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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

Annual Report 2019 年報

Contents

Corporate Information

As at 26 March 2020

BOARD OF DIRECTORS

Executive Directors

XU Yeqin *(Chairman)*
LI Yonggang *(Managing Director)*
WU Mingchang
ZHU Guang
ZHANG Jun *(Chief Financial Officer)*

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

XU Yeqin *(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

Christine MAK Lai Hung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

WEBSITE ADDRESS

http://www.gdland.com.hk

PRINCIPAL BANKERS

China Merchants Bank
Shanghai Pudong Development Bank
Bank of China

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Tengis Limited
Level 54, 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:	31 December

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

Highlights

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

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

Notes:

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

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

Chairman's Statement

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

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

RESULTS

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

RESULTS (continued)

In 2019, the Group recorded a revenue of approximately HK$1,837 million (2018: HK$312 million), representing an increase of approximately 487.9% from that of last year. The Group recorded a profit attributable to owners of the Company for the year under review amounting to approximately HK$341 million (2018: HK$224 million), representing an increase of approximately 52.1% from that of last year.

During the year under review, the increase in revenue was mainly attributable to the increased GFA of the properties sold this year as compared with that for the same period of last year. Please refer to the section headed "Business Review" in the Management Discussion and Analysis for details of the Group's property sales in 2019. The increase in the profit attributable to owners of the Company for the year under review was mainly attributable to the fact that the investment properties on the Northern Land of the Group's GDH City Project were initially measured and accounted for at the fair value during the year, and recorded a net gain on fair value appreciation of approximately HK$454 million.

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

BUSINESS REVIEW

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

The Group holds a 100% interest in the GDH City Project, which is a multi-functional commercial complex with jewellery as the main theme, located in Luohu District, Shenzhen City in the PRC. Based on the Group's development plan, the project develops in two phases, the first of which involves the Northwestern Land development with a GFA included in the calculation of the plot ratio of approximately 116,000 sq. m. that mainly comprises business apartments, office premises and commercial units. While, among others, office buildings that are approximately 180 metres and 300 metres respectively in height will be built on the Northern Land and the Southern Land, which make up the second phase of the project. A shopping mall with a GFA of over 100,000 sq. m. is planned to be constructed across such two pieces of Land.

During the year under review, the works of the GDH City Project had fully commenced with good progress. The construction works on the Northwestern Land in the first phase entered the final stage and completed the preparation for subsequent inspection and acceptance procedures. The pre-sale of the properties in the first phase of the project had commenced in December 2018. Meanwhile, the Group further stepped up its efforts in seeking potential commercial occupiers for the project through extensive communications and collaborative interactions with industrial and commercial resources related to the project, and continuously optimised its product portfolio in order to showcase the competitive edge of the project.

BUSINESS REVIEW (continued)

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

The Group holds a 100% interest in the Baohuaxuan Project, which is located in Liwan District, Guangzhou City, the PRC, with a GFA of approximately 5,241 sq. m., and comprises residential units and car-parking spaces. Property sale under the Baohuaxuan Project had commenced prior to completion of the Company's acquisition thereof. In 2019, the GFA of residential units under the Baohuaxuan Project which had been delivered amounted to approximately 204 sq. m. (2018 (since the completion date of the acquisition): 680 sq. m.). As at 31 December 2019, the accumulated GFA of residential units under the Baohuaxuan Project delivered represented approximately 91.6% of the GFA of the residential units in aggregate.

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

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

OUTLOOK

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

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

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

Projects held by the Group, such as the GDH City Project, the Laurel House Project and the Chenyuan Road Project, are located in the Greater Bay Area or covered by the "Core, Coastal Belt and Zone Initiative" (which fosters the optimised development of the Pearl River Delta Core Area, connects Eastern Guangdong, Western Guangdong and cities within the Pearl River Delta as a coastal economic belt like a beaded bracelet, and establishes the mountainous areas of Northern Guangdong as an ecological development zone), and would benefit from the strong development momentum in the Greater Bay Area or the "Core, Coastal Belt and Zone Initiative".

OUTLOOK (continued)

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

The Group is cautiously optimistic about the outlook of the real estate industry in Mainland China. Through the development, construction and management of projects including the GDH City Project and the Laurel House Project, the Group has developed a sound cooperative relationship with the local government, accumulated experience in projects under the categories of urban re-development and revitalisation of old cities, laid the foundations for relevant industry research, mastered relevant industry information, established a professional development team, and built an operating model for project development. Going forward, by leveraging on the professional capabilities, industry experience and resource advantages secured by the Group, we will continue to proactively seek opportunities for business development. At present, the Group enjoys a strong financial position, the support of a robust controlling shareholder and ample project and financial resources. As the sole capital development platform for the real estate development business of Guangdong Holdings Limited, the largest foreign integrated conglomerate in Guangdong Province, the Group will, by seizing market opportunities, take an active approach in striving for and leveraging on the resources advantages of the Company's shareholders. Making use of and taking advantage of its status as a listed company, the Group will carry out project exploration and land reserve in an active and prudent manner, capitalise on the development opportunities presented by the Greater Bay Area and the "Core, Coastal Belt and Zone Initiative" through tapping the strengths of the Greater Bay Area and the "Core, Coastal Belt and Zone Initiative" (especially Hong Kong) in science and technology innovation and industrial innovation, and continue to explore and build upon the development model of city-industry integration as demonstrated by the GDH City Project, so as to seek out opportunities for real estate development and investment projects in the Greater Bay Area and the "Core, Coastal Belt and Zone Initiative" and promote the Company's stable and healthy development in the long run.

OUTLOOK (continued)

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

XU Yeqin
Chairman

Hong Kong, 26 March 2020

Management Discussion and Analysis

RESULTS

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

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

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

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

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

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

(a) in July 2018, the Group completed the acquisition of 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.) ("GYPD") from its fellow subsidiaries. The acquisition consideration was determined on the basis of the then market value of the assets and liabilities of GYPD (at a discount) as of the completion date of the said transactions. As the acquisition consideration was less than the fair value of net assets acquired, a gain on bargain purchase of approximately HK$297 million was recognised in the consolidated statement of profit or loss;

RESULTS (continued)

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

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

BUSINESS REVIEW

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

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

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

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

BUSINESS REVIEW (continued)

The GDH City Project

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

Based on the Group's current development plan, the project will be developed in two phases, the first of which involves the Northwestern Land that mainly comprises business apartments, office premises and commercial units. Except for the underground car-parking spaces, properties built on the Northwestern Land are intended for sale upon completion. While, among others, office buildings that are approximately 180 metres and 300 metres respectively in height will be built on the Northern Land and the Southern Land, which make up the second phase of the project. A shopping mall with a GFA of over 100,000 sq. m. is planned to be constructed across the Northern Land and the Southern Land. Based on the current plan, the filing in respect of the completion of construction of the properties on the Northern Land and the Southern Land is expected to be made in the second half of 2022 and in 2023, respectively.

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

BUSINESS REVIEW (continued)

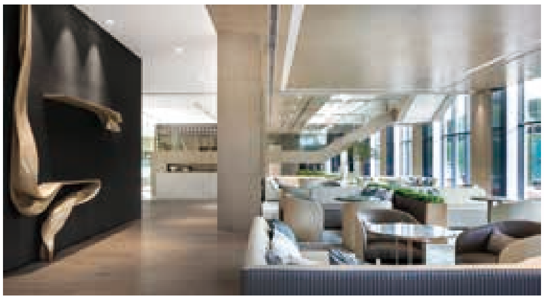
The GDH City Project (continued)

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

Moreover, in response to the demand for jewelry-themed projects and the need for creating differentiated competitive advantages, the Group has identified the brand partner and the consultant for the design, construction and operation of a vault facility. The Group also entered into framework agreements on strategic collaboration with a number of industrial resources platforms in relation to the intention to lease and the search for potential commercial occupiers for the GDH City Project making use of the resources of these platforms. Through extensive communications with industries related to the project, the Group continuously optimised its project portfolio in order to showcase the competitive strengths of the project.

In order to provide its customers with quality property management services, the Group established a wholly-owned company, 粵海悅生活物業管理有限公司 (Yuehai Yueshenghuo Property Management Co., Ltd.) ("Property Management Company"), which was tasked with offering property management services in relation to the GDH City Project (including the project sale and exhibition center) and certain properties of the Group. The Property Management Company has been involved in the takeover and acceptance works for the first phase of the GDH City Project and completed the preliminary preparation for the information system for property management, constantly enhancing its property management level with an aim of becoming a benchmark company in the industry.

Properties on the Northwestern Land of the GDH City Project, photo taken in January 2020



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

BUSINESS REVIEW (continued)

The GDH City Project (continued)

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

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

As at 31 December 2019, the cumulative development costs and direct expenses of the GDH City Project amounted to approximately HK$4,490 million (31 December 2018: HK$3,827 million), representing a net increase of approximately HK$663 million during the year under review. As at 31 December 2019, approximately HK$2,577 million thereof recognised in the "Properties under development" under current assets, while HK$1,865 million and HK$48 million thereof were recognised in the "Investment properties" and "Property, plant and equipment" under non-current assets, respectively.

The Laurel House Project and the Baohuaxuan Project

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

The sale of the residential units under the Laurel House Project commenced in November 2018. Against a relatively unfavorable backdrop with policy-based regulation and control, the Group proactively reviewing and optimising the sales proposal for the project and stepping up its marketing efforts in a timely manner. For the year ended 31 December 2019, the GFA of residential units which had been delivered to customers amounted to approximately 19,775 sq. m. (out of which approximately 841 sq. m. were sold to the original property owners of that lot at agreed prices), representing approximately 30.1% of the GFA of the residential units in aggregate. After going through preparatory works, such as preliminary planning for seeking potential commercial occupiers as well as preparation for trial operations, the commercial properties under the Laurel House Project has fully entered the stage of seeking potential commercial occupiers, where the occupancy rate was approximately 80% as at the end of 2019.

BUSINESS REVIEW (continued)

The Laurel House Project and the Baohuaxuan Project (continued)

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

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

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

The Ruyingju Project

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

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

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

BUSINESS REVIEW (continued)

The Ruyingju Project (continued)

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

The Chenyuan Road Project

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

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

FINANCIAL REVIEW

Key Financial Indicators

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

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

Note:

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

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

FINANCIAL REVIEW (continued)

Other Income, Gains, Expenses and Finance Costs

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

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

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

Capital Expenditure

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

Financial Resources and Liquidity

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

FINANCIAL REVIEW (continued)

Financial Resources and Liquidity (continued)

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

Of the Group's cash and bank balances (including pledged bank deposit, restricted bank balances and cash and cash equivalents) as at 31 December 2019, 93.6% was in RMB, 5.8% was in USD and 0.6% was in HKD. Net cash outflows used in operating activities for the year amounted to HK$312 million (2018: net cash inflows from operating activities of HK$83 million).

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

As at 31 December 2019, the Group borrowed interest-bearing loans from certain banks and a fellow subsidiary of the Company in the aggregate amount of approximately HK$3,159 million (31 December 2018: HK$2,512 million), with a gearing ratio[1] of approximately 44.7% (31 December 2018: 36.0%). According to the relevant loan agreements, approximately HK$681 million of the interest-bearing loans are repayable within one year; approximately HK$681 million are repayable within one to two years; and the remaining approximately HK$1,797 million are repayable within two to five years. With the unfavorable impact of a tightening financing market in 2019, the Group managed to control its finance costs effectively, with a weighted average effective interest rate of the Group's bank and other borrowings of 4.83% per annum as at 31 December 2019 (31 December 2018: 5.11%). As at 31 December 2019, the available banking facilities to the Group were RMB450 million (equivalent to approximately HK$502 million). The Group will review its funding needs from time to time and consider obtaining the funds through various financing means and channels according to the future development of the GDH City Project and its other businesses, so as to ensure that adequate financial resources will be available to support its business development.

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

1. Gearing ratio = (Interest-bearing loans + lease liabilities - 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 or the Greater Bay Area, involving properties of different types and serving different purposes for the effective diversification of operational risks.

As property projects have a relatively prolonged development period, the Company may need to seek external funds to partially finance the development of such projects. As such, the financing channels and finance costs will be subject to the prevailing market conditions, the level of loan interest rates and the Group's financial position. As at 31 December 2019, the Group had outstanding interest-bearing loans amounting to approximately HK$3,159 million in aggregate.

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

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

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

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

POLICY AND PERFORMANCE ON ENVIRONMENTAL PROTECTION

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

To further refine its ESG policies, the Group has been actively communicating with stakeholders such as employees, customers, business partners and suppliers, shareholders and investors, government authorities and regulators through various channels in order to gather comments and suggestions from them. Coupled with the management's expectations on development, the Group identifies and analyses important topics at two dimensions, namely "Significance to our Stakeholders" and "Importance to Guangdong Land's Development", by conducting proactive and comprehensive stakeholder communication in various ways, such as face-to-face communication, telephone interviews, questionnaires and on-site visits, with the assistance of an independent third-party professional consultant, thereby allowing the Group to envisage changes in the operating environment and consequently achieving the goals of sustainable development and proper risk management.

The Group operates in the real estate business and it is very important to strictly comply with environmental laws and regulations on construction works. Any failure to observe the relevant environmental laws and regulations may result in the relevant authorities' rejection of the applications for construction projects. The Group ensures that all newly constructed buildings comply with the environmental protection and energy conservation requirements set by the central and local governments. It also spares no efforts in contributing to environmental protection by actively collaborating with the main contractors of its development projects.

The Company is currently in the process of preparing its ESG report for the year ended 31 December 2019. The information contained in this annual report is based solely on the Company's ESG policies, performance, along with information of internal management. As at the date of this annual report, the ESG information of the Group for the year ended 31 December 2019 has yet to be finalised and may be subject to necessary adjustments. Such information, which may differ from the information contained in this annual report, is expected to be published in or before May 2020.

HUMAN RESOURCES

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

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

Directors' and Senior Management's Profile

EXECUTIVE DIRECTORS

Mr. XU Yeqin, aged 55, has been appointed as the Chairman, an Executive Director and the Chairman of the Nomination Committee of the Company in February 2020. He was graduated from Fluid Machinery and Fluid Dynamic speciality of Wuhan University of Hydraulic and Electric Engineering and holds a Master's degree in Engineering. He also holds a Master's degree in Business Administration from Guanghua School of Management, Peking University. Mr. Xu held various positions in 東深供水工程管理局 (Dongjiang-Shenzhen Water Supply Engineering Administration Bureau) for the period from 1988 to 2000, and acted as deputy chief engineer and deputy director. He joined 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited)# (which is a subsidiary of Guangdong Investment Limited# ("GDI")) in August 2000 and acted as a deputy general manager, and was subsequently appointed as a general manager from September 2003 to June 2012, and the chairman for the periods from June 2005 to December 2009 and June 2012 to January 2020. Mr. Xu acted as a deputy general manager of GDI from June 2005 to June 2014 and acted as a director of GDH Limited# ("GDH") from April 2014 to July 2019. He was the chairman of 廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited)# from November 2009 to January 2020 and the chairman of 廣東粵海珠三角供水有限公司 (Guangdong Yuehai Pearl River Delta Water Supply Co., Ltd.) from August 2017 to January 2020 respectively. He is an assistant general manager of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") and GDH from August 2019 to present. 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. He is also the chairman of a subsidiary of the Company.

Mr. LI Yonggang, aged 48, has been appointed as an Executive Director and the Managing Director of the Company in February 2020. He graduated from Hydraulic Architecture speciality of Wuhan University and holds a Bachelor's degree in Engineering. He also holds a Master's degree in Business Administration from Peking University. Mr. Li held various positions in 東深供水工程管理局 (Dongjiang-Shenzhen Water Supply Engineering Administration Bureau) for the period from 1994 to 2000, and acted as deputy director of financial planning division and production technology division respectively. He joined a subsidiary of Guangdong Holdings in October 2000 and acted as a chief engineer. He was a deputy general manager of the Company (formerly known as Kingway Brewery Holdings Limited) from March 2004 to January 2009 and also served as deputy executive director of various construction projects. He acted as a deputy general manager of engineering management department of Guangdong Holdings and a deputy executive general manager of 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.)# successively during the period from January 2009 to January 2014. Mr. Li has been a director and general manager of 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.)# and GDH Real Estates (China) Limited# since January 2014, and was a deputy executive general manager of the Company since August 2016. He is also the chairman and a director of certain subsidiaries of the Company.

Mr. WU Mingchang, aged 55, 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 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. He 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 was an executive director of GDH and is currently the general counsel of Guangdong Holdings and GDH.

These companies are subsidiaries of Guangdong Holdings

EXECUTIVE DIRECTORS (continued)

Ms. ZHU Guang, aged 39, has been appointed as an Executive Director of the Company in October 2019. She has over 17 years of extensive experience in financial management, auditing and accounting. Ms. Zhu was graduated from Faculty of Accountancy of Jinan University (Certified Public Accountant) and holds a Bachelor's degree in Management. She is an intermediate accountant, a non-practising member of the Chinese Institute of Certified Public Accountants and an affiliate of the Association of Chartered Certified Accountants. Ms. Zhu joined Guangdong Holdings in October 2014 and was the strategic management manager and senior manager of its strategic development department. She was also a director of 廣東粵海資產經營有限公司 (Guangdong Assets Management Co., Ltd.) (formerly known as 廣東粵港資產經營有限公司 (Guangdong Yuegang Assets Management Co., Ltd.))#. Ms. Zhu is currently the deputy general manager of the investment and capital operations department of Guangdong Holdings and GDH. She also acts as a director of certain subsidiaries of Guangdong Holdings and GDH and a director of a subsidiary of the Company.

Mr. ZHANG Jun, aged 49, has been appointed as an Executive Director of the Company in February 2020. He has been appointed as the Chief Financial Officer of the Company in March 2019. He graduated from Jinan University and holds an undergraduate qualification of higher education accounting specialist. He is a senior accountant and a non-practising member of The Chinese Institute of Certified Public Accountants. Mr. Zhang possesses over 28 years of extensive experience in financial management, internal audit as well as accounting and so on. Mr. Zhang joined a subsidiary of Guangdong Holdings 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 acted as deputy chief financial officer, a director and chief financial officer of GDH Real Estates (China) Limited# successively from January 2008 to March 2019, and acted as deputy chief financial officer, a director and chief financial officer of 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.)# successively from January 2008 to June 2019. He is also a director of certain subsidiaries of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Alan Howard SMITH, *JP,* aged 76, 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 of the Company respectively.

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 27 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.

These companies are subsidiaries of Guangdong Holdings

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 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 69, 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 30 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, Sheen Tai Holdings Group Company Limited, Xinming China Holdings Limited, WuXi Biologics (Cayman) Inc. and Television Broadcasts Limited, 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. He was an independent non-executive director of China Investment Development Limited from April 2011 to July 2018, and Evergreen International Holdings Limited from October 2010 to March 2020, respectively (the shares of both companies are listed on the Hong Kong Stock Exchange).

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

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 64, 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 of the Company respectively.

Mr. Lee is the chairman of Tung Tai Group of Companies. He is an independent non-executive director of HK Asia Holdings Limited whose shares are listed on the Hong Kong Stock Exchange. Mr. Lee was an independent non-executive director of Hong Kong Exchanges and Clearing Limited between April 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 35 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 undertaken 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 December 2012 and November 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.

SENIOR MANAGEMENT

The senior management of the Group comprise the five Executive Directors above, namely, Mr. XU Yeqin, Mr. LI Yonggang, Mr. WU Mingchang, Ms. ZHU Guang and Mr. ZHANG Jun.

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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged 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 Chairman's Statement on pages 4 to 9 and the Management Discussion and Analysis on pages 10 to 20 of this annual report.

Principal risks and uncertainties that the Group may be facing are set out in the section of the Management Discussion and Analysis on page 19 of this annual report. The financial risk management objectives and policies of the Group are provided in note 28 to the financial statements on pages 127 to 134 of this annual report.

An analysis of the Group's performance during the year under review using financial key performance indicators is provided in the section of the Management Discussion and Analysis on page 16 of this annual report.

Discussion on the Group's environmental policy and compliance with the relevant laws and regulations that have a significant impact on the Company is set out in the section of the Management Discussion and Analysis on page 20 of this annual 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 of the Management Discussion and Analysis on pages 19 to 20, the section of this report on page 40, the section of the Corporate Governance Report on page 56 and note 2(l) to the financial statements on pages 85 to 86 of this annual 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				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,836,676**	312,421	186,694	1,091,941	857,937
Fair value gains on investment properties	**575,640**	13,813	773	1,006	87
Gain on bargain purchase	**–**	296,737	–	–	233,862
Profit attributable to owners of the Company	**341,063**	224,263	49,287	17,734	174,773

Financial position

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**11,852,678**	10,647,785	5,380,841	6,473,653	5,840,539
Total liabilities	**(6,982,668)**	(5,987,769)	(704,196)	(2,140,223)	(1,230,732)
Net assets	**4,870,010**	4,660,016	4,676,645	4,333,430	4,609,807
Non-controlling interest	**(106,161)**	(122,907)	(158,441)	(145,623)	(178,451)
Equity attributable to owners of the Company	**4,763,849**	4,537,109	4,518,204	4,187,807	4,431,356

MAJOR PROPERTIES HELD BY THE GROUP

Details of the particulars of major properties held by the Group as at 31 December 2019 are set out on page 138 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the financial statements on pages 65 to 137.

No interim dividend was paid during the year under review and the Board of Directors (the "Board") did not recommend the payment of a final dividend for the year ended 31 December 2019.

The forthcoming annual general meeting of the Company (the "2020 Annual General Meeting") will be held on Friday, 12 June 2020 at 10:30 a.m. and the register of members of the Company will be closed and no transfer of shares will be effected during the period from Tuesday, 9 June 2020 to Friday, 12 June 2020, both days inclusive, for determining the shareholders' eligibility to attend and vote at the 2020 Annual General Meeting.

In order to qualify for attending and voting at the 2020 Annual General Meeting, unregistered holders of shares of the Company should ensure that all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 June 2020.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the provision of the Companies Act 1981 of Bermuda, amounted to HK$2,505,337,000.

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 DONATIONS

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

RETIREMENT BENEFITS SCHEMES

Particulars of the Group's retirement benefits 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 2019 are set out in note 31 to the financial statements.

DIRECTORS

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

Non-Executive Directors

HOU Wailin *(Chairman) (appointed with effect from 5 June 2019 and retired on 6 June 2019, and then re-appointed with effect from 6 June 2019 and resigned with effect from 20 February 2020)*
HUANG Xiaofeng *(Chairman) (resigned with effect from 5 June 2019)*

Executive Directors

XU Yeqin *(Chairman) (appointed with effect from 20 February 2020)*
LI Yonggang *(Managing Director) (appointed with effect from 20 February 2020)*
WU Mingchang
ZHU Guang *(appointed with effect from 28 October 2019)*
ZHANG Jun *(Chief Financial Officer) (appointed with effect from 20 February 2020)*
ZHAO Chunxiao *(resigned with effect from 20 February 2020)*
LI Wai Keung *(resigned with effect from 20 February 2020)*
ZENG Yi *(resigned with effect from 28 October 2019)*

Independent Non-Executive Directors

Alan Howard SMITH
Felix FONG Wo
Vincent Marshall LEE Kwan Ho

In accordance with Bye-law 86(2) of the Company's Bye-laws (the "Bye-Laws"), after the last general meeting of the Company, Ms. ZHU Guang who was appointed as a Director with effect from 28 October 2019, while Mr. XU Yeqin, Mr. LI Yonggang and Mr. ZHANG Jun who were appointed as Directors with effect from 20 February 2020, will hold office until the next general meeting and, shall be eligible for re-election at the forthcoming 2020 Annual General Meeting.

DIRECTORS (continued)

In accordance with Bye-law 87 of the Bye-Laws, Mr. Alan Howard SMITH and Mr. Felix FONG Wo will retire by rotation at the 2020 Annual General Meeting and shall be eligible for re-election.

Mr. XU Yeqin, Mr. LI Yonggang, Ms. ZHU Guang, Mr. ZHANG Jun, Mr. Alan Howard SMITH and Mr. Felix FONG Wo, 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 2023; or (b) 30 June 2023, subject to earlier determination in accordance with the Bye-Laws and/or any applicable laws and regulations.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2020 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 disclosed in the "Connected Transactions" section on pages 34 to 39 of this report, 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 is currently in force and was in force throughout the year ended 31 December 2019. 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.

Report of the Directors (continued)

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 Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2019 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 1)	Nature of interest (Note 1)	Competing Business
HOU Wailin (Note 2)	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 (Note 3)	Property development and investment
HUANG Xiaofeng (Note 4)	廣東粵海控股集團有限公司 (Guangdong Holdings Limited)	chairman (Note 5)	Property development and investment
	GDH Limited	chairman (Note 6)	Property development and investment
	Guangdong Investment Limited	chairman and executive director (Note 7)	Property development and investment
ZHAO Chunxiao (Note 8)	GDH Limited	executive director (Note 9)	Property development and investment
	Guangdong Investment Limited	non-executive director	Property development and investment
LI Wai Keung (Note 10)	GDH Limited	executive director (Note 11)	Property development and investment
	Guangdong Investment Limited	non-executive director	Property development and investment
WU Mingchang	GDH Limited	executive director (Note 12)	Property development and investment

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

II. Interests in Competing Business (continued)

Notes:

1. 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.

2. Mr. HOU Wailin was appointed as the Chairman and a Non-Executive Director of the Company with effect from 5 June 2019. He retired at the annual general meeting of the Company held on 6 June 2019 pursuant to the Bye-Laws and was forthwith re-appointed as the Chairman and a Non-Executive Director of the Company at the Board meeting of the Company immediately held after that meeting. He resigned as the Chairman and a Non-Executive Director of the Company with effect from 20 February 2020.

3. Mr. HOU Wailin was appointed as the chairman and an executive director of Guangdong Investment Limited ("GDI") with effect from 5 June 2019 and was re-appointed as the chairman and an executive director of GDI by its board of directors immediately following his retirement pursuant to the Articles of Association of GDI at the annual general meeting of GDI held on 17 June 2019.

4. Mr. HUANG Xiaofeng resigned as the Chairman and a Non-Executive Director of the Company with effect from 5 June 2019.

5. Mr. HUANG Xiaofeng resigned as the chairman of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") with effect from 28 May 2019.

6. Mr. HUANG Xiaofeng resigned as the chairman of GDH Limited ("GDH") with effect from 24 May 2019.

7. Mr. HUANG Xiaofeng resigned as the chairman and an executive director of GDI with effect from 5 June 2019.

8. Ms. ZHAO Chunxiao resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 20 February 2020.

9. Ms. ZHAO Chunxiao resigned as an executive director of GDH with effect from 27 June 2019.

10. Mr. LI Wai Keung resigned as an Executive Director of the Company with effect from 20 February 2020.

11. Mr. LI Wai Keung resigned as an executive director of GDH with effect from 27 June 2019.

12. Mr. WU Mingchang resigned as an executive director of GDH with effect from 27 June 2019.

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 2019, 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 to the Listing Rules, were as follows:

(i) Interests and short positions in the Company

Name of Director	Capacity/ Nature of interest	Number of shares held	Long/Short position	Approximate percentage of interests held *(Note)*
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 2019.

(ii) Interests and short positions in GDI

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note 1)*
ZHAO Chunxiao *(Note 2)*	Personal	582,170	Long position	0.009%
LI Wai Keung *(Note 3)*	Personal	1,927,160	Long position	0.029%

Notes:

1. 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 2019.

2. Ms. ZHAO Chunxiao resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 20 February 2020.

3. Mr. LI Wai Keung resigned as an Executive Director of the Company with effect from 20 February 2020.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES (continued)

Save as disclosed above, as at 31 December 2019, 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.

Save as disclosed above, at no time during the year under review was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or their spouse or children under 18 years of age 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 2019, 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 2019.

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 2019, 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

(i) Sales of 7 property units of the Laurel House Project

On 2 September 2019, 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.) ("GYPD"), a wholly-owned subsidiary of the Company, entered into 7 subscription letters (the "Subscription Letters") with 廣州金東源房地產開發有限公司 (Guangzhou Jindongyuan Real Estate Development Co., Ltd.) ("GJRED"), pursuant to which GYPD agreed to sell 7 property units of the Laurel House Project to GJRED with an aggregate gross floor area of approximately 692.651 sq. m. at a total consideration of RMB48,739,972 (equivalent to approximately HK$55,427,000).

GJRED is a direct wholly-owned subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, and hence, an associate of Guangdong Holdings and therefore, a connected person of the Company. According to the Listing Rules, the entering into of the Subscription Letters constituted connected transactions of the Company which were subject to the reporting and announcement requirements, but were exempt from independent shareholders' approval. Further details of the transactions are set out in the announcement of the Company dated 2 September 2019, and note 27(a) to the financial statements - the transaction under "Properties sales to a fellow subsidiary". During the year, the Group recorded revenue of HK$52,788,000 (after deducting the relevant value added tax) in respect of the aforesaid transaction.

I. Connected Transactions (continued)

(ii) Renewal of tenancy of the Company's office premises

On 18 November 2019, the Company and Guangdong Power (International) Limited ("GPIL") entered into a new tenancy agreement (the "New Tenancy Agreement") regarding the lease of the office premises situated at the whole of 18th Floor of Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong as the Company's head office and principal place of business in Hong Kong (the "Premises") for a fixed term of three years from 1 December 2019 to 30 November 2022 (both days inclusive), at a monthly rent of HK$271,000.

Pursuant to Hong Kong Financial Reporting Standard 16 "Leases", the Company (as tenant) shall recognise the Premises leased under the New Tenancy Agreement as a right-of-use asset in the consolidated balance sheet of the Company. The entering into of the New Tenancy Agreement is regarded as an acquisition of asset under the definition of transaction as set out in Rule 14.04(1)(a) of the Listing Rules. As at the date of the New Tenancy Agreement, the value of the right-of-use asset recognised under the New Tenancy Agreement was approximately HK$9,076,000.

GPIL is a non-wholly owned subsidiary of GDI, the direct controlling shareholder of the Company, and hence, an associate of GDI and therefore, a connected person of the Company. According to the Listing Rules, the entering into of the New Tenancy Agreement constituted a connected transaction of the Company which was subject to the reporting and announcement requirements, but was exempt from independent shareholders' approval. Further details of the transaction are set out in the announcement of the Company dated 18 November 2019, and note 27(a) to the financial statements - the transaction under "Rental expenses paid to a fellow subsidiary". During the year, the rent paid under the New Tenancy Agreement was HK$271,000.

(iii) Sale of property unit of the GDH City Project

On 3 December 2019, 粵海置地(深圳)有限公司 (Guangdong Land (Shenzhen) Limited), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. ZHAO Chunxiao ("Ms. Zhao", an Executive Director and the Chief Executive Officer of the Company at the time of entering into such agreement), pursuant to which, 粵海置地(深圳)有限公司 (Guangdong Land (Shenzhen) Limited) agreed to sell one commodity premise under the GDH City Project with a gross floor area of approximately 78.16 sq. m. to Ms. Zhao at a consideration of RMB4,638,351 (equivalent to approximately HK$5,178,000). The consideration of the sale and purchase agreement represented the price of such property unit quoted on the public price list of Yuecai City under the GDH City Project. The price was arrived at arm's length negotiation with Ms. Zhao.

CONNECTED TRANSACTIONS (continued)

I. Connected Transactions (continued)

(iii) *Sale of property unit of the GDH City Project (continued)*

Ms. Zhao was an Executive Director and the Chief Executive Officer of the Company at the time of entering into the abovementioned agreement and is currently a Director of the Company in the last 12 months, and therefore, a connected person of the Company. According to the Listing Rules, the entering into of the aforesaid sale and purchase agreement constituted a connected transaction of the Company which was subject to the reporting and announcement requirements, but was exempt from independent shareholders' approval. Further details of the transaction are set out in the announcement of the Company dated 3 December 2019, and note 27(a) to the financial statements - the transaction under "Properties pre-sale deposit received from a director". During the year, the Group received a deposit of HK$5,178,000 in respect of the transaction.

II. Continuing Connected Transactions

(i) *Tenancy of the Company's office premises*

Reference is made to the announcement of the Company dated 28 November 2016 regarding the continuing connected transactions of the tenancy agreement between the Company and GPIL for the lease of the Premises as the Company's head office and principal place of business in Hong Kong at a monthly rent of HK$262,922 for a term from 1 December 2016 to 30 November 2019 (both days inclusive).

GPIL is a non-wholly owned subsidiary of GDI, the direct controlling shareholder of the Company, and hence, an associate of GDI and therefore, a connected person of the Company. According to the Listing Rules, the entering into of the abovementioned tenancy agreement constituted continuing connected transactions of the Company which were subject to annual review, reporting and announcement requirements. Further details of the transactions are set out in the announcement of the Company dated 28 November 2016, and note 27(a) to the financial statements - the transaction under "Rental expenses paid to a fellow subsidiary". According to the abovementioned tenancy agreement, the total rent paid by the Company to GPIL was HK$2,892,000 during the year.

CONNECTED TRANSACTIONS (continued)

II. Continuing Connected Transactions (continued)

(ii) Property Management Agreement of the Laurel House Project

Reference is made to the announcements of the Company dated 18 July 2018 and 30 August 2019 regarding the continuing connected transactions of the preliminary property management services agreement of the Laurel House (originally known as Yuehai Zhuguang Yashe District) (the "Property Management Agreement") and its supplemental agreement, both entered into 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").

(a) On 26 October 2016, GYPD and YPM entered into the Property Management Agreement, pursuant to which, YPM provided certain property management services to GYPD in respect of the properties of the Zhuguanglu Project (now named as the Laurel House Project) for the period from 1 September 2016 to 31 August 2019 (both days inclusive).

(b) On 30 August 2019, GYPD and YPM entered into the supplemental agreement (the "Supplemental Agreement"), pursuant to which, YPM shall continue to provide certain property management services in respect of the Laurel House properties to GYPD for the period from 1 September 2019 to 31 December 2020 (both days inclusive).

(c) During the year under review, the relevant service fees paid by GYPD to YPM amounted to approximately RMB8,335,000 (equivalent to approximately HK$9,479,000).

YPM is an indirect non-wholly owned subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, and hence, an associate of Guangdong Holdings and therefore, a connected person of the Company. According to the Listing Rules, the entering into of the Property Management Agreement (as amended by the Supplemental Agreement) constituted continuing connected transactions of the Company which were subject to annual review, reporting and announcement requirements. Further details of the transactions are set out in the announcements of the Company dated 18 July 2018 and 30 August 2019, and note 27(a) to the financial statements - the transaction under "Property management fee paid to a fellow subsidiary".

CONNECTED TRANSACTIONS (continued)

II. Continuing Connected Transactions (continued)

(iii) Sales Centre Property Services Agreement of the Laurel House Project

Reference is made to the announcements of the Company dated 18 July 2018, 31 January 2019 and 31 December 2019 regarding the continuing connected transactions of the sales centre property services agreement and the sample units and sales centre property management services agreement (each a "Sales Centre Property Services Agreement") in respect of the Laurel House Project entered into between GYPD, a wholly-owned subsidiary of the Company, and YPM.

(a) On 1 February 2018, GYPD and YPM entered into the Sales Centre Property Services Agreement, pursuant to which, YPM provided certain preliminary property preparatory services to GYPD in respect of the sales venue of the Laurel House Project for the period from 1 February 2018 to 31 January 2019 (both days inclusive).

(b) On 31 January 2019, GYPD and YPM renewed the Sales Centre Property Services Agreement, pursuant to which, YPM continued to provide certain property services in respect of the sales venue of the Laurel House Project to GYPD for the period from 1 February 2019 to 31 December 2019 (both days inclusive).

(c) On 31 December 2019, GYPD and YPM entered into a new Sales Centre Property Services Agreement, pursuant to which, YPM shall continue to provide certain property services to GYPD in respect of the sales venue of the Laurel House Project for the period from 1 January 2020 to 31 December 2020 (both days inclusive).

(d) During the year under review, the relevant total service fees paid by GYPD were approximately RMB1,207,000 (equivalent to approximately HK$1,372,000).

YPM is an indirect non-wholly owned subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, and hence, an associate of Guangdong Holdings and therefore, a connected person of the Company. According to the Listing Rules, the entering into of the abovementioned Sales Centre Property Services Agreements constituted continuing connected transactions of the Company which were subject to annual review, reporting and announcement requirements. Further details of the transactions are set out in the announcements of the Company dated 18 July 2018, 31 January 2019 and 31 December 2019, and note 27(a) to the financial statements - the transaction under "Service fee paid to a fellow subsidiary".

CONNECTED TRANSACTIONS (continued)

II. Continuing Connected Transactions (continued)

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

PricewaterhouseCoopers, the Company's auditor, 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 Hong Kong Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions in the normal course of business are provided in note 27(a) to the financial statements. The related party transactions described in notes (i), (ii) and (v) of note 27(a) to the financial statements also constitute connected transactions or continuing connected transactions discloseable under the Listing Rules (details are set out under the section headed "Connected Transactions" of this report). In respect of these connected transactions 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 transactions 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 27(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 the Company's listed securities during the year under review.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2019, the Company had not entered into any equity-linked agreements.

SIGNIFICANT CONTRACTS WITH CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

Save as disclosed in pages 34 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 89.1% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 63.7% 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.

AUDITOR

PricewaterhouseCoopers will retire and a resolution for their reappointment as auditor of the Company will be proposed at the 2020 Annual General Meeting.

By Order of the Board
XU Yeqin
Chairman

Hong Kong, 26 March 2020

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, adopted the applicable recommended best practices set out in the CG Code throughout the year ended 31 December 2019.

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 of the Company 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 which is accountable to the shareholders of the Company, 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 at the date of this report, the Board comprises five Executive Directors, being Mr. XU Yeqin who is also the Chairman of the Board, Mr. LI Yonggang, who is also the Managing Director, Mr. WU Mingchang, Ms. ZHU Guang and Mr. ZHANG Jun who is also the Chief Financial Officer, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

Corporate Governance Report (continued)

BOARD OF DIRECTORS (continued)

An updated list of Directors identifying their roles and functions is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

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, eight 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 the 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.

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 MANAGING DIRECTOR

As at the date of this report, the Chairman of the Board is Mr. XU Yeqin and the Managing Director is Mr. LI Yonggang. Their roles are clearly defined and segregated to ensure independence, proper checks and balances. Mr. Xu provides leadership for the Board and oversees its functioning, ensuring that the Board works effectively and acts in the best interest of the Group. Under the guidance of the Board, Mr. Li as the Managing Director 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 Director) 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 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 set out on pages 21 to 24 of this annual report, demonstrate a diversity of skills, expertise, experience and qualifications of the Directors.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon the appointment of the Board members, each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

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 organised by government authorities, professional bodies or industrial organisations, etc. in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skills. During the year, the Company organised training for Directors and provided them with reading materials.

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 organised by the Company, other companies or organisations	Reading materials
Non-Executive Directors		
HOU Wailin *(Note 1)*	✓	✓
HUANG Xiaofeng *(Note 2)*	✓	✓
Executive Directors		
ZHAO Chunxiao *(Note 3)*	✓	✓
LI Wai Keung *(Note 4)*	✓	✓
WU Mingchang	✓	✓
ZHU Guang *(Note 5)*	✓	✓
ZENG Yi *(Note 6)*	✓	✓
Independent Non-Executive Directors		
Alan Howard SMITH	✓	✓
Felix FONG Wo	✓	✓
Vincent Marshall LEE Kwan Ho	✓	✓

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (continued)

Notes:

1. Mr. HOU Wailin was appointed as the Chairman and a Non-Executive Director of the Company with effect from 5 June 2019 and retired on 6 June 2019, and then re-appointed as the Chairman and a Non-Executive Director of the Company with effect from 6 June 2019 and resigned with effect from 20 February 2020.

2. Mr. HUANG Xiaofeng resigned as the Chairman and a Non-Executive Director of the Company with effect from 5 June 2019.

3. Ms. ZHAO Chunxiao resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 20 February 2020.

4. Mr. LI Wai Keung resigned as an Executive Director with effect from 20 February 2020.

5. Ms. ZHU Guang was appointed as an Executive Director with effect from 28 October 2019.

6. Mr. ZENG Yi resigned as an Executive Director with effect from 28 October 2019.

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 recognises 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.

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, with diverse backgrounds, thereby promoting critical review and control of the management process. The Board maintains a balanced composition and is characterised 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

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.

There can be no assurance that any dividend will be proposed or declared in any given year.

BOARD COMMITTEES

The Board has established the Remuneration Committee, the Nomination Committee and the Audit Committee.

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. The terms of reference of the Remuneration Committee detailing its authority and duties are available on the websites of the Company and HKEx.

As at the date of this report, 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. Two Remuneration Committee meetings were held in 2019 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report.

In 2019, the Remuneration Committee reviewed and approved the annual remuneration package and performance bonus for senior management of the Company.

Details of the Directors' emoluments for the year 2019 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. The terms of reference of the Nomination Committee detailing its authority and duties are available on the websites of the Company and HKEx.

As at the date of this report, the Nomination Committee comprises the Chairman of the Board, Mr. XU Yeqin, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho. Mr. XU Yeqin is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. Four Nomination Committee meetings were held in 2019 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report.

In 2019, the Nomination Committee performed the works as summarised 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;

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

(d) adopted the Directors' Nomination Policy, and the revised terms of reference of the Nomination Committee as amended according to such policy; and

(e) considered and recommended to the Board for the appointments of the Chairman, a Non-Executive Director and an Executive Director of the Company.

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 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 Company established the Audit Committee in September 1998. The Audit Committee oversees matters concerning the external auditor including making recommendations to the Board regarding the appointment of the external auditor, 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. The terms of reference of the Audit Committee detailing its authority and duties are available on the websites of the Company and HKEx.

As at the date of this report, 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 Directors 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.

Corporate Governance Report (continued)

AUDIT COMMITTEE (continued)

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Four Audit Committee meetings were held in 2019 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 auditor without the presence of the management to discuss any area of concern.

In 2019, the Audit Committee performed the works as summarised below:

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

(b) reviewed and recommended 2018 annual results, auditor's findings and draft annual 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 2019;

(e) reviewed and recommended 2019 interim and quarterly results, auditor's 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; and

(g) assessed the effectiveness of risk management and internal control systems of the Group for 2018.

AUDITOR'S REMUNERATION

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

Services rendered	**Fee paid/payable** HK$'000
Audit of annual financial statements	2,200
Review of interim results	698
Agreed-upon procedures in respect of quarterly results	500
Agreed-upon procedures in respect of notifiable transactions and continuing connected transactions	516
Tax advisory services	36
	3,950

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, the Nomination Committee, the Remuneration Committee, the Audit Committee and the annual general meeting of the Company during the year ended 31 December 2019 are set out below:

Name of Director	Board Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Annual General Meeting
Non-Executive Directors					
HOU Wailin *(Note 1)*	4/4	1/1	N/A	N/A	1/1
HUANG Xiaofeng *(Note 2)*	3/3	2/2	N/A	N/A	N/A
Executive Directors					
ZHAO Chunxiao *(Note 3)*	7/8	N/A	N/A	N/A	1/1
LI Wai Keung *(Note 4)*	8/8	N/A	N/A	N/A	1/1
WU Mingchang	8/8	N/A	N/A	N/A	1/1
ZHU Guang *(Note 5)*	N/A	N/A	N/A	N/A	N/A
ZENG Yi *(Note 6)*	6/8	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Alan Howard SMITH	8/8	4/4	2/2	4/4	1/1
Felix FONG Wo	8/8	4/4	2/2	3/4	1/1
Vincent Marshall LEE Kwan Ho	7/8	3/4	2/2	4/4	1/1

Notes:

1. Mr. HOU Wailin was appointed as the Chairman and a Non-Executive Director of the Company with effect from 5 June 2019 and retired on 6 June 2019, and then re-appointed as the Chairman and a Non-Executive Director of the Company with effect from 6 June 2019 and resigned with effect from 20 February 2020.

2. Mr. HUANG Xiaofeng resigned as the Chairman and a Non-Executive Director of the Company with effect from 5 June 2019.

3. Ms. ZHAO Chunxiao resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 20 February 2020.

4. Mr. LI Wai Keung resigned as an Executive Director with effect from 20 February 2020.

5. Ms. ZHU Guang was appointed as an Executive Director with effect from 28 October 2019.

6. Mr. ZENG Yi resigned as an Executive Director with effect from 28 October 2019.

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2019, 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 2019, 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 2019, 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 2019.

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:

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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 auditor 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.

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 has reviewed the effectiveness of the Group's risk management and internal control systems and 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 Managing Director of the Company and is responsible for advising the Board on corporate governance matters.

Mr. LI Wai Keung was appointed as the Company Secretary of the Company since March 2017 and resigned on 20 February 2020. For the year under review, Mr. Li undertook relevant professional training as required by the Listing Rules to update his skills and knowledge.

Ms. Christine MAK Lai Hung has been appointed as the Company Secretary of the Company with effect from 20 February 2020. She is a full time employee of the Company and has extensive experience in company secretarial and corporate governance practices with listed companies.

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.

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.

SHAREHOLDERS' RIGHTS (continued)

Procedures for shareholder 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) concerned and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board or 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.

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.

Corporate Governance Report (continued)

SHAREHOLDERS' RIGHTS (continued)

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 54, 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 maximising 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.

CONSTITUTIONAL DOCUMENTS

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 websites of the Company and HKEx.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognises 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
XU Yeqin
Chairman

Hong Kong, 26 March 2020

Independent Auditor's Report

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 137, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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.

Independent Auditor's Report (continued)

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; and

- Recoverability of completed properties held for sale and properties held for sale under development.

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 2019, the Group had completed investment properties and investment properties under development stated at fair value, and investment properties under development stated at cost of HK$1,939 million and HK$1,003 million respectively (2018: HK$522 million and HK$1,689 million respectively). Changes in fair value during the year were recognised and presented as "fair value gains on investment properties" included in "other gains, net" in the consolidated statement of profit or loss. *Completed investment properties and investment properties under development stated at fair value* Management has engaged an independent valuer to determine the valuation of the Group's investment properties stated at fair value as at 31 December 2019. The fair value of completed investment properties 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 a new condition the property appraised in accordance with current construction costs for similar property. For investment properties under development, fair value was derived using the residual method and key assumptions included development costs, and developer's profit and risk margins. 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 and investment properties under development 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 involving our in-house valuation experts to assess the appropriateness of the valuation methodologies and the reasonableness of the key assumptions adopted. • Checking the accuracy of the input data, on a sample basis, used by the independent valuers including rental income, occupancy rates and estimated development cost by agreeing them to the management's records, or other supporting documentation including rental income schedules, construction cost schedules and approved budgets. • Assessing the reasonableness of the key assumptions used in the valuation of properties by comparing estimated development cost, and developer's profit and risk margins for the investment properties under development to invoices and approved budgets, published market yields for capitalisation rates, prevailing market rents to 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***
Valuation of investment properties (continued) *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 investment properties under development of HK$1,003 million 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 investment properties and the 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 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 held for sale under development Refer to notes 3(a)(ii) and 13 to the consolidated financial statements. The Group's balance sheet includes HK$3,349 million (2018: HK$4,946 million) of completed properties held for sale and HK$3,648 million (2018: HK$2,103 million) of properties held for sale under development as at 31 December 2019. Management assessed the recoverability of completed properties held for sale and properties held for sale 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 held for sale 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 properties, a provision for impairment losses 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 held for sale 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 held for sale 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 held for sale under development). We found that management's assessment of recoverability of completed properties held for sale and properties held for sale under development is 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.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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.

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 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**1,836,676**	312,421
Cost of sales		**(1,520,248)**	(217,055)
Gross profit		**316,428**	95,366
Gain on bargain purchase		**–**	296,737
Other income	5	**–**	23,664
Other gains, net	5	**587,484**	8,183
Selling and marketing expenses		**(86,037)**	(29,509)
Administrative expenses		**(117,939)**	(95,687)
Operating profit		**699,936**	298,754
Finance income	8	**11,168**	7,856
Finance cost	8	**(76,279)**	(33,127)
Finance cost, net	8	**(65,111)**	(25,271)
Profit before tax	6	**634,825**	273,483
Income tax expense	9	**(285,336)**	(43,005)
Profit for the year		**349,489**	230,478
Attributable to:			
Owners of the Company		**341,063**	224,263
Non-controlling interest		**8,426**	6,215
		349,489	230,478
Earnings per share			
Basic and diluted	10	**HK$19.93 cents**	HK13.10 cents

The notes on page 71 to 137 are integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

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

The notes on page 71 to 137 are integral part of the consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	**44,702**	58,868
Right-of-use assets	11(b)	**18,780**	–
Investment properties	12	**2,941,373**	2,211,312
Deferred tax assets	20	**192,951**	184,246
Total non-current assets		**3,197,806**	2,454,426
Current assets			
Completed properties held for sale	13	**3,349,289**	4,946,066
Properties held for sale under development	13	**3,648,306**	2,102,738
Prepayments, deposits and other receivables	14	**184,780**	89,244
Contract assets	15	**26,119**	–
Tax recoverable		**103,313**	–
Pledged bank deposit	16	**42,895**	42,278
Restricted bank balances	16	**298,712**	177,454
Cash and cash equivalents	16	**1,001,458**	835,579
Total current assets		**8,654,872**	8,193,359
Total assets		**11,852,678**	10,647,785
LIABILITIES			
Current liabilities			
Trade payables	17	**(1,565)**	(4,178)
Other payables, accruals and provisions	17	**(532,730)**	(853,026)
Contract liabilities	18	**(1,444,888)**	(454,961)
Lease liabilities	11(b)	**(9,078)**	–
Tax payable		**(506,345)**	(463,285)
Bank borrowings	19	**(234,423)**	(470,216)
Loan from a fellow subsidiary	27(c)	**(446,520)**	–
Total current liabilities		**(3,175,549)**	(2,245,666)
Net current assets		**5,479,323**	5,947,693
Total assets less current liabilities		**8,677,129**	8,402,119

The notes on page 71 to 137 are integral part of the consolidated financial statements.

Consolidated Balance Sheet **(continued)**

As at 31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current liabilities			
Bank borrowings	19	**(1,495,842)**	(2,041,785)
Loan from a fellow subsidiary	27(c)	**(982,344)**	–
Lease liabilities	11(b)	**(10,415)**	–
Deferred tax liabilities	20	**(1,318,518)**	(1,700,318)
Total non-current liabilities		**(3,807,119)**	(3,742,103)
Total liabilities		**(6,982,668)**	(5,987,769)
Net assets		**4,870,010**	4,660,016
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**171,154**	171,154
Reserves	22	**4,592,695**	4,365,955
		4,763,849	4,537,109
Non-controlling interest	23	**106,161**	122,907
Total equity		**4,870,010**	4,660,016

LI Yonggang
Director

ZHANG Jun
Director

The notes on page 71 to 137 are integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital	Share premium account*	Capital reserve*	Property revaluation reserve*	Enterprise development funds*	Reserve funds*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interest	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 (loss)/income 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 interest	–	–	–	–	–	–	–	–	–	(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
At 1 January 2019	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
Profit for the year	–	–	–	–	–	–	–	341,063	341,063	8,426	349,489
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(114,323)	–	(114,323)	(2,429)	(116,752)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	(114,323)	341,063	226,740	5,997	232,737
Transactions with owners in their capacity as owners:											
Dividends declared to non-controlling interest	–	–	–	–	–	–	–	–	–	(22,743)	(22,743)
Transfer to reserve funds	–	–	–	–	–	53,731	–	(53,731)	–	–	–
At 31 December 2019	171,154	1,688,606	13,824	6,984	216	218,085	(146,505)	2,811,485	4,763,849	106,161	4,870,010

* These reserve accounts comprise the consolidated reserves of HK$4,592,695,000 (2018: HK$4,365,955,000) in the consolidated balance sheet.

The notes on page 71 to 137 are integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash generated from operations	26(a)	**494,464**	260,775
Interest received		**12,307**	30,343
Interest paid		**(117,725)**	(51,542)
PRC tax paid		**(700,602)**	(156,276)
Net cash flows (used in)/from operating activities		**(311,556)**	83,300
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**2,315**	146
Purchases of property, plant and equipment	11(a)	**(3,304)**	(57,596)
Additions to investment properties		**(211,508)**	(641,994)
Acquisition of a subsidiary, net of cash		**–**	(1,361,594)
Repayment of amounts due to group companies		**–**	(998,861)
Decrease in financial assets at FVPL and at amortised cost		**–**	1,152,172
Net cash flows used in investing activities		**(212,497)**	(1,907,727)
Cash flows from financing activities			
Drawdown of bank loans		**56,860**	3,671,330
Repayment of bank loans		**(797,177)**	(1,517,596)
Dividend paid to a non-controlling interest		**–**	(35,529)
Repayment of amounts due to group companies		**–**	(22,357)
Increase in loans from a fellow subsidiary		**1,455,616**	–
Principal elements of lease payments		**(5,409)**	–
Net cash flows from financing activities	26(b)	**709,890**	2,095,848
Net increase in cash and cash equivalents		**185,837**	271,421
Cash and cash equivalents at beginning of year		**835,579**	602,749
Effect of foreign exchange rate changes, net		**(19,958)**	(38,591)
Cash and cash equivalents at end of year		**1,001,458**	835,579
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**928,138**	739,639
Time deposits with original maturity of less than three months when acquired	16	**73,320**	95,940
Cash and cash equivalents at end of year		**1,001,458**	835,579

The notes on page 71 to 137 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 principal subsidiaries are set out in note 31.

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 and certain investment properties under development which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 2019 and are relevant to its operation.

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

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

HKFRS 16, "Leases" – Impact of adoption

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

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

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

(a) Practical expedients applied

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

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

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

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

(b) Measurement of lease liabilities

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

(c) Measurement of right-of-use assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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 profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment properties (continued)

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 measured, the investment properties under development will be measured at cost until such time as fair value can be measured 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

- any initial direct costs; and
- restoration costs.

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

(h) Financial assets

(i) Classification

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

(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.

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 expected credit loss model:

- other receivables

- pledged bank deposit

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

(iv) Impairment (continued)

- restricted bank balances
- cash and cash equivalents; and
- financial guarantees

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.

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

(v) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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

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 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 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 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 investment properties

The fair value of each completed investment property is individually measured 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 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.

Fair value of investment properties under development is generally derived using the residual method. This valuation method is essentially a means of valuing the properties by reference to its development potential by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation.

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 measured, the investment properties under development will be measured at cost until such time as fair value can be reliably measured. 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 certain investment properties under development continues to be measured at cost until the development plans or the remaining construction cost can be accurately estimated (Note 12).

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, property management and property investment; and

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

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

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

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

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

4 SEGMENT INFORMATION (continued)

(a) Segment result, assets and liabilities

	Property development and investment HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2019			
Segment revenue:			
Sales to external customers	**1,836,676**	**–**	**1,836,676**
Segment results	**724,733**	**(24,797)**	**699,936**
Reconciliation:			
Finance income			**11,168**
Finance cost			**(76,279)**
Profit before tax			**634,825**
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
Finance and interest income and gain			31,414
Finance cost			(33,127)
Profit before tax			273,483

4 SEGMENT INFORMATION (continued)

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

	Property development and investment HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2019			
Segment assets	11,563,487	96,240	11,659,727
Reconciliation:			
Unallocated assets			192,951
Total assets			11,852,678
Segment liabilities	(5,624,333)	(39,817)	(5,664,150)
Reconciliation:			
Unallocated liabilities			(1,318,518)
Total liabilities			(6,982,668)
Other information			
Fair value gains on investment properties	575,640	–	575,640
Depreciation	(18,668)	(453)	(19,121)
Capital expenditure	(220,535)	(204)	(220,739)

4 SEGMENT INFORMATION (continued)

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

	Property development and investment HK$'000	Others HK$'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)

(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 2019 and 2018.

5 REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

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

6 PROFIT BEFORE TAX

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of sales			
– properties		**1,516,504**	215,648
– others		**3,744**	1,407
Depreciation of property, plant and equipment	11(a)	**14,057**	6,387
Depreciation of right-of-use assets	11(b)	**5,064**	–
Rental expenses (Note)		**3,443**	6,232
Business taxes and surcharges		**18,385**	4,785
Auditor's remuneration			
– audit services		**2,200**	2,042
– non-audit services		**1,750**	4,826
Directors' emoluments (Note 7)		**1,640**	1,640
Staff costs			
– wages and salaries		**95,124**	69,457
– provident fund contributions		**10,627**	13,511
– forfeited contributions		**(28)**	–
		105,723	82,968
Less: amount capitalised under property development project		**(31,273)**	(27,127)
Total staff costs expensed during the year		**74,450**	55,841

Note:

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

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$'000	Pension scheme contribu -tions HK$'000	Total remunera -tion HK$'000
2019					
Executive Directors:					
ZHAO Chunxiao *(Chief Executive Officer)* (Note i)	–	–	–	–	–
LI Wai Keung (Note ii)	–	–	–	–	–
WU Mingchang	–	–	–	–	–
ZHU Guang (Note iii)	–	–	–	–	–
ZENG Yi (Note iv)	–	–	–	–	–
	–	–	–	–	–
Non-Executive Director:					
HOU Wailin *(Chairman)* (Note v)	–	–	–	–	–
HUANG Xiaofeng (Note vi)	–	–	–	–	–
	–	–	–	–	–
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**

Notes:

(i) ZHAO Chunxiao resigned as an Executive Director effective from 20 February 2020.

(ii) LI Wai Keung resigned as an Executive Director effective from 20 February 2020.

(iii) ZHU Guang was appointed as an Executive Director effective from 28 October 2019.

(iv) ZENG Yi resigned as an Executive Director effective from 28 October 2019.

(v) HOU Wailin was appointed and resigned as a Non-Executive Director and the Chairman of the Board effective from 5 June 2019 and 20 February 2020 respectively.

(vi) HUANG Xiaofeng resigned as a Non-Executive Director and ceased to be the Chairman of the Board effective from 5 June 2019.

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$'000	Pension scheme contribu -tions HK$'000	Total remunera -tion 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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: 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 (2018: 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 (2018: five) highest paid employees who are neither directors nor chief executives of the Company are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**3,352**	3,607
Performance-related bonuses	**8,280**	4,883
Pension scheme contributions	**1,087**	935
	12,719	9,425

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	
	2019	2018
HK$1,500,001 to HK$2,000,000	**–**	4
HK$2,000,001 to HK$2,500,000	**4**	1
HK$2,500,001 to HK$3,000,000	**1**	–
	5	5

8 FINANCE INCOME/(COST)

	2019 HK$'000	2018 HK$'000
Finance income		
– bank interest income	**11,168**	7,856

	2019 HK$'000	2018 HK$'000
Finance cost		
– interest expenses on bank loans	**115,748**	32,537
– interest expenses on loans from fellow subsidiaries and ultimate holding company	**13,914**	15,647
– others	**681**	3,358
Total finance cost incurred	**130,343**	51,542
Less: amount capitalised under property development project	**(54,064)**	(18,415)
Total finance cost expensed during the year	**76,279**	33,127

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 4.35% and 4.75% per annum (2018: 5.46% and 6.65%).

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 (2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. PRC corporate income tax has been provided at the rate of 25% (2018: 25%) on the estimated assessable profit for the year.

Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions. During 2018, the over-provision of LAT in relation to the sales of certain properties in the prior year amounting to HK$77,173,000 was reversed, following tax clearance with the local tax authorities to charge the LAT at deemed basis. There was no such over-provision of LAT during the year.

9 INCOME TAX (continued)

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

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

	2019 HK$'000	2018 HK$'000
Profit before tax	**634,825**	273,483
Tax at the statutory tax rates of 25% (2018: 25%)	**158,706**	68,371
Tax effect of different taxation rate	**11,077**	3,248
Under-provision of corporate income tax in Mainland China	**1,197**	–
Effect of withholding tax at 5% on the dividend distribution made by a PRC subsidiary	**4,549**	7,117
Income not subject to tax	**(1,084)**	(74,184)
Expenses not deductible for tax	**4,818**	5,533
Utilisation of previously unrecognised tax losses	**(203)**	(33,593)
Recognition of previously unrecognised tax losses	**(2,400)**	(2,520)
Recognition of previously unrecognised temporary difference	**–**	(45,379)
Temporary difference not recognised	**–**	181,517
Tax losses not recognised	**10,384**	8,678
LAT deductible for calculation of income tax purposes	**(119,741)**	(21,315)
Release of deferred LAT liabilities	**(260,932)**	(64,054)
LAT in Mainland China	**478,965**	9,586
Income tax expense	**285,336**	43,005

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

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 and 2018.

11(a) 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 2019		56,570	17,324	1,006	2,485	77,385
Additions		–	3,304	–	–	3,304
Disposals		(779)	(2,504)	–	(19)	(3,302)
Exchange differences		(1,130)	(378)	–	(54)	(1,562)
At 31 December 2019		54,661	17,746	1,006	2,412	75,825
Accumulated depreciation						
At 1 January 2019		10,434	5,845	948	1,290	18,517
Charge for the year	6	9,582	4,105	58	312	14,057
Disposals		(260)	(668)	–	–	(928)
Exchange differences		(305)	(185)	–	(33)	(523)
At 31 December 2019		19,451	9,097	1,006	1,569	31,123
Net book value at 31 December 2019		35,210	8,649	–	843	44,702
Net book value at 1 January 2019		46,136	11,479	58	1,195	58,868

11(a) 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 2018		8,341	7,484	1,006	1,869	18,700
Additions		50,226	6,662	–	708	57,596
Acquisition of a subsidiary		–	4,616	–	20	4,636
Disposals		–	(729)	–	–	(729)
Exchange differences		(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 differences		(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

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

	2019 HK$'000	2018 HK$'000
Selling and marketing expenses	**9,572**	3,403
Administrative expenses	**4,485**	2,984
	14,057	6,387

11(b) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Amounts recognised in the consolidated balance sheet

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of asset and liability:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Right-of-use assets		
Properties – offices	**18,780**	11,451
Lease liabilities		
Current	**9,078**	5,047
Non-current	**10,415**	7,591
	19,493	12,638

Additions to the right-of-use assets during the year were HK$13,861,000.

(ii) Amounts recognised in the consolidated statement of profit or loss

	2019 HK$'000	2018 HK$'000
Depreciation charge of right-of-use assets		
Properties – offices	**5,064**	–
Interest expense included in finance cost	**681**	–

The total cash outflow for leases including the interest expense during the year was HK$6,090,000.

12 INVESTMENT PROPERTIES

	Completed investment properties at fair value HK$'000 (Note a)	Investment properties under development at fair value HK$'000 (Note a)	Investment properties under development at cost HK$'000 (Note b)	Total HK$'000
2019				
At 1 January 2019	**522,498**	**–**	**1,688,814**	**2,211,312**
Additions	**–**	**99,474**	**117,961**	**217,435**
Transfer from investment properties under development at cost to investment properties under development at fair value (Note c)	**–**	**781,900**	**(781,900)**	**–**
Fair value (losses)/gains on investment properties	**(29,840)**	**605,480**	**–**	**575,640**
Exchange differences	**(10,896)**	**(30,083)**	**(22,035)**	**(63,014)**
At 31 December 2019	**481,762**	**1,456,771**	**1,002,840**	**2,941,373**
2018				
At 1 January 2018	27,849	–	1,129,042	1,156,891
Additions	17,607	–	634,725	652,332
Acquisition of a subsidiary	483,929	–	–	483,929
Fair value gains on investment properties	13,813	–	–	13,813
Exchange differences	(20,700)	–	(74,953)	(95,653)
At 31 December 2018	522,498	–	1,688,814	2,211,312

As at 31 December 2019, completed investment properties of fair value HK$363,255,000 (2018: HK$412,009,000) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (Note 19).

12 INVESTMENT PROPERTIES (continued)

Note:

(a) The Group measures its completed investment properties and certain investment properties under development at fair value. Independent valuation of the Group's investment properties were 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 2019 and 2018. The valuations were conformed to the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors.

The Group's completed investment properties and certain investment properties under development at fair value carried at fair value of HK$1,938,533,000 (2018: HK$522,498,000) 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 measured 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 certain investment properties under development of HK$1,002,840,000 (2018: HK$1,688,814,000) cannot be reliably measured as at 31 December 2019 and they were therefore measured at cost in the consolidated balance sheet.

(c) After obtaining the construction permit in December 2019 and considering the finalised and approved construction plan and budgets, the Group has concluded that the fair value of certain investment properties under development of HK$781,900,000 related to the property project on the Northern Land of the GDH City Project in Shenzhen can be reliably measured and therefore transferred from cost model to fair value model as at 31 December 2019. The corresponding fair value gain of HK$605,480,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2019.

Fair value measurements using significant unobservable inputs

As at 31 December 2019, the completed commercial properties which is located at Zhuguanglu in the PRC carrying at fair value of HK$450,327,000 (2018: HK$494,183,000) is derived using the income capitalisation method. Income capitalisation method is based on the capitalisation of the reversionary income potential by adopting appropriate market yields, 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 have made reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

For the commercial properties under development on the Northern Land of the GDH City Project in the PRC, the fair value of HK$1,456,771,000 (2018: N/A) is derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation.

12 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (continued)

The warehouse properties in the PRC, carrying at fair value of HK$31,435,000 (2018: HK$28,315,000) 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 respectively. 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 2019	2018
The Northern Land of the GDH City Project, the investment properties under development at fair value	Residual method	Market yield for the gross development value	**4% (saleable retail portion and carpark)/4.5% (non-commodity property retail portion)**	N/A
		Estimated cost of construction (per sq. m.)	**HK$7,740**	N/A
		Estimated developer's profit	**20%**	N/A
Zhuguanglu completed commercial properties	Income capitalisation method	Market yield	**5%**	5%
		Estimated rental per month (per sq. m.)	**HK$52 to HK$442**	HK$80 to HK$348
Warehouse properties	Market approach	Estimated land value (per sq. m.)	**HK$755 to HK$1,308**	HK$405 to HK$458
	Depreciated replacement cost method	Estimated cost of construction (per sq. m.)	**HK$2,493 to HK$2,957**	HK$2,518 to HK$2,987

In estimating the fair value of the 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.

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

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

13 COMPLETED PROPERTIES HELD FOR SALE AND PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2019 HK$'000	2018 HK$'000
Completed properties held for sale	**3,349,289**	4,946,066

Completed properties held for sale of HK$1,803,363,000 (2018: HK$3,566,882,000) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (Note 19).

	2019 HK$'000	2018 HK$'000
Properties held for sale under development expected to be completed and delivered:		
– Within a normal operating cycle included under current assets	**3,648,306**	2,102,738
Amounts comprise:		
– Land premium	**2,656,208**	1,598,384
– Construction costs including depreciation and staff costs capitalised	**943,910**	496,570
– Finance cost capitalised	**48,188**	7,784
	3,648,306	2,102,738

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$1,488,621,000 (2018: HK$2,102,738,000) were not scheduled for completion within twelve months.

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments (Note)	**157,038**	56,985
Deposits and other receivables	**27,742**	32,259
	184,780	89,244

Note:

The balance included the prepayment for the Northern Land of the GDH City Project's construction contracts of HK$30,522,000.

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

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**1,480**	2,087
Renminbi	**183,140**	87,157
United States dollar	**160**	–
	184,780	89,244

The Group's consolidated balance as at 31 December 2019 included amounts due from fellow subsidiaries of HK$1,036,000 (2018: HK$1,230,000).

None of the above assets is past due and no impairment is made as at 31 December 2019 and 2018. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15 CONTRACT ASSETS

The Group has recognised the following assets related to contracts with customers which are denominated in Renminbi:

	2019 HK$'000	2018 HK$'000
Contract assets relating to sales commission of property sales	**26,119**	–

16 PLEDGED BANK DEPOSIT, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Notes	2019 HK$'000	2018 HK$'000
Cash and bank balances		**1,269,745**	959,371
Time deposits with original maturity of less than three months when acquired		**73,320**	95,940
		1,343,065	1,055,311
Less: restricted bank balances	(a)	**(298,712)**	(177,454)
pledged bank deposit	(b)	**(42,895)**	(42,278)
Cash and cash equivalents		**1,001,458**	835,579

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

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**7,448**	1,598
Renminbi	**1,257,237**	941,657
United States dollar	**78,380**	112,056
	1,343,065	1,055,311

Notes:

(a) Balance at 31 December 2019 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$298,541,000 (2018: HK$177,280,000).

(b) Balance at 31 December 2019 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$42,895,000 (2018: HK$42,278,000).

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$915,632,000 (2018: HK$721,925,000). The RMB is 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.

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

	2019 HK$'000	2018 HK$'000
Trade payables (Note a)	**1,565**	4,178
Construction costs accruals	**404,069**	326,172
Other payables, accruals and provisions	**104,033**	90,879
Amounts due to group companies (Note b)	**2,302**	435,975
Amount due to non-controlling interests (Note b)	**22,326**	–
	534,295	857,204

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

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**19,680**	10,939
Renminbi	**514,615**	846,265
	534,295	857,204

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:

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

(b) Amounts due to group companies and non-controlling interests 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:

	2019 HK$'000	2018 HK$'000
Contract liabilities	**1,444,888**	454,961

Notes:

(a) 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.

(b) 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.

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
– Property sales	**265,988**	12,991

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

	2019 HK$'000	2018 HK$'000
Expected to be recognised within one year	**1,522,923**	830,777
Expected to be recognised after one year	**–**	226,957
	1,522,923	1,057,734

19 BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank borrowings – secured	**1,730,265**	2,512,001
Bank borrowings repayable as follows:		
Not exceeding 1 year	**234,423**	470,216
More than 1 year but not exceed 2 years	**680,943**	569,508
More than 2 year but not exceed 5 years	**814,899**	1,472,277
	1,730,265	2,512,001
Less: current portion	**(234,423)**	(470,216)
Non-current portion	**1,495,842**	2,041,785

Bank borrowings are secured by the following pledged assets:

	2019 HK$'000	2018 HK$'000
Completed properties held for sale (Note 13)	**1,803,363**	3,566,882
Investment properties (Note 12)	**363,255**	412,009
Pledged bank deposit (Note)	**–**	–
	2,166,618	3,978,891

Note:

Pursuant to the relevant bank loan agreement, the bank borrowing of HK$837,225,000 (2018: HK$798,910,000) is secured by a pledged bank deposit account. As at 31 December 2019, there is nil cash and bank deposit in this designated account (2018: Nil).

Out of the above secured bank borrowings of HK$1,730,265,000 (2018: HK$2,512,001,000), an aggregate amount of HK$893,040,000 (2018: HK$1,369,560,000) is also secured by pledge of shares of a subsidiary (Note 31).

The secured bank borrowings of HK$1,730,265,000 (2018: HK$2,512,001,000) are repayable by instalments. Such secured bank borrowings are interest bearing at floating rates with contractual interest repricing dates ranged within 6 months.

As at 31 December 2019, the weighted average effective interest rate of the Group's bank borrowings is 5.00% (2018: 5.11%) 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:

	2019 HK$'000	2018 HK$'000
Deferred tax assets:		
– to be realised after 12 months	**53,806**	73,014
– to be realised within 12 months	**139,145**	111,232
	192,951	184,246
Deferred tax liabilities:		
– to be settled after 12 months	**(1,163,047)**	(1,247,524)
– to be settled within 12 months	**(155,471)**	(452,794)
	(1,318,518)	(1,700,318)
	(1,125,567)	(1,516,072)

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

	2019 HK$'000	2018 HK$'000
Beginning of the year	**(1,516,072)**	6,809
Acquisition of a subsidiary	**–**	(1,735,750)
Credited in profit or loss	**363,985**	153,182
Exchange differences	**26,520**	59,687
	(1,125,567)	(1,516,072)

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 2018	(5,917)	(67,589)	–	(73,506)
Acquisition of a subsidiary	–	(1,782,953)	–	(1,782,953)
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (Note 9)	(3,453)	96,606	(4,517)	88,636
Exchange differences	397	66,944	164	67,505
At 31 December 2018 and 1 January 2019	**(8,973)**	**(1,686,992)**	**(4,353)**	**(1,700,318)**
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (Note 9)	**(149,441)**	**508,440**	**(7,993)**	**351,006**
Exchange differences	**2,943**	**27,609**	**242**	**30,794**
At 31 December 2019	**(155,471)**	**(1,150,943)**	**(12,104)**	**(1,318,518)**

20 DEFERRED TAX (continued)

Deferred tax assets

	Provision for LAT HK$'000	Tax Loss HK$'000	Others HK$'000	Total HK$'000
At 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 realignment	(4,644)	(1,509)	(1,665)	(7,818)
At 31 December 2018 and 1 January 2019	**101,880**	**38,170**	**44,196**	**184,246**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (Note 9)	**2,474**	**(437)**	**10,942**	**12,979**
Exchange differences	**(2,277)**	**(828)**	**(1,169)**	**(4,274)**
At 31 December 2019	**102,077**	**36,905**	**53,969**	**192,951**

The Group has tax losses arising in the PRC of HK$72,712,000 (2018: HK$44,752,000) 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 2019, no deferred tax has been recognised for withholding taxes that would be payable on the undistributed 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 subsidiaries 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 subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately HK$677,789,000 at 31 December 2019 (2018: HK$542,056,000).

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

21 SHARE CAPITAL

	2019	2018
	HK$'000	HK$'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:

	2019	2018
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%

	2019 **HK$'000**	2018 HK$'000
Profit for the year allocated to non-controlling interest:		
GPY	**8,426**	6,215
Dividends declared to non-controlling interest of GPY	**22,743**	35,529
Accumulated balance of non-controlling interest at the reporting date:		
GPY	**106,161**	122,907

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

	2019 **HK$'000**	2018 HK$'000
GPY		
Revenue	**221,483**	100,624
Total expenses	**(179,353)**	(69,548)
Profit for the year	**42,130**	31,076
Total comprehensive income for the year	**29,987**	24
Current assets	**735,471**	1,024,953
Non-current assets	**207**	87,501
Current liabilities	**(179,610)**	(447,414)
Non-current liabilities	**(25,264)**	(50,504)
Net cash flows (used in)/from operating activities	**(283,656)**	154,280
Net cash flows from investing activities	**266,751**	31,880
Net cash flows used in financing activities	**–**	(177,645)
Net (decrease)/increase in cash and cash equivalents	**(16,905)**	8,515

24 CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2019	2018
	HK$'000	HK$'000
Contracted, but not provided for:		
Property development expenditure	**1,082,898**	226,206
Intangible asset	**31,593**	–
	1,114,491	226,206

25 GUARANTEES

As at 31 December 2019, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2019, the Group's outstanding guarantees amounted to HK$653,856,000 (2018: HK$370,276,000) for these guarantees.

26 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	**634,825**	273,483
Depreciation	**19,121**	6,387
Finance costs	**76,279**	33,127
Finance and interest income and gain	**(11,168)**	(31,414)
Loss/(gain) on disposal of property, plant and equipment	**59**	(13)
Gain on lease modification	**(113)**	–
Exchange gains, net	**(10,704)**	–
Fair value gains on investment properties	**(575,640)**	(13,813)
Gain on bargain purchase	**–**	(296,737)
Operating profit/(loss) before working capital changes	**132,659**	(28,980)
Decrease in completed properties held for sale	**1,516,301**	170,193
Increase in properties held for sale under development	**(1,573,241)**	(284,150)
Increase in prepayments, deposits and other receivables	**(100,337)**	(34,376)
Increase in contract assets	**(26,608)**	–
(Increase)/decrease in amount due from fellow subsidiaries	**(77)**	21,812
Decrease in trade payables	**(2,569)**	(12,419)
Increase in other payable and accrued liabilities	**90,256**	86,767
Decrease in amounts due to group companies	**(432,063)**	–
Increase in contract liabilities	**1,018,613**	389,346
Increase in restricted bank balances	**(126,899)**	(47,418)
Increase in a pledged bank deposit	**(1,571)**	–
Net cash generated from operations	**494,464**	260,775

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings HK$'000	Loans from a fellow subsidiary HK$'000	Lease obligations HK$'000	Total HK$'000
At 1st Jan 2019	**2,512,001**	**–**	**–**	**2,512,001**
Adoption of HKFRS 16	**–**	**–**	**12,638**	**12,638**
Cash flows	**(740,317)**	**1,455,616**	**(5,409)**	**709,890**
Addition and disposal of leases	**–**	**–**	**12,508**	**12,508**
Exchange differences	**(41,419)**	**(26,752)**	**(244)**	**(68,415)**
At 31st Dec 2019	**1,730,265**	**1,428,864**	**19,493**	**3,178,622**

27 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	**2019** **HK$'000**	2018 HK$'000
Properties sales to a fellow subsidiary	(i)	**52,788**	–
Properties pre-sale deposit received from a director	(i)	**5,178**	–
Rental income received from a fellow subsidiary	(ii)	**–**	112
Rental expenses paid to a fellow subsidiary	(ii)	**(3,163)**	(3,155)
Information technology related service fee paid to a fellow subsidiary	(iii)	**(258)**	(541)
Consultancy fee paid to a fellow subsidiary	(iv)	**(1,931)**	(2,013)
Property management fee paid to a fellow subsidiary	(v)	**(9,479)**	(854)
Service fee paid to a fellow subsidiary	(v)	**(1,372)**	(1,808)
Advertisement fee paid to a fellow subsidiary	(vi)	**(116)**	–
Interest expenses paid to fellow subsidiaries	(vii)	**(13,914)**	(14,898)
Interest expenses paid to the ultimate holding company	(viii)	**–**	(749)

Notes:

(i) The considerations of the properties sales and pre-sale were determined based on the respective prices of the property units that were quoted on the public price list of projects of the Group.

(ii) The rental was charged in accordance with the terms of agreements entered into between the Group and the respective fellow subsidiaries.

At the end of the reporting period, the Group had total future minimum lease commitments to its fellow subsidiary of HK$9,485,000 for a lease arrangement ending on 30 November 2022 (2018: HK$2,892,000 for a lease arrangement ended 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 agreements entered into between the Group and a fellow subsidiary.

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

(vii) The interest expenses was charged at effective interest rate of 100% (2018: 100.0% to 110.0%) of lending rate announced by the People's Bank of China.

(viii) The interest expenses was charged at effective interest rate from 4.9% to 5.0% in 2018. There was no such interest expenses for 2019.

27 RELATED PARTY TRANSACTIONS (continued)

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

	2019 HK$'000	2018 HK$'000
Short term employee benefits	**1,591**	1,475
Post-employment benefits	**111**	131
Total compensation paid to key management personnel	**1,702**	1,606

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

(c) Outstanding balance with related parties

	Notes	2019 HK$'000	2018 HK$'000
Amounts due from fellow subsidiaries	(i)	**1,036**	1,230
Amount due to the ultimate holding company	(i)	**–**	(26)
Amount due to an intermediate holding company	(i)	**(3)**	(6)
Amounts due to fellow subsidiaries	(i)	**(2,299)**	(435,943)
Amount due to non-controlling interest	(i)	**(22,326)**	–
		(24,628)	(435,975)
Short-term loan from a fellow subsidiary	(ii)	**(446,520)**	–
Long-term loan from a fellow subsidiary	(ii)	**(982,344)**	–
		(1,453,492)	(435,975)

Notes:

(i) The amounts due from/(to) related parties are unsecured, interest-free and repayable on demand.

(ii) The short-term loan from a fellow subsidiary is unsecured, interest bearing at interest rate of 4.35% per annum and repayable within one year.

The long-term loan from a fellow subsidiary is unsecured, interest bearing at interest rate of 4.75% per annum and repayable within four years.

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk and cash flow 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	**(Decrease)/ increase in profit before tax**	**(Decrease)/ increase in equity**
	%	HK$'000	HK$'000
2019			
If HK$ weakens against RMB	**3**	**2,406**	**2,406**
If HK$ strengthens against RMB	**(3)**	**(2,406)**	**(2,406)**
2018			
If HK$ weakens against RMB	3	(138)	(138)
If HK$ strengthens against RMB	(3)	138	138

28 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 (2018: 50) basis points and all other variables were held constant, the profit of the Group would have decreased or increased by approximately HK$5,452,000 (2018: profit of the Group would have increased or decreased by approximately HK$3,289,000) resulting from the change in interest income on bank deposits and the finance costs of bank and other 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 counterparties and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

28 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 trade and other receivables since the initial recognition of those assets, although the decrease cannot yet be identified with the individual trade and 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 trade and 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 2019 and 2018, 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.

28 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 2019 and 2018, 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.

28 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
2019					
Trade payables	**–**	**62**	**1,503**	**–**	**1,565**
Financial liabilities included in other payables, accruals and provisions	**420,630**	**67,963**	**23,085**	**–**	**511,678**
Bank borrowings	**–**	**21,822**	**298,803**	**1,640,119**	**1,960,744**
Loans from a fellow subsidiary	**–**	**–**	**460,822**	**1,166,305**	**1,627,127**
Financial guarantee	**653,856**	**–**	**–**	**–**	**653,856**
Lease liabilities	**–**	**2,417**	**7,404**	**10,908**	**20,729**
	1,074,486	**92,264**	**791,617**	**2,817,332**	**4,775,699**
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
Financial guarantee	370,276	–	–	–	370,276
	1,147,924	187,271	479,400	2,283,146	4,097,741

28 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	
	2019	2018
	HK$'000	HK$'000
Financial assets included in prepayments, deposits and other receivables	**27,742**	32,259
Pledged bank deposit	**42,895**	42,278
Restricted bank balances	**298,712**	177,454
Cash and cash equivalents	**1,001,458**	835,579
	1,370,807	1,087,570

(ii) Financial liabilities

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	HK$'000
Bank borrowings	**1,730,265**	2,512,001
Loans from a fellow subsidiary	**1,428,864**	–
Lease liabilities	**19,493**	–
Trade payables	**1,565**	4,178
Financial liabilities included in other payables, accruals and provisions	**511,678**	849,102
	3,691,865	3,365,281

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(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 2019 and 2018.

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 (2018: Nil).

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.

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.

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(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 2019 and 2018.

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

	2019	2018
	HK$'000	HK$'000
Bank borrowings (Note 19)	**1,730,265**	2,512,001
Loans from a fellow subsidiary (Note 27(c))	**1,428,864**	–
Lease liabilities (Note 11(b))	**19,493**	–
Less: Cash and cash equivalents (Note 16)	**(1,001,458)**	(835,579)
Net debt	**2,177,164**	1,676,422
Total equity	**4,870,010**	4,660,016
Gearing ratio	**44.71%**	35.97%

29 BALANCE SHEET OF THE COMPANY

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

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**443**	440
Right-of-use assets	**8,824**	–
Investments in subsidiaries	**460,585**	518,422
Amounts due from subsidiaries	**3,948,453**	4,033,086
Total non-current assets	**4,418,305**	4,551,948
Current assets		
Prepayments, deposits and other receivables	**134,640**	700
Restricted bank balances	**171**	174
Cash and bank balances	**12,495**	17,872
Total current assets	**147,306**	18,746
Total assets	**4,565,611**	4,570,694
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	**(36,319)**	(433,691)
Other payables, accruals and provision	**(15,120)**	(10,829)
Lease liabilities	**(2,895)**	–
Total current liabilities	**(54,334)**	(444,520)
Net current assets/(liabilities)	**92,972**	(425,774)
Total assets less current liabilities	**4,511,277**	4,126,174
Non-current liability		
Lease liabilities	**(5,946)**	–
Total liabilities	**(60,280)**	(444,520)
Net assets	**4,505,331**	4,126,174
EQUITY		
Share capital	**171,154**	171,154
Reserves (Note)	**4,334,177**	3,955,020
Total equity	**4,505,331**	4,126,174

29 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 HK$'000	Total HK$'000
At 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 and 1 January 2019	**1,688,606**	**140,234**	**2,126,180**	**3,955,020**
Profit for the year and total comprehensive income for the year	**–**	**–**	**379,157**	**379,157**
At 31 December 2019	**1,688,606**	**140,234**	**2,505,337**	**4,334,177**

30 POST BALANCE SHEET EVENT

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

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

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

31 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		Principal activities
			Direct	Indirect	
廣州市番禺粵海房地產有限公司	PRC/Mainland China	RMB187,300,000	–	80	Property development
粵海科技(深圳)有限公司#	PRC/Mainland China	US$50,000,000	–	100	Property investment
粵海置地(深圳)有限公司#	PRC/Mainland China	RMB4,000,000,000	–	100	Property development and investment
廣東粵海房地產開發有限公司*	PRC/Mainland China	RMB308,000,000	–	100	Property development and investment
江門市粵海置地房地產投資有限公司	PRC/Mainland China	RMB530,000,000	–	100	Property development
Silver Coin Limited	Hong Kong	HK$1	100	–	Investment holding

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

* The 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.

32 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2020.

Particulars of Major Properties

31 December 2019

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, 3008 Taibai Road, Luohu District, Shenzhen, Guangdong, PRC	Commercial/ commercial apartment/ office/ mall etc.	66,526	462,051	100%
Land Parcel at Chenyuan Road, Pengjiang District, Jiangmen City, Guangdong, PRC	Residential/ commercial apartment	59,705	164,216	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, Dashi Town, 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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GUANGDONG LAND HOLDINGS LIMITED