Rules.

Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho have served the Board for more than nine years. They have clearly demonstrated their willingness to exercise independent judgement and to provide objective challenges and opinions to the management. There is no evidence that length of tenure is having an adverse impact on their independence. The Board therefore considers that Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho remain independent, notwithstanding the length of their tenure.

The Nomination Committee has assessed the independence of all the Independent Non-Executive Directors and has concluded that all of them are independent within the definition of the Listing Rules. Further, up to the date of this report, the Board is not aware of the occurrence of any events, which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired.

Relationship amongst Directors

The Board members do not have any financial, business, family or other material/relevant relationships with each other. Such balanced Board composition also ensures that strong independence exists across the Board. The biographies of the Directors as at the date of this report as set out in pages 25 to 29 to this report, demonstrate a diversity of skills, expertise, experience and qualifications.

Directors' Continuous Professional Development

The Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously develop and refresh their relevant knowledge and skills. Some Directors attended seminars or conferences organized by government authorities, professional bodies or industrial organizations, etc in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skills. During the year, the Company organized training for Directors and provided them with reading materials.

Directors' Continuous Professional Development (continued)

As of the date of this report, according to the records kept by the Company, the Directors attended the following trainings during the year under review:

Name of Director	Attending Directors' trainings organized by the Company, other companies or organizations	Reading materials
Non-Executive Director		
HUANG Xiaofeng	✓	✓
Executive Directors		
ZHAO Chunxiao	✓	✓
LI Wai Keung	✓	✓
WU Mingchang	✓	✓
ZENG Yi	✓	✓
Independent Non-Executive Directors		
Alan Howard SMITH	✓	✓
Felix FONG Wo	✓	✓
Vincent Marshall LEE Kwan Ho	✓	✓

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board.

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural background, educational level, length of service, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments are based on meritocracy and candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board.

Board Diversity Policy (continued)

The Nomination Committee has set the measurable objectives based on several focused areas: gender, age, cultural background, educational level, length of service, professional experience, skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee reviews the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises eight Directors, amongst them, three are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of age, professional experience, skills and knowledge.

Having reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board, the Nomination Committee and the Board considered that the Company had met the requirements of the Board Diversity Policy.

Dividend Policy

Details of the Dividend Policy of the Company are set out in the section headed "Management Discussion and Analysis" on page 18 of this annual report.

Board Committees

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Terms of Reference of those committees detailing their respective authorities and duties are available on the Company's website.

Remuneration Committee

The Company established the Remuneration Committee in June 2005. The Remuneration Committee has been delegated responsibility from the Board to determine the remuneration packages of individual Executive Directors and senior management. Details of the authority and duties of the Remuneration Committee are available on the Company's website.

The Remuneration Committee comprises three Independent Non-Executive Directors, being Mr. Felix FONG Wo, Mr. Alan Howard SMITH and Mr. Vincent Marshall LEE Kwan Ho. Mr. Felix FONG Wo is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Remuneration Committee meeting was held in 2018 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report.

Remuneration Committee (continued)

In 2018, the Remuneration Committee reviewed and approved the annual remuneration package and performance bonus for senior management of the Company.

Details of the amount of Directors' and chief executive's remuneration for the year 2018 are set out in note 7 to the financial statements.

Nomination Committee

The Company established the Nomination Committee in March 2012. The Nomination Committee is responsible for, amongst other things, reviewing the structure, size and composition of the Board, assisting the Board in the development and review of the Board Diversity Policy (and the measurable objectives for its implementation), and the Directors' Nomination Policy, identifying individuals suitably qualified to become Board members, assessing the independence of Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the CG Code, making recommendation on the re-appointment of the retiring Directors and succession planning for Directors. Details of the authority and duties of the Nomination Committee are available on the Company's website.

The Nomination Committee comprises Chairman of the Board and Non-Executive Director, Mr. HUANG Xiaofeng, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho. Mr. HUANG Xiaofeng is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One Nomination Committee meeting was held in 2018 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report.

In 2018, the Nomination Committee performed the works as summarized below:

(a) assessed the independence of the Independent Non-Executive Directors;

(b) considered and recommended to the Board the re-appointment of the retiring Directors; and

(c) reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board.

Directors' Nomination Policy

The Board has adopted a Directors' nomination policy (the "Directors' Nomination Policy") to formally set out the criteria and process in the nomination and appointment of Directors. According to the Directors' Nomination Policy, the ultimate responsibility for selection and appointment of Directors rests with the entire Board or the shareholders in general meeting, as the case may be. The Board has delegated the relevant screening and evaluation process to the Nomination Committee, which identifies suitably qualified candidates and recommends them to the Board. In assessing the suitability of a proposed candidate, the Nomination Committee takes into consideration the candidate's character and integrity, qualifications, skills, knowledge, experiences relevant to the Company's business and corporate strategy, his/her commitment to enhancing shareholder value and devoting sufficient time to effectively carry out their duties, fulfilment of the independence requirements as set out in the Listing Rules (for Independent Non-Executive Directors) and diversity on the Board. After reaching its decision, the Nomination Committee nominates such candidates to the Board for approval and appointment. As mentioned above, all Directors appointed to fill a casual vacancy or as an additional member to the existing Board shall hold office only until the first general meeting after their appointment and shall be eligible for re-election. The Board will make recommendation to shareholders in respect of the proposed re-election of Directors at general meetings.

Audit Committee

The Audit Committee of the Company was established in September 1998. The Audit Committee oversees matters concerning the external auditors including making recommendations to the Board regarding the appointment of the external auditors, reviewing the scope of their audit work and approving their fees. The Audit Committee further ensures that the management has put in place effective systems of the risk management and internal control and maintains an overview of the Group's risk management system and financial controls. It reviews the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions and their training and budget. In addition, it reviews the internal audit schedules of the Group, considers the Group's internal audit reports and monitors the effectiveness of the internal audit function. Details of the authority and duties of the Audit Committee are available on the Company's website.

The Audit Committee comprises three Independent Non-Executive Directors, being Mr. Vincent Marshall LEE Kwan Ho, Mr. Alan Howard SMITH and Mr. Felix FONG Wo. Mr. Vincent Marshall LEE Kwan Ho is the chairman of the Audit Committee.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members with Non-Executive Director only and must be chaired by an Independent Non-Executive Director) is an Independent Non-Executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Four Audit Committee meetings were held in 2018 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report. In addition to its four meetings as aforesaid, the Audit Committee also had one private meeting with the external auditors without the presence of the management to discuss any area of concern.

Audit Committee (continued)

In 2018, the Audit Committee performed the works as summarized below:

(a) reviewed the annual caps on continuing connected transactions of the Company;

(b) reviewed and recommended 2017 final results, auditors' findings and draft final results announcement for the Board's approval;

(c) reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(d) reviewed the internal audit plan of 2018;

(e) reviewed and recommended 2018 interim and quarterly results, auditors' findings, draft interim and quarterly results announcements for the Board's approval;

(f) reviewed and recommended the internal audit reports for the Board's approval;

(g) assessed the effectiveness of risk management and internal control systems of the Group for 2017; and

(h) considered and recommended the change of auditors of the Company for the Board's approval.

Auditors' Remuneration

During the year under review, the remuneration paid/payable to the Company's auditors, PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fee paid/payable** *HK$'000*
Audit of annual financial statements	1,860
Review of interim results	700
Agreed-upon procedures in respect of quarterly results	420
Agreed-upon procedures in respect of continuing connected transactions	35
	3,015

Board and Committees Meetings

The individual attendance records of each Director at the meetings of the Board, Nomination Committee, Remuneration Committee, Audit Committee and general meeting of the Company during the year ended 31 December 2018 are set out below:

Name of Director	Board Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Annual General Meeting	Special General Meeting
Non-Executive Director						
HUANG Xiaofeng	6/7	1/1	N/A	N/A	1/1	1/1
Executive Directors						
ZHAO Chunxiao	7/7	N/A	N/A	N/A	1/1	1/1
LI Wai Keung	7/7	N/A	N/A	N/A	1/1	1/1
WU Mingchang	5/7	N/A	N/A	N/A	1/1	1/1
ZENG Yi	7/7	N/A	N/A	N/A	1/1	1/1
Independent Non-Executive Directors						
Alan Howard SMITH	7/7	1/1	1/1	4/4	1/1	1/1
Felix FONG Wo	7/7	1/1	1/1	4/4	1/1	1/1
Vincent Marshall LEE Kwan Ho	7/7	1/1	0/1	3/4	1/1	1/1

Accountability and Audit

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2018, which give a true and fair view of the financial position of the Group and of the results and cash flows for that financial year. In preparing the financial statements for the year ended 31 December 2018, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

The Group endeavours to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The annual and interim results of the Company are announced in a timely manner within the limit of three months and two months respectively after the end of the relevant periods in accordance with the Listing Rules. To further enhance the Company's level of corporate governance and transparency, the Company has announced its unaudited financial information for the first and third quarters during the financial year ended 31 December 2018, and will continue to publish unaudited financial information for the two quarters in the future.

The Directors have acknowledged their responsibility for preparing all information and representations contained in the financial statements of the Company for the year ended 31 December 2018.

Risk Management and Internal Control

The Board has overall responsibilities for maintaining and ensuring effective implementation of the risk management and internal control systems of the Group. Such systems are designed to prudently manage the Group's risks within an acceptable risk profile. The Board has delegated to management the implementation of such systems of risk management and internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

The management under the supervision of the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the systems of risk management and internal control when there are changes to business environment or regulatory guidelines.

The management assists the Board with the implementation of all relevant policies and procedures on risk and control by identifying and assessing the risk faced and designing, operating and monitoring suitable risk management and internal control to mitigate and control these risks. The key processes that have been established in reviewing the adequacy and integrity of the systems of risk management and internal control include the following:

A defined management structure is maintained with specified limits of authority and control responsibilities, which is designed to (a) safeguard assets from inappropriate use; (b) maintain proper accounts; (c) ensure compliance with regulations; and (d) identify, manage and mitigate key risks to the Group.

In addition to the duties of the Audit Committee as mentioned above, the Audit Committee, *inter alia*, reviews the financial controls, risk management, internal control systems of the Group and any significant internal control issues identified by the internal audit department, the external auditors and the management. It also conducts review of the internal audit functions with particular emphasis on the scope and quality of the internal audits and independence of the internal audit department. During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programmes and budgets.

The internal audit department monitors compliance with policies and procedures and the effectiveness of the risk management and internal control systems and highlights significant findings in respect of any non-compliance. It plays an important role in the Group's risk management and internal control framework, and provides objective assurance to the Board that the sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic checking. The internal audit department issues reports to the Board and relevant management covering various operational and financial processes of the Group and provides summary reports to the Audit Committee together with the status of implementation of their recommendation in each Audit Committee meeting.

Risk Management and Internal Control (continued)

An Inside Information Policy was adopted by the Company which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

The Board is satisfied that the risk management and internal control systems in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and, up to the date of this report, are reasonably effective and adequate.

Company Secretary

The Company Secretary reports to the Chairman and the Chief Executive Officer of the Company and was responsible for advising the Board on corporate governance matters.

Mr. LI Wai Keung, an Executive Director of the Company, has been appointed as the Company Secretary of the Company since March 2017. For the year under review, the Company Secretary of the Company undertook relevant professional training as required by the Listing Rules to update his skills and knowledge.

Shareholders' Rights

The following procedures are subject to the Bye-Laws, the Companies Act 1981 of Bermuda and applicable legislations and regulations.

Procedures for shareholders to convene a special general meeting

Registered shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such special general meeting shall be held within two months after the deposit of such requisition. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong marked for the attention of the Board or the Company Secretary.

Shareholders' Rights (continued)

Procedures for shareholders to convene a special general meeting (continued)

The written requisition must state the purpose of the general meeting, signed by the registered shareholders concerned and may consist of several documents in like form, each signed by one or more of those shareholders. The written requisition will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory and regulatory requirements to all the registered shareholders. On the contrary, if the written requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

If within 21 days from the date of deposit of the requisition the Board fails to proceed to convene a special general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedures for shareholders to put forward proposals at general meetings

The Company holds an annual general meeting every year, and may hold a general meeting known as a special general meeting whenever necessary.

Registered shareholder(s) of the Company holding (a) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (b) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the next annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the shareholder(s) concern and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Company Secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong marked for the attention of the Board or the Company Secretary.

Shareholders' Rights (continued)

Procedures for shareholders to put forward proposals at general meetings (continued)

If the written request is in order, the Company Secretary will ask the Board (a) to include the resolution in the agenda for the annual general meeting; or (b) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid or the shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the annual general meeting; or the statement will not be circulated for the general meeting.

Shareholders' enquiries

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may also send written enquiries to the Company, for the attention of the Chief Financial Officer or the Company Secretary by mail to 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong or by fax to (852) 2815 2020.

In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the public and the shareholders. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

Investor Relations

During the year under review, there were no significant changes in the Company's Memorandum of Association and Bye-Laws. An up-to-date version of the Company's Memorandum of Association and Bye-Laws is available on the Company's website.

Relationship with Stakeholders

The Company recognizes that employees, customers and suppliers and business associates are key stakeholders to the Company's success. We strive to achieve corporate sustainability through engaging our employees, providing quality services to our customers, collaborating with business partners (including suppliers and contractors) to deliver quality sustainable products and services and supporting our community.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 26 March 2019

羅兵咸永道

TO THE SHAREHOLDERS OF
GUANGDONG LAND HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Guangdong Land Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 139, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties;
- Recoverability of completed properties held for sale and properties under development; and
- Gain on bargain purchase and purchase price allocation of acquisition of Guangdong Yuehai Property Development Co., Ltd. ("GYPD")

Key Audit Matters (continued)

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Valuation of investment properties Refer to notes 3(a)(i), 3(b)(ii) and 12 to the consolidated financial statements. As at 31 December 2018, the Group had completed investment properties stated at fair value and investment properties under development stated at cost of HK$522 million and HK$1,689 million respectively. Changes in fair value were recognised and presented as "fair value gains on investment properties" in the consolidated statement of profit or loss. *Completed investment properties stated at fair value* Management has engaged an independent valuer to determine the valuation of the Group's completed investment properties as at 31 December 2018. The fair value was principally derived using the income capitalisation method by considering the capitalised reversionary income potential with reference to prevailing capitalisation rates and market rents, and wherever appropriate, the direct comparison method by reference to market evidence of recent transaction prices of comparable properties and depreciated replacement cost method by considering the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property. Significant judgments and estimates of the assumptions were involved in the valuation of completed investment properties.	Our procedures in relation to the valuation of investment properties included: *Completed investment properties stated at fair value* • Evaluating the independent valuer's competence, capabilities and objectivity. • Obtaining the valuation reports and meeting with the independent valuer to discuss and assess the appropriateness of the valuation methodologies and assumptions adopted. • Assessing the reasonableness of the key assumptions used in the valuation of properties by comparing to published market yields for capitalisation rates, prevailing market rents of leasing transactions of comparable properties and wherever appropriate, the recent market transaction prices of properties with comparable conditions and locations and the cost to reproduce or replace the property with similar conditions and locations.

Key Audit Matters (continued)

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Investment properties under development stated at cost It is the Group's accounting policy to measure its investment properties under development at cost until their fair values become reliably measurable or the construction is completed, whichever is earlier. The determination of whether the fair values of investment properties under development are reliably measurable on a continuing basis requires significant management judgment. This includes determination as to whether the market for comparable properties is inactive and whether alternative reliable measurements of fair values are available. After considering the stage of development and factors such as (i) whether the construction permits have been obtained; (ii) whether the development plans have been approved; and (iii) whether the remaining construction cost can be accurately estimated, the directors of the Company concluded that the fair values of the investment properties under development could not be measured reliably at the end of the current reporting period and, therefore, such investment properties under development continue to be measured at cost until fair value can be reliably measured. Due to significant management judgements and estimates in the valuation of completed investment properties and measurement basis of investment properties under development, we considered this a key audit matter.	*Investment properties under development stated at cost* • Evaluating the judgments and assessment performed by management by considering the stage of development of the relevant investment properties under development at year end to determine whether the fair value of the investment properties under development could be reliably measured, and verifying key factors considered by management including (i) whether the construction permits have been obtained; (ii) whether the development plans have been approved; and (iii) whether the remaining construction cost can be accurately estimated. • Carrying out independent market research and discussing with the external valuer on the availability of alternative reliable measurements of fair values of investment properties under development. We found that the judgments and estimates used in the valuation of completed investment properties and the measurement basis adopted for investment properties under development were supported by the available evidence.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of completed properties held for sale and properties under development Refer to notes 3(a)(ii) and 13 to the consolidated financial statements. The Group's balance sheet includes HK$4,946 million of completed properties held for sale and HK$2,103 million of properties under development as at 31 December 2018. Management assessed the recoverability of completed properties held for sale and properties under development based on an estimation of the net realisable value of the underlying properties. This involves estimation of anticipated costs to completion based on existing plans (for properties under development), committed construction contracts and expected future sales price based on prevailing market conditions such as current market prices of properties with comparable conditions and locations. If the estimated net realisable value is lower than the carrying value of the underlying stock of properties, a provision for impairment losses on properties under development and completed properties held for sale may be required. Due to significant management judgements and estimates involved in assessing the net realisable value of completed properties held for sale and properties under development, we considered this a key audit matter.	Our procedures in relation to management's assessment of the recoverability of completed properties held for sale and properties under development included: • Understanding, evaluating and validating the controls over cost budgeting for estimated cost to completion. • Assessing the reasonableness of key assumptions and estimates in management's assessment including: – expected future sales prices which we compared to contracted sales prices of the underlying properties or current market prices of properties with comparable conditions and locations, where applicable; – anticipated costs to completion and committed construction contracts that we compared to latest approved budgets on total construction costs and checked to supporting documentation such as quantity surveyor reports and construction contracts (for properties under development). We found that management's assessment of recoverability of completed properties held for sale and properties under development is supported by the available evidence.

Key Audit Matters (continued)

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Gain on bargain purchase and purchase price allocation of acquisition of GYPD Refer to note 29 to the consolidated financial statements. The Group completed the acquisition of 100% equity interest in GYPD during the year. As the consideration of the acquisition was less than the fair value of net assets acquired, a provisional gain on bargain purchase of approximately HK$297 million was recognised in the consolidated statement of profit or loss. The accounting for the acquisition required significant management judgements and estimates related to the allocation of the purchase price to the fair value of assets and liabilities acquired. Management engaged an independent valuer to determine the valuation of the properties held by GYPD as at the completion date of the acquisition. Due to significant management judgements and estimates, we considered this a key audit matter.	Our procedures focused on testing of the fair value of the assets and liabilities acquired, in particular for the acquired properties and tax provision. The procedures included: • Evaluating the independent valuer's competence, capabilities and objectivity. • Obtaining the valuation reports and meeting with the independent valuer to discuss and assess the appropriateness of the valuation methodologies and assumptions adopted. • Involving our internal valuation experts to assist in assessing the appropriateness of the valuation methodologies adopted and the reasonableness of the key assumptions used in the valuation of the acquired properties by comparing to published market yields for capitalisation rates, prevailing market rents of leasing transactions of comparable properties and recent market transaction prices of properties with comparable conditions and locations, where appropriate. • Involving our internal tax specialists to assist in assessing the deferred tax liabilities recognised in relation to the acquired properties by recalculating the land appreciation tax calculation prepared by management with reference to the relevant tax laws enacted by the time. • Performing audit procedures to ascertain the existence, completeness and accuracy of the balances of the assets and liabilities acquired other than properties as at the date of acquisition including but not limited to circulating confirmations to respective debtors and creditors. • Agreeing the total consideration to signed sales and purchase agreement entered into between the Group and the vendors and recalculating the gain on bargain purchase prepared by the management. We found that the judgments and estimates used in management's calculation of the purchase price allocation were supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cho Kin Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**312,421**	186,694
Cost of sales		**(217,055)**	(21,073)
Gross profit		**95,366**	165,621
Gain on bargain purchase	29	**296,737**	—
Other income	5	**23,664**	51,775
Other gains, net	5	**8,183**	3,900
Selling and marketing expenses		**(29,509)**	(7,570)
Administrative expenses		**(95,687)**	(79,733)
Operating profit		**298,754**	133,993
Finance income	8	**7,856**	12,293
Finance cost	8	**(33,127)**	—
Finance (cost)/income, net		**(25,271)**	12,293
Profit before tax	6	**273,483**	146,286
Income tax expense	9	**(43,005)**	(94,487)
Profit for the year		**230,478**	51,799
Attributable to:			
Owners of the Company		**224,263**	49,287
Non-controlling interest		**6,215**	2,512
		230,478	51,799
Earnings per share			
Basic and diluted	10	**HK13.10 cents**	HK2.88 cents

The notes on page 71 to 139 are integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

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

The notes on page 71 to 139 are integral part of the consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**58,868**	5,413
Investment properties	12	**2,211,312**	1,156,891
Deferred tax assets	20	**184,246**	80,315
Total non-current assets		**2,454,426**	1,242,619
Current assets			
Completed properties held for sale	13	**4,946,066**	269,669
Properties held for sale under development	13	**2,102,738**	1,908,882
Prepayments, deposits and other receivables	14	**89,244**	34,624
Available-for-sale financial assets	15	**—**	1,161,178
Pledged bank deposit	16	**42,278**	44,316
Restricted bank balances	16	**177,454**	116,804
Cash and cash equivalents	16	**835,579**	602,749
Total current assets		**8,193,359**	4,138,222
Total assets		**10,647,785**	5,380,841
LIABILITIES			
Current liabilities			
Trade payables	17	**(4,178)**	(16,925)
Other payables, accruals and provisions	17	**(853,026)**	(150,636)
Receipts in advance		**—**	(57,847)
Contract liabilities	18	**(454,961)**	—
Tax payable		**(463,285)**	(405,282)
Bank borrowings	19	**(470,216)**	—
Total current liabilities		**(2,245,666)**	(630,690)
Net current assets		**5,947,693**	3,507,532
Total assets less current liabilities		**8,402,119**	4,750,151

Consolidated Balance Sheet (continued)

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bank borrowings	19	**(2,041,785)**	—
Deferred tax liabilities	20	**(1,700,318)**	(73,506)
Total non-current liabilities		**(3,742,103)**	(73,506)
Total liabilities		**(5,987,769)**	(704,196)
Net assets		**4,660,016**	4,676,645
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**171,154**	171,154
Reserves	22	**4,365,955**	4,347,050
		4,537,109	4,518,204
Non-controlling interest	23	**122,907**	158,441
Total equity		**4,660,016**	4,676,645

ZHAO Chunxiao
Director

LI Wai Keung
Director

The notes on page 71 to 139 are integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium account* HK$'000	Capital reserve* HK$'000	Property revaluation reserve* HK$'000	Enterprise development funds* HK$'000	Reserve funds* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 January 2017	171,154	1,688,606	13,824	6,984	216	95,022	(107,934)	2,319,935	4,187,807	145,623	4,333,430
Profit for the year	—	—	—	—	—	—	—	49,287	49,287	2,512	51,799
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	281,110	—	281,110	10,306	291,416
Total comprehensive income for the year	—	—	—	—	—	—	281,110	49,287	330,397	12,818	343,215
Transfer to reserve funds	—	—	—	—	—	1,883	—	(1,883)	—	—	—
At 31 December 2017	171,154	1,688,606	13,824	6,984	216	96,905	173,176	2,367,339	4,518,204	158,441	4,676,645
At 1 January 2018	**171,154**	**1,688,606**	**13,824**	**6,984**	**216**	**96,905**	**173,176**	**2,367,339**	**4,518,204**	**158,441**	**4,676,645**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**224,263**	**224,263**	**6,215**	**230,478**
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(205,358)**	**–**	**(205,358)**	**(6,220)**	**(211,578)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(205,358)**	**224,263**	**18,905**	**(5)**	**18,900**
Transactions with owners in their capacity as owners:											
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,529)**	**(35,529)**
Transfer to reserve funds	**–**	**–**	**–**	**–**	**–**	**67,449**	**–**	**(67,449)**	**–**	**–**	**–**
At 31 December 2018	**171,154**	**1,688,606**	**13,824**	**6,984**	**216**	**164,354**	**(32,182)**	**2,524,153**	**4,537,109**	**122,907**	**4,660,016**

* *These reserve accounts comprise the consolidated reserves of HK$4,365,955,000 (2017: HK$4,347,050,000) in the consolidated balance sheet.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	27	**260,775**	(622,015)
Interest received		**30,343**	73,697
Interest paid		**(51,542)**	—
PRC tax paid		**(156,276)**	(59,685)
Net cash flows from/(used in) operating activities		**83,300**	(608,003)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**146**	—
Purchases of property, plant and equipment	11	**(57,596)**	(718)
Additions to investment properties		**(641,994)**	(541,064)
Acquisition of a subsidiary, net of cash	29	**(1,361,594)**	—
Repayment of amounts due to group companies	29	**(998,861)**	—
Increase in a pledged bank deposit		**—**	(42,734)
Decrease/(increase) in financial assets at FVPL and at amortised cost (2017: available-for-sale financial assets)		**1,152,172**	(667,692)
Decrease in time deposits with maturity of over three months when acquired		**—**	346,291
Net cash flows used in investing activities		**(1,907,727)**	(905,917)
Cash flow from financing activities			
Drawdown of new loans		**3,671,330**	—
Repayment of loans		**(1,517,596)**	—
Dividend paid to a non-controlling shareholder		**(35,529)**	(29,016)
Repayment of amounts due to group companies		**(22,357)**	—
Net cash flows from/(used in) financing activities	27(b)	**2,095,848**	(29,016)
Net increase/(decrease) in cash and cash equivalents		**271,421**	(1,542,936)
Cash and cash equivalents at beginning of year		**602,749**	2,073,059
Effect of foreign exchange rate changes, net		**(38,591)**	72,626
Cash and cash equivalents at end of year		**835,579**	602,749
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**739,639**	432,007
Time deposits with original maturity of less than three months when acquired	16	**95,940**	170,742
Cash and cash equivalents at end of year		**835,579**	602,749

The notes on page 71 to 139 are integral part of the consolidated financial statements.

Notes to Financial Statements

1 General information

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

During the year, the Company and its subsidiaries (together, the "Group") were involved in property development and investment. The principal activities of the Company's subsidiaries are set out in note 33.

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

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

HKFRS 9, "Financial Instruments" — Impact of adoption

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

HKFRS 9, "Financial Instruments" — Impact of adoption (continued)

(1) Classification and measurement

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

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

(2) Impairment

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

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and amendments to standards not yet adopted by the Group

The following new standards and amendments to standards are issued but not yet effective for financial periods beginning on or after 1 January 2018 and have not been early adopted by the Group:

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

The Group has already commenced an assessment of the likely impact of adopting the above new standards and amendments to standards, in which the preliminary assessment of HKFRS 16 is detailed below.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and amendments to standards not yet adopted by the Group (continued)

HKFRS 16, "Leases"

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the consolidated statements of financial position for lessees. The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated income statement, straight-line depreciation expense on the right-of-use asset and the interest expenses on the financial liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the financial liability will result in a higher total charge to consolidated income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

The Group conducted preliminary assessment and estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and financial liabilities primarily arising from leases of premises and properties in relation to the Group's various businesses. Management assessed that the impact of adoption of HKFRS 16 is immaterial.

The Group has already commenced an assessment of the impact of other new standards, amendments to standards and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

2 Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

All intra-group transactions, balances and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated unless the transaction provides evidence of an impairment of transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Dilution gains or losses on transaction with non-controlling interests are also recorded in equity.

(iii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK dollar"), which is the Group's presentation currency and the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to bank borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

2 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(iii) Group companies (continued)

(c) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment including buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	3%–6%
Office equipment	18%–20%
Furniture and fixtures	18%–20%
Motor vehicles	18%–20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

2 Summary of significant accounting policies (continued)

(e) Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Completed investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss.

If the fair value of investment properties under development cannot be reliably determined, the investment properties under development will be measured at cost until such time as fair value can be determined or construction is completed.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred. Investment properties that are being redeveloped for continuing use as investment properties continue to be measured at fair value.

Investment properties are derecognised either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of an investment property, the transaction price less the carrying value immediately prior to the sale is treated as gain/loss on disposal of investment property and is recorded in consolidated statement of profit or loss.

2 Summary of significant accounting policies (continued)

(f) Properties held for sale under development and completed properties held for sale

Properties held for sale under development are investments in land and buildings on which construction work and development have not been completed, and are stated at the lower of cost and net realisable value. Borrowing costs incurred during the construction period and up to the date of completion of construction are capitalised as development costs. Net realisable value represents the estimated selling price less estimated costs of completion and estimated selling expenses. On completion, the properties are reclassified to completed properties held for sale at the then carrying amount.

Completed properties held for sale are stated at the lower of cost and estimated net realisable value. In respect of unsold properties, cost is determined by apportionment of the total land and development costs, other direct expenses and where applicable borrowing costs attributable to unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates of anticipated sale proceeds based on prevailing market conditions.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

(i) The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease.

(ii) The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2 Summary of significant accounting policies (continued)

(h) Financial assets

(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").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) 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 Summary of significant accounting policies (continued)

(h) Financial assets (continued)

(iii) 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 two 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, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated 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, net" in the period in which it arises.

(iv) Impairment

The Group has five types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- other receivables
- pledged bank deposit
- restricted bank balances
- cash and cash equivalents, and
- financial guarantees

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 financial guarantees. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2 Summary of significant accounting policies (continued)

(h) Financial assets (continued)

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(1) Measurement

The measurement at initial recognition did not change at adoption of HKFRS 9, see description above.

Available-for-sale financial assets were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency — translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale — in other comprehensive income.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as other gains/(losses) from investment securities.

2 Summary of significant accounting policies (continued)

(h) Financial assets (continued)

(v) Accounting policies applied until 31 December 2017 (continued)

(2) Impairment

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated statement of profit or loss — is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2 Summary of significant accounting policies (continued)

(h) Financial assets (continued)

(v) Accounting policies applied until 31 December 2017 (continued)

(2) Impairment (continued)

Assets classified as available-for-sale (continued)

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2 Summary of significant accounting policies (continued)

(j) Trade and other receivables (continued)

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(k) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates several defined contribution retirement schemes and mandatory provident fund schemes which are available to all employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions under the schemes are expensed as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any contributions forfeited by employees who leave the Group, relating to unvested benefits, are used to reduce the Group's ongoing contributions otherwise payable.

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2 Summary of significant accounting policies (continued)

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in the consolidated income statement as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(n) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (continued)

(o) Current and deferred income tax (continued)

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of significant accounting policies (continued)

(o) Current and deferred income tax (continued)

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(q) Revenue recognition

Sales of properties

In prior reporting periods, the Group accounted for sales of properties when significant risks and rewards of ownership of properties have been transferred to the customers.

Under HKFRS 15, revenue is recognised as or when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

2 Summary of significant accounting policies (continued)

(q) Revenue recognition (continued)

Sales of properties (continued)

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Rental income

Rental income is recognised in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(r) Contract related assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated statement of profit or loss to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

2 Summary of significant accounting policies (continued)

(s) Share capital

Ordinary shares are classified as equity.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the consolidated statement of profit or loss in the year in which they are incurred.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

(v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2 Summary of significant accounting policies (continued)

(x) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimate of fair value of completed investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent professional valuers based on a market value assessment. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. The valuers have mainly relied on the income capitalisation method or the market approach. The fair value derived from income capitalisation approach is based upon estimates of future results and a set of assumptions specific to each property to reflect its cashflow profile, while the direct comparison approach considers the recent prices of similar properties with adjustments to reflect the difference in characteristics of the properties.

Details of the estimates and assumptions have been disclosed in note 12.

(ii) Provision of impairment for properties held for sale under development and completed properties held for sale

The Group assesses the carrying amounts of properties held for sale under development and completed properties held for sale according to their recoverable amounts based on an estimation of the net realisable value of the underlying properties, taking into account estimated costs to completion based on past experience and committed contracts and expected future sales price based on prevailing market conditions. If the carrying amounts of the underlying stock of properties fluctuate from those values estimated as a result of changes in market condition, material reversal of or provision for impairment losses on properties held for sale under development and completed properties held for sale may result. The assessment requires the use of judgement and estimates.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates (continued)

(iii) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes and withholding tax on capital gains in the PRC. Significant judgement is required in determining the amount of the land appreciation and capital gains, and its related taxes. The Group recognised these land appreciation taxes and withholding tax on capital gains based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers whether tax authorities would agree on the deductible temporary difference and whether it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Critical judgements in applying the Group's accounting policies

(i) Distinction between investment properties and properties held for sale

The Group determines whether a property qualifies as an investment property or property held for sale. In making the judgement, the Group considers the intention of holding the property (land or building). Property held to earn rental or for capital appreciation is considered as investment property whereas property held for sale in the ordinary course of business is considered as property held for sale. The Group considers each property separately in making its judgement.

3 Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying the Group's accounting policies (continued)

(ii) Estimate of fair value of investment properties under development

Properties under construction or development for future used as investment properties are classified as investment properties under development. If the fair value cannot be reliably determined, the investment properties under development will be measured at cost until such time as fair value can be reliably determined. The Group has to exercise judgement in determining when the fair value of investment properties under development can be reliably measured, which might include the consideration of (i) whether the construction permits have been obtained; (ii) whether the development plans have been approved; and (iii) the remaining construction cost can be accurately estimated. Other indications may also be appropriate in light of the facts and circumstances of individual developments. The directors concluded that the fair value of investment properties under development continues to be measured at cost until the development plans have been approved or the remaining construction cost can be accurately estimated.

4 Segment information

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

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

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

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

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

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

4 Segment information (continued)

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

(a) Segment result, assets and liabilities

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

4 Segment information (continued)

(a) Segment result, assets and liabilities (continued)

	Property development and investment HK$'000	Other HK$'000	Total HK$'000
As at 31 December 2018			
Segment assets	10,347,684	115,855	10,463,539
Reconciliation:			
Unallocated assets			184,246
Total assets			10,647,785
Segment liabilities	(4,224,657)	(62,794)	(4,287,451)
Reconciliation:			
Unallocated liabilities			(1,700,318)
Total liabilities			(5,987,769)
Other information			
Fair value gains on investment properties	13,813	—	13,813
Depreciation	(6,082)	(305)	(6,387)
Capital expenditure	(709,805)	(123)	(709,928)

4 Segment information (continued)

(a) Segment result, assets and liabilities (continued)

	Property Development and investment HK$'000	Other HK$'000	Total HK$'000
As at 31 December 2017			
Segment assets	5,139,685	160,841	5,300,526
Reconciliation:			
Unallocated assets			80,315
Total assets			5,380,841
Segment liabilities	(610,796)	(19,894)	(630,690)
Reconciliation:			
Unallocated liabilities			(73,506)
Total liabilities			(704,196)
Other information			
Fair value gains on investment properties	773	—	773
Depreciation	(1,324)	(267)	(1,591)
Capital expenditure	(24,280)	(171)	(24,451)

(b) Geographical information

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

(c) Information about major customers

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

5 Revenue, other income and other gains, net

The Group is involved in property development and investment.

Analysis of revenue, other income and other gains, net are as follows:

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

6 Profit before tax

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of sales			
— properties		**215,648**	21,021
— others		**1,407**	52
Depreciation	11	**6,387**	1,591
Minimum lease payments under operating leases		**6,232**	3,159
Advertising expenses		**9,707**	2,968
Taxes and surcharges		**4,785**	1,910
Auditor's remuneration			
— audit services		**2,042**	2,035
— non-audit services		**4,826**	535
Director's emoluments *(note 7)*		**1,640**	1,640
Staff costs			
— wages and salaries		**69,457**	59,569
— provident fund contributions		**13,511**	9,554
		82,968	69,123
Less: Amount capitalised under property development project		**(27,127)**	(23,445)
Total staff costs expensed during the year		**55,841**	45,678

7 Benefit and interests of directors and five highest paid individual

(a) Directors' emoluments

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018					
Executive Directors:					
ZHAO Chunxiao *(Chief Executive Officer)*	–	–	–	–	–
LI Wai Keung	–	–	–	–	–
WU Mingchang	–	–	–	–	–
ZENG Yi	–	–	–	–	–
	–	–	–	–	–
Non-Executive Director:					
HUANG Xiaofeng *(Chairman)*	–	–	–	–	–
	–	–	–	–	–
Independent Non-Executive Directors:					
Alan Howard SMITH	520	–	–	–	520
Felix FONG Wo	560	–	–	–	560
Vincent Marshall LEE Kwan Ho	560	–	–	–	560
	1,640	–	–	–	1,640

7 Benefit and interests of directors and five highest paid individual (continued)

(a) Directors' emoluments (continued)

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Performance-related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2017					
Executive Directors:					
ZHAO Chunxiao					
(Chief Executive Officer)	—	—	—	—	—
LI Wai Keung	—	—	—	—	—
WU Mingchang	—	—	—	—	—
ZENG Yi	—	—	—	—	—
	—	—	—	—	—
Non-Executive Director:					
HUANG Xiaofeng *(Chairman)*	—	—	—	—	—
	—	—	—	—	—
Independent Non-Executive Directors:					
Alan Howard SMITH	520	—	—	—	520
Felix FONG Wo	560	—	—	—	560
Vincent Marshall LEE Kwan Ho	560	—	—	—	560
	1,640	—	—	—	1,640

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

7 Benefit and interests of directors and five highest paid individual (continued)

(b) Directors' material interests in transactions, arrangements or contracts

Save as mentioned elsewhere in the consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which a Director of the Company or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individual

The highest paid employees during the year did not include any (2017: Nil) directors. Details of directors' and chief executives' remuneration are set out in note 7 above. Details of the remuneration for the year of the five (2017: five) highest paid employees who are neither directors nor chief executive of the Company are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,607**	2,529
Performance-related bonuses	**4,883**	5,202
Pension scheme contributions	**935**	835
	9,425	8,566

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK$1,000,001 to HK$1,500,000	**—**	2
HK$1,500,001 to HK$2,000,000	**4**	2
HK$2,000,001 to HK$2,500,000	**1**	1
	5	5

8 Finance income/(cost)

	2018 HK$'000	2017 HK$'000
Finance income		
— bank interest income	**7,856**	12,293

	2018 HK$'000	2017 HK$'000
Finance cost		
— interest expenses on bank loans	**32,537**	—
— interest expenses on loans from group companies	**15,647**	—
— others	**3,358**	—
Total finance cost incurred	**51,542**	—
Less: amount capitalised in properties held for sale under development and investment properties under development	**(18,415)**	—
Total finance cost expensed during the year	**33,127**	—

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 5.46% and 6.65% per annum (2017: Nil).

9 Income tax

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

9 Income tax (continued)

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

	Note	**2018** **HK$'000**	2017 *HK$'000*
Current income tax			
— PRC taxation		**179,484**	13,024
LAT in Mainland China		**9,586**	90,229
Withholding income tax		**7,117**	—
Deferred income tax	20	**(153,182)**	(8,766)
		43,005	94,487

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2018 **HK$'000**	2017 *HK$'000*
Profit before tax	**273,483**	146,286
Tax at the statutory tax rates of 25% (2017: 25%)	**68,371**	36,572
Tax effect of different taxation rate	**3,248**	1,572
Effect of withholding tax at 5% on the dividend distribution made by a PRC subsidiary	**7,117**	—
Income not subject to tax	**(74,184)**	(1,704)
Expenses not deductible for tax	**5,533**	7,098
Utilisation of previously unrecognised tax losses	**(33,593)**	(16,030)
Recognition of previously unrecognised tax losses	**(2,520)**	—
Recognition of previously unrecognised temporary difference	**(45,379)**	—
Temporary difference not recognised	**181,517**	—
Tax losses not recognised	**8,678**	1,861
LAT deductible for calculation of income tax purposes	**(21,315)**	(22,557)
Release of deferred LAT liabilities	**(64,054)**	(2,554)
LAT in Mainland China	**9,586**	90,229
Income tax expense	**43,005**	94,487

10 Earnings per share attributable to ordinary equity holders of the company

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

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

11 Property, plant and equipment

	Note	Buildings HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2018		8,341	7,484	1,006	1,869	18,700
Additions		50,226	6,662	–	708	57,596
Acquisition of a subsidiary *(note 29)*		–	4,616	–	20	4,636
Disposals		–	(729)	–	–	(729)
Exchange difference		(1,997)	(709)	–	(112)	(2,818)
At 31 December 2018		56,570	17,324	1,006	2,485	77,385
Accumulated depreciation						
At 1 January 2018		7,256	4,208	747	1,076	13,287
Charge for the year	6	3,426	2,488	201	272	6,387
Disposals		–	(596)	–	–	(596)
Exchange difference		(248)	(255)	–	(58)	(561)
At 31 December 2018		10,434	5,845	948	1,290	18,517
Net book value at 31 December 2018		46,136	11,479	58	1,195	58,868
Net book value at 1 January 2018		1,085	3,276	259	793	5,413

11 Property, plant and equipment (continued)

	Note	Buildings HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2017		23,850	6,322	1,006	1,747	32,925
Additions		—	718	—	—	718
Disposals		(881)	—	—	—	(881)
Transfer and classification		(15,109)	—	—	—	(15,109)
Exchange difference		481	444	—	122	1,047
At 31 December 2017		8,341	7,484	1,006	1,869	18,700
Accumulated depreciation						
At 1 January 2017		20,478	2,970	546	819	24,813
Charge for the year	6	200	997	201	193	1,591
Disposals		(506)	—	—	—	(506)
Transfer and classification		(13,250)	—	—	—	(13,250)
Exchange difference		334	241	—	64	639
At 31 December 2017		7,256	4,208	747	1,076	13,287
Net book value at 31 December 2017		1,085	3,276	259	793	5,413
Net book value at 1 January 2017		3,372	3,352	460	928	8,112

Depreciation charge was expensed in the following categories in the consolidated statement of profit or loss:

	2018 HK$'000	2017 HK$'000
Selling and marketing expenses	**3,403**	53
Administrative expenses	**2,984**	1,538
	6,387	1,591

12 Investment properties

	Completed investment properties at fair value HK$'000 (Note a)	Investment properties under development at cost HK$'000 (Note b)	Total HK$'000
2018			
At 1 January 2018	**27,849**	**1,129,042**	**1,156,891**
Additions	**17,607**	**634,725**	**652,332**
Acquisition of a subsidiary *(note 29)*	**483,929**	**—**	**483,929**
Fair value gains on investment properties	**13,813**	**—**	**13,813**
Exchange difference	**(20,700)**	**(74,953)**	**(95,653)**
At 31 December 2018	**522,498**	**1,688,814**	**2,211,312**
2017			
At 1 January 2017	25,276	1,032,051	1,057,327
Additions	—	23,733	23,733
Fair value gains on investment properties	773	—	773
Exchange difference	1,800	73,258	75,058
At 31 December 2017	27,849	1,129,042	1,156,891

Completed investment properties of fair value of HK$412,009,000 (2017: Nil) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 19).

Notes:

(a) The Group measures its completed investment properties at fair value. An independent valuation of the Group's investment properties was performed by the valuer, Vigers Appraisal and Consulting Limited ("Vigers") who hold a recognised relevant professional qualification, to determine the fair value of the investment properties at 31 December 2018 (2017: same). The Group employed Vigers to value its commercial investment properties. The valuations were conformed to the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors.

The Group's investment properties carried at fair value of HK$522,498,000 (2017: HK$27,849,000) are valued by fair value measurements using significant unobservable inputs (level 3). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

(b) Investment properties under development are measured at cost until such time as fair value can be determined reliably. After considering the stage of development and factors such as (i) whether the construction permits have been obtained; (ii) whether the development plans have been approved; and (iii) whether the remaining construction cost can be accurately estimated, the Group has concluded that the fair value of these investment properties under development cannot be reliably determined and they were therefore measured at cost in the consolidated balance sheet.

12 Investment properties (continued)

Fair value measurements using significant unobservable inputs

Fair values of Zhuguanglu commercial properties in the PRC, carrying at fair value of HK$494,183,000 (2017: Nil), are derived using the income capitalisation method. Income capitalisation method is based on the capitalisation of the reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation were made reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

The warehouse and residential/non-residential properties, carrying at fair value of HK$28,315,000 (2017: HK$27,849,000) were assessed by adopting a combination of the market and depreciated replacement cost approaches in assessing the land portions of the properties and the buildings and structures standing on the land. The sum of the two results represents the market value of the properties as a whole. In the valuation of the land portions, reference has been made to the standard land price in Shenzhen, Guangdong, the PRC. As the nature of the buildings and structures cannot be valued on the basis of market value; they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparable sales.

Market approach is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

12 Investment properties (continued)

Fair value measurements using significant unobservable inputs (continued)

Information about fair value measurements using significant unobservable inputs:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2018	2017
Zhuguanglu completed commercial properties	Income capitalisation method	Capitalisation rate	**5%**	Nil
		Estimated rental per month (per sq. m.)	**HK$80 to HK$348**	Nil
Warehouse and residential/ non-residential properties	Market approach	Estimated land value (per sq. m.)	**HK$405 to HK$458**	HK$424 to HK$481
	Depreciated replacement cost method	Estimated cost of construction (per sq. m.)	**HK$2,518 to HK$2,987**	HK$2,452 to HK$2,910

In estimating the fair value of the completed investment properties, the highest and best use of the properties is their current use.

Prevailing market rents are estimated based on Vigers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalisation rate is estimated by Vigers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

A significant increase/(decrease) in the land value and estimated cost of construction would result in a significant increase/(decrease) in the fair values of completed investment properties.

13 Completed properties held for sale and properties held for sale under development

	2018 **HK$'000**	2017 HK$'000
Completed properties held for sale	**4,946,066**	269,669

Completed properties held for sale of HK3,566,882,000 (2017: Nil) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Company (note 19).

	2018 **HK$'000**	2017 HK$'000
Properties held for sale under development expected to be completed and delivered:		
— Within a normal operating cycle included under current assets	**2,102,738**	1,908,882
Amounts comprise:		
— Land premium	**1,598,384**	1,675,411
— Construction costs including depreciation and staff costs capitalised	**496,570**	233,471
— Finance costs capitalised	**7,784**	—
	2,102,738	1,908,882

The normal operating circle of the Group's property development generally ranges from one to three years.

At the end of the reporting period, properties under development of HK$2,102,738,000 (2017: HK$1,908,882,000) were not scheduled for completion within twelve months.

14 Prepayments, deposits and other receivables

	2018 HK$'000	2017 HK$'000
Prepayments	**56,985**	22,532
Deposits and other receivables	**32,259**	12,092
	89,244	34,624

The carrying amount of prepayments, deposits and other receivables are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
Hong Kong dollar	**2,087**	1,481
Renminbi	**87,157**	33,143
	89,244	34,624

Included in the Group's other receivables as at 31 December 2018, there were amounts due from fellow subsidiaries of HK$1,230,000 (2017: HK$909,000).

None of the above assets is past due and no impairment is made as at 31 December 2018 and 2017. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15 Available-for-sale financial assets

	2018 HK$'000	2017 HK$'000
Unlisted wealth management products, at fair value	**–**	1,161,178

The above investments represent wealth management products issued by banks in the PRC which were designated as available-for-sale financial assets in 2017 and are classified as FVTPL and financial assets at amortised cost as at 1 January 2018. The Group disposed all wealth management products in 2018.

During the year 2017, there was no gain or loss in respect of the Group's available-for-sale financial assets recognised in the other comprehensive income.

16 Pledged bank deposit, restricted bank balances and cash and cash equivalents

	Notes	2018 HK$'000	2017 HK$'000
Cash and bank balances		**959,371**	593,127
Time deposits with original maturity of less than three months when acquired		**95,940**	170,742
		1,055,311	763,869
Less: restricted bank balances	(i)	**(177,454)**	(116,804)
pledged bank deposit	(ii)	**(42,278)**	(44,316)
Cash and cash equivalents		**835,579**	602,749

The carrying amounts of cash and bank balances are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
Hong Kong dollar	**1,598**	840
Renminbi	**941,657**	605,508
United States dollar	**112,056**	157,521
	1,055,311	763,869

Notes:

(i) Balance at 31 December 2018 mainly represented pre-sale proceeds from and funds in relation to relocated households of the Group's completed properties held for sale and properties held for sale under development placed at designated bank accounts under supervision pursuant to relevant regulations in the PRC amounting to approximately HK$177,280,000 (2017: HK$116,622,000).

(ii) Balance at 31 December 2018 represented a pledged deposit placed for an irrevocable guarantee issued by a bank in favour of a contractor in respect of the payment of the consideration under a construction agreement, of up to a maximum amount of HK$42,278,000 (2017: HK$44,316,000).

At the end of the reporting period, cash and bank balances (excluding restricted bank balances and pledged bank deposit) of the Group denominated in Renminbi ("RMB") amounted to HK$721,925,000 (2017: HK$444,388,000) and are not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

16 Pledged bank deposit, restricted bank balances and cash and cash equivalents (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

17 Trade and other payables, accruals and provisions

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(note a)*	**4,178**	16,925
Construction costs accruals	**326,172**	60,039
Other payables, accruals and provisions	**90,879**	90,472
Amounts due to group companies *(note b)*	**435,975**	125
	857,204	167,561

The carrying amounts of trade and other payables, accruals and provision approximate their fair values because of their immediate or short term maturity. The trade and other payables, accruals and provision are denominated in the following currencies:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong dollar	**10,939**	8,060
Renminbi	**846,265**	159,501
	857,204	167,561

17 Trade and other payables, accruals and provisions (continued)

Notes:

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

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

(b) Amounts due to group companies are unsecured, non-interest bearing and repayable on demand. The carrying amounts approximate their fair values.

18 Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	2018 **HK$'000**
Contract liabilities	**454,961**

Notes:

(1) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(2) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2018 **HK$'000**
Revenue recognised that was included in the contract liabilities at the beginning of the period — Property sales	**12,991**

(3) The following table shows the amount unsatisfied performance obligations resulting from property sales with an original expected duration of one year or more:

	2018 **HK$'000**
Expected to be recognised within one year	**830,777**
Expected to be recognised after one year	**226,957**
	1,057,734

19 Bank borrowings

	2018 HK$'000	2017 HK$'000
Bank borrowings — secured	2,512,001	—
Bank borrowings repayable as follows:		
Not exceeding 1 year	470,216	—
More than 1 year but not exceed 2 years	569,508	—
More than 2 year but not exceed 5 years	1,472,277	—
	2,512,001	—
Less: current portion	(470,216)	—
Non-current portion	2,041,785	—

Bank borrowings are secured by the following pledged assets:

	2018 HK$'000	2017 HK$'000
Completed properties held for sale *(note 13)*	3,566,882	—
Investment properties *(note 12)*	412,009	—
Pledged bank deposit *(note)*	—	—
	3,978,891	—

Note:

Pursuant to the relevant bank loan agreement, the bank borrowing of HK$798,910,000 (2017: Nil) is secured by a pledged bank deposit account. As at 31 December 2018, there is nil cash and bank deposit in this designated account (2017: Nil).

Out of the above secured bank borrowings of HK$2,512,001,000 (2017: Nil), an aggregate amount of HK$1,369,560,000 (2017: Nil) is also secured by shares of a subsidiary (note 33).

Bank borrowings to the extent of HK$2,512,001,000 (2017: Nil) are repayable by instalments. Bank borrowings are interest bearing at floating rates with contractual interest repricing dates ranged within 6 months.

19 Bank borrowings (continued)

As at 31 December 2018, the weighted average effective interest rate of the Group's bank borrowings is 5.11% (2017: Nil) per annum.

The carrying amounts of bank borrowings approximate their fair values and are denominated in Renminbi.

20 Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

	2018	2017
	HK$'000	*HK$'000*
Deferred tax assets:		
— to be realised after more than 12 months	**73,014**	80,315
— to be realised within 12 months	**111,232**	—
	184,246	80,315
Deferred tax liabilities:		
— to be settled after more than 12 months	**(1,247,524)**	(24,922)
— to be settled within 12 months	**(452,794)**	(48,584)
	(1,700,318)	(73,506)
	(1,516,072)	6,809

The movement on the net deferred tax account is as follows:

	2018	2017
	HK$'000	*HK$'000*
Beginning of the year	**6,809**	(2,131)
Acquisition of a subsidiary	**(1,735,750)**	—
Credited in profit or loss	**153,182**	8,766
Exchange difference	**59,687**	174
	(1,516,072)	6,809

20 Deferred tax (continued)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Revaluation of properties *HK$'000*	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2017	(5,216)	(66,962)	—	(72,178)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 9)*	(323)	3,924	—	3,601
Exchange difference	(378)	(4,551)	—	(4,929)
At 31 December 2017 and 1 January 2018	(5,917)	(67,589)	—	(73,506)
Acquisition of a subsidiary	—	(1,782,953)	—	(1,782,953)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 9)*	(3,453)	96,606	(4,517)	88,636
Exchange difference	397	66,944	164	67,505
At 31 December 2018	**(8,973)**	**(1,686,992)**	**(4,353)**	**(1,700,318)**

20 Deferred tax (continued)

Deferred tax assets

	Provision for LAT HK$'000	Tax Losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	70,047	—	—	70,047
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 9)*	5,165	—	—	5,165
Exchange difference	5,103	—	—	5,103
At 31 December 2017 and 1 January 2018	80,315	—	—	80,315
Acquisition of a subsidiary	—	46,721	482	47,203
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 9)*	26,209	(7,042)	45,379	64,546
Exchange difference	(4,644)	(1,509)	(1,665)	(7,818)
At 31 December 2018	**101,880**	**38,170**	**44,196**	**184,246**

At 31 December 2018, the Group has tax losses arising in Hong Kong of HK$195,031,000 (2017: HK$196,604,000) that are available indefinitely for offsetting against future taxable profits. At 31 December 2018, the Group also has tax losses arising in the PRC of HK$44,752,000 (2017: HK$195,906,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

20 Deferred tax (continued)

Deferred tax assets (continued)

At 31 December 2018 and 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with unremitted earnings that are subject to withholding taxes of the Group's subsidiary in Mainland China for which deferred tax liabilities have not been recognised totaled approximately HK$542,056,000 at 31 December 2018 (2017: HK$327,584,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

21 Share capital

	2018 ***HK$'000***	2017 *HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,711,536,850 ordinary shares of HK$0.10 each	**171,154**	171,154

22 Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 69 of the financial statements.

Pursuant to the relevant PRC laws and regulations, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to the enterprise development funds and the reserve funds which are restricted as to use and are not available for distribution. When the balances of these reserves reach 50% of each company's share capital, any further appropriation is optional. The amounts transferred from the retained profits are determined by the board of directors of these subsidiaries.

23 Partly-owned subsidiary with material non-controlling interest

Details of the Group's subsidiary that has material non-controlling interest are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interest:		
廣州市番禺粵海房地產有限公司 ("GPY")	**20%**	20%

	2018 HK$'000	2017 HK$'000
Profit for the year allocated to non-controlling interest:		
GPY	**6,215**	2,512
Dividends declared to non-controlling interest of GPY	**35,529**	—
Accumulated balance of non-controlling interest at the reporting date:		
GPY	**122,907**	158,441

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2018 HK$'000	2017 HK$'000
GPY		
Revenue	**100,624**	32,036
Total expenses	**(69,548)**	(19,475)
Profit for the year	**31,076**	12,561
Total comprehensive income for the year	**24**	64,090
Current assets	**1,024,953**	1,219,848
Non-current assets	**87,501**	80,688
Current liabilities	**(447,414)**	(440,741)
Non-current liabilities	**(50,504)**	(67,589)
Net cash flows from/(used in) operating activities	**154,280**	(49,106)
Net cash flows from investing activities	**31,880**	229,243
Net cash flows used in financing activities	**(177,645)**	(140,316)
Net increase in cash and cash equivalents	**8,515**	39,821

24 Operating lease arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (2017: one to three years).

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**8,953**	3,159
In the second to fifth years, inclusive	**8,286**	2,895
	17,239	6,054

25 Commitments

In addition to the operating lease commitments detailed in note 24 to these financial statements, the Group had the following commitments at the end of the reporting period:

	2018 **HK$'000**	2017 HK$'000
Contracted, but not provided for:		
Property development expenditure	**226,206**	684,452

26 Guarantees

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

27 Note to the consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations

	2018 HK$'000	2017 HK$'000
Profit before income tax	**273,483**	146,286
Depreciation	**6,387**	1,591
Finance cost	**33,127**	—
Finance and interest income	**(31,414)**	(63,913)
(Gain)/loss on disposal of property, plant and equipment	**(13)**	375
Fair value gains on investment properties	**(13,813)**	(773)
Gain on bargain purchase	**(296,737)**	—
Operating (loss)/profit before working capital changes	**(28,980)**	83,566
Decrease in completed property held for sale	**170,193**	15,676
Increase in property held for sale under development	**(284,150)**	(154,979)
Increase in prepayments, deposits and other receivables	**(34,376)**	(16,378)
Decrease in amount due from fellow subsidiaries	**21,812**	—
Decrease in trade payables	**(12,419)**	(1,038,737)
Increase/(decrease) in other payable and accrued liabilities	**86,767**	(14,462)
Increase in contract liabilities/receipts in advance	**389,346**	34,891
(Increase)/decrease in restricted bank balances	**(47,418)**	468,408
Net cash generated from/(used in) operations	**260,775**	(622,015)

(b) Reconciliation of liabilities arising from financing activities

	Amounts due to group companies HK$'000	Bank borrowings HK$'000	Dividend payable to a non-controlling shareholder HK$'000	Total HK$'000
At 1 January 2018	**125**	**—**	**—**	**125**
Acquisition of a subsidiary	**476,873**	**459,021**	**—**	**935,894**
Cash flows	**(22,357)**	**2,153,734**	**(35,529)**	**2,095,848**
Dividends	**—**	**—**	**35,529**	**35,529**
Exchange difference	**(18,666)**	**(100,754)**	**—**	**(119,420)**
At 31 December 2018	**435,975**	**2,512,001**	**—**	**2,947,976**

28 Related party transactions

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following related party transactions during the year:

	Notes	2018 HK$'000	2017 HK$'000
Rental income received from a fellow subsidiary	(i)	**112**	—
Rental expenses paid to a fellow subsidiary	(ii)	**(3,155)**	(3,155)
Service fee paid to a fellow subsidiary	(iii)	**(541)**	—
Consultancy fee paid to a fellow subsidiary	(iv)	**(2,013)**	—
Property management fee paid to a fellow subsidiary	(v)	**(854)**	—
Service fee paid to a fellow subsidiary	(v)	**(1,808)**	—
Interest expenses paid to fellow subsidiaries	(vi)	**(14,898)**	—
Interest expenses paid to the ultimate holding company	(vii)	**(749)**	—

(i) The rental income was charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.

(ii) The rental expense was charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.

At the end of the reporting period, the Group had total future minimum lease commitments to its fellow subsidiary of HK$2,892,000 (2017: HK$6,047,000) for a lease arrangement ending on 30 November 2019.

(iii) The service fee was charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.

(iv) The consultancy fee was charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.

(v) The property management fee and service fee were charged in accordance with the terms of the respective agreements entered into between the Group and a fellow subsidiary.

(vi) The interest expenses was charged at effective interest rate of 100.0% to 110.0% of lending rate announced by the People's Bank of China per annum.

(vii) The interest expenses was charged at effective interest rate from 4.9% to 5.0% per annum.

28 Related party transactions (continued)

(b) Compensation of key management personnel of the Group:

	2018 HK$'000	2017 HK$'000
Short term employee benefits	**1,475**	1,493
Post-employment benefits	**131**	112
Total compensation paid to key management personnel	**1,606**	1,605

Further details of the directors' emoluments are included in note 7 to the financial statements.

(c) Outstanding balance with related parties

The Group had outstanding gross balances due from fellow subsidiaries of HK$1,230,000 (2017: HK$909,000) and gross balances due to group companies of HK$435,975,000 (2017: HK$125,000). These balances are unsecured, interest-free and repayable on demand.

29 Business Combination — acquisition of a subsidiary

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

As part of the transaction, the Group also agreed to procure GYPD to repay the amounts due to group companies of approximately HK$998,861,000 (RMB842,139,000) after the completion of acquisition. As such, the amount due to group companies of HK$1,475,734,000 was accounted for as a non-cash transaction as at the date of acquisition by the Group and the repayments of those amounts of approximately HK$998,861,000 was classified as investing cash outflow of the Group.

29 Business Combination — acquisition of a subsidiary (continued)

Net assets acquired:

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

Note:

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

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

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

30 Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Market risk

(i) Foreign currency risk

The Group has transactional currency exposures. These exposures arise from revenue or expenses by operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions are principally denominated in RMB and HK$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate *%*	**Increase/ (decrease) in profit before tax** *HK$'000*	**Increase/ (decrease) in equity** *HK$'000*
2018			
If HK$ weakens against RMB	**3**	**(138)**	**(138)**
If HK$ strengthens against RMB	**(3)**	**138**	**138**
2017			
If HK$ weakens against RMB	3	(166)	(166)
If HK$ strengthens against RMB	(3)	166	166

30 Financial risk management and financial instruments (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include deposits at bank. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings if issued at fixed rates will expose the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates, interest cover and the cash flow cycles of the Group's businesses and investments.

At the end of the reporting periods, if interest rates had been increased or decreased by 50 (2017: 50) basis points and all other variables were held constant, the profit of the Group would have decreased or increased by approximately HK$3,289,000 (2017: profit of the Group would have increased or decreased by approximately HK$3,819,000) resulting from the change in interest income on bank deposits and the finance costs of bank borrowings after capitalisation.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group's financial assets, which comprise cash and bank balances, restricted bank balances, pledged bank deposit and other receivables, arises from default of the counterparty, with the maximum exposure equal to the carrying amounts of these instruments.

Other receivables

For the other receivables from third parties and related parties, the counterparties primarily have strong financial position and management considers the credit risk is not high. The Group maintains frequent communications with these receivables and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

30 Financial risk management and financial instruments (continued)

(b) Credit risk (continued)

Other receivables (continued)

To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

(i) significant financial difficulty of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the lender would not otherwise consider;

(iv) it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from other receivables since the initial recognition of those assets, although the decrease cannot yet be identified with the individual other receivables in the portfolio;

(vi) adverse changes in the payment status of debtors; and

(vii) national or local economic conditions that correlate with defaults on other receivables.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rate, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

As at 31 December 2018 and 2017, management consider other receivables and non-trade receivables due from related companies as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group assessed that the expected credit losses for these receivables are immaterial.

30 Financial risk management and financial instruments (continued)

(b) Credit risk (continued)

Pledged bank deposit, restricted bank balances and cash and bank balances

The identified impairment loss of pledged bank deposit, restricted bank balances and cash and bank balances was immaterial.

The Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks. Under such circumstances, the Group is entitled to take over the legal titles and possession of the related properties and to sell the properties to recover any amounts paid by the Group to the banks. Therefore, the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at the end of each reporting period the liabilities based on the current estimates of future cash flows. As at 31 December 2018 and 2017, no provision on the guarantees to banks had been made in the consolidated financial statements.

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., other receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility.

Management of the Group has carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors of the Company have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the forecast period. In preparing the cash flow forecast, the directors of the Company have considered historical cash requirements of the Group as well as other key factors, including the availability of loans financing which may impact the operations of the Group prior to the end of the next twelve months after the end of the reporting period. The directors of the Company are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

30 Financial risk management and financial instruments (continued)

(c) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
2018					
Trade payables	**—**	**—**	**4,178**	**—**	**4,178**
Financial liabilities included in other payables, accruals and provisions	**777,648**	**57,885**	**13,569**	**—**	**849,102**
Bank borrowings	**—**	**129,386**	**461,653**	**2,283,146**	**2,874,185**
	777,648	**187,271**	**479,400**	**2,283,146**	**3,727,465**
2017					
Trade payables	—	—	16,925	—	16,925
Financial liabilities included in other payables, accruals and provisions	12,483	59,033	34,703	—	106,219
	12,483	59,033	51,628	—	123,144

As at 31 December 2018, the Group has a financial guarantee of HK$370,276,000 (2017: HK$782,654,000) which is repayable on demand (note 26).

30 Financial risk management and financial instruments (continued)

(d) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

(i) Financial assets

	Financial asset at amortised cost *HK$'000*
2018	
Financial assets included in prepayments, deposits and other receivables	**32,259**
Pledged bank deposit	**42,278**
Restricted bank balances	**177,454**
Cash and bank balances	**835,579**
	1,087,570

	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
2017			
Available-for-sale financial assets	—	1,161,178	1,161,178
Financial assets included in prepayments, deposits and other receivables	12,092	—	12,092
Pledged bank deposit	44,316	—	44,316
Restricted bank balances	116,804	—	116,804
Cash and bank balances	602,749	—	602,749
	775,961	1,161,178	1,937,139

30 Financial risk management and financial instruments (continued)

(d) Categories of financial instruments (continued)

(ii) Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	HK$'000	*HK$'000*
Bank borrowings	**2,512,001**	—
Trade payables	**4,178**	16,925
Financial liabilities included in other payables, accruals and provisions	**849,102**	106,219
	3,365,281	123,144

(e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group has no financial assets and liabilities that are measured at fair value at 31 December 2018.

30 Financial risk management and financial instruments (continued)

(e) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017.

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets	—	1,161,178	—	1,161,178

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial asset (2017: Nil).

Valuation techniques used to derive Level 2 fair values

The fair values of the financial assets and financial liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sales. The following methods and assumptions were used to estimate the fair values:

The fair value of the available-for-sale financial assets has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's valuation processes

Management has assessed that the fair values of cash and bank balances, pledged bank deposit, restricted bank balances, financial assets included in deposits and other receivables, trade payables, financial liabilities included in other payables, accruals and provisions approximate to their carrying amounts largely due to the short term maturities of these instruments.

30 Financial risk management and financial instruments (continued)

(e) Fair value estimation (continued)

The Group's valuation processes (continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by net assets. Net debt is calculated as total debt, which includes current and non-current borrowings, less cash and cash equivalents. The Group's policy is to maintain the ratio at less than 100%. The gearing ratios as at the end of the reporting periods were as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Total borrowings *(note 19)*	**2,512,001**	—
Less: Cash and cash equivalents *(note 16)*	**(835,579)**	(602,749)
Net borrowing/(cash)	**1,676,422**	(602,749)
Net assets	**4,660,016**	4,676,645
Gearing ratio	**35.97%**	N/A

31 Comparative figures

Certain comparative figures have been reclassified to conform the current year's presentation.

32 Balance sheet of the Company

Information about the balance sheet of the Company at the end of the reporting period is as follows:

	2018 *HK$'000*	2017 *HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**440**	621
Investments in subsidiaries	**518,422**	968,560
Due from subsidiaries	**4,033,086**	4,859,161
Total non-current assets	**4,551,948**	5,828,342
Current assets		
Prepayments, deposits and other receivables	**700**	582
Restricted bank balances	**174**	182
Cash and bank balances	**17,872**	11,642
Total current assets	**18,746**	12,406
LIABILITIES		
Current liabilities		
Due to subsidiaries	**(433,691)**	(3,814,821)
Other payables, accruals and provision	**(10,829)**	(13,544)
Total current liabilities	**(444,520)**	(3,828,365)
Net current liabilities	**(425,774)**	(3,815,959)
Net assets	**4,126,174**	2,012,383
EQUITY		
Share capital	**171,154**	171,154
Reserves *(note)*	**3,955,020**	1,841,229
Total equity	**4,126,174**	2,012,383

32 Balance sheet of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Capital reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2017	1,688,606	140,234	(166,850)	1,661,990
Profit for the year and total comprehensive income for the year	—	—	179,239	179,239
At 31 December 2017 and 1 January 2018	1,688,606	140,234	12,389	1,841,229
Profit for the year and total comprehensive income for the year	—	—	2,113,791	2,113,791
At 31 December 2018	**1,688,606**	**140,234**	**2,126,180**	**3,955,020**

33 Information about principal subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
廣州市番禺粵海房地產有限公司	PRC	RMB187,300,000	—	80	Property development
粵海科技(深圳)有限公司#	PRC	US$50,000,000	—	100	Property investment
粵海置地(深圳)有限公司#	PRC	RMB4,000,000,000	—	100	Property development and investment
廣東粵海房地產開發有限公司#*	PRC	RMB308,000,000	—	100	Property development and investment
Silver Coin Limited	Hong Kong	HK$1	100	—	Investment holding

The subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

* All shares of this subsidiary were pledged to secure certain bank borrowings (note 19).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

34 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 26 March 2019.

Particulars of Major Properties

31 December 2018

INVESTMENT PROPERTIES

Location	Use	Category of lease	Attributable interest of the Group
Commercial portion of Laurel House, Nos. 43–79 Zhuguang Road, Yuexiu District, Guangzhou City, Guangdong, PRC	Commercial	Medium	100%
Biao Ma Ling, Buji Town, Longgang District, Shenzhen City, Guangdong, PRC	Commercial	Medium	100%
No. 5 Da Feng Industrial Area, Shiyan Town, Baoan District, Shenzhen City, Guangdong, PRC	Commercial	Medium	100%

PROPERTIES UNDER DEVELOPMENT AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

Location	Use	Site area (sq. m.)	Gross floor area (sq. m.)	Attributable interest of the Group
GDH City No.1, Dongchang Road, Luohu District, Shenzhen, Guangdong, PRC	Commercial/ commercial apartment/office/ mall etc.	66,526	432,051/ 30,000 underground commercial	100%

COMPLETED PROPERTIES HELD FOR SALE

Location	Use	Site area (sq. m.)	Gross floor area (sq. m.)	Attributable interest of the Group
Laurel House, Nos. 43–79 Zhuguang Road, Yuexiu District, Guangzhou City, Guangdong, PRC	Residential	12,168	119,267	100%
Ruyingju, South of Sanzhi Xiangshui Road, Dongxiang Village, Panyu District, Guangzhou, Guangdong, PRC	Residential	38,771	126,182	80%
Baohuaxuan, Nos 15–21 Baohua Land South Wenchang South Road, Liwan District, Guangzhou City, Guangdong, PRC	Residential	1,374	5,241	100%

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