THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, licensed corporation, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

粵海置地

GUANGDONG LAND HOLDINGS LIMITED
粵 海 置 地 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 0124)

MAJOR TRANSACTION

MAIN CONTRACTOR CONSTRUCTION AGREEMENT IN RELATION TO THE SOUTHERN LAND UNDER THE GDH CITY PROJECT

All capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board (as defined in this circular) is set out on pages 5 to 18 of this circular.

The Company has obtained written approval for the Agreement pursuant to Rule 14.44 of the Listing Rules from the controlling Shareholder of the Company which holds more than 50% of the issued share capital of the Company giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be convened to approve the Agreement pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

9 December 2019

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Agreement"	Guangdong Land Building Works Main Contractor Construction Agreement (粵海置地大廈建築施工總承包工程合同) dated 18 November 2019 between Guangdong Land Shenzhen and the Contractor in respect of the main contractor construction of the Southern Land
"Baohuaxuan Project"	the development and construction of certain residential properties located between Wenchang South Road (文昌南路) and Old Baohua Road (舊寶華路) in Liwan District (荔灣區) in Guangzhou, the PRC (for details, please refer to the circular of the Company dated 18 May 2018)
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, a Sunday or public holiday) on which banks in Hong Kong are normally open for banking business to the public
"Company"	Guangdong Land Holdings Limited (粵海置地控股有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Competing Business"	has the meaning ascribed to it under the section headed "4. Disclosure of other interests" in Appendix II to this circular
"Concrete Moulding and Framework Fees"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"Construction"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Subject matter" in the letter from the Board contained in this circular
"Contractor"	China Construction Eighth Engineering Division Corp. Ltd. (中國建築第八工程局有限公司), a company established in the PRC
"Director(s)"	the director(s) of the Company
"GDH"	has the meaning ascribed to it under the section headed "3. Interests and short positions of substantial Shareholders" in Appendix II to this circular
"GDH City Land"	a plot of land located in the Buxin Area (布心片區), Luohu District, Shenzhen, the PRC to be developed under the GDH City Project (for details, please refer to the circular of the Company dated 22 June 2016)

"GDH City Project"	the development project of a multi-functional commercial complex with the jewellery as the main theme (for details, please refer to the circular of the Company dated 22 June 2016), which is a marketing name used by the Group for promoting the Buxin Project
"GDI"	has the meaning ascribed to it under the section headed "2. Interests and short positions of Directors and chief executive" in Appendix II to this circular
"GFA"	gross floor area
"Greater Bay Area"	has the meaning ascribed to it under the section headed "5. Financial and trading prospects of the Group — Outlook" in Appendix I to this circular
"Group"	the Company and its subsidiaries
"Guangdong Holdings"	has the meaning ascribed to it under the section headed "3. Interests and short positions of substantial Shareholders" in Appendix II to this circular
"Guangdong Land Shenzhen"	粵海置地(深圳)有限公司(Guangdong Land (Shenzhen) Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"GYPD"	has the meaning ascribed to it under the section headed "5. Financial and trading prospects of the Group" in Appendix I to this circular
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Incentives for Good Quality and Price"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"Latest Practicable Date"	4 December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion herein
"Laurel House Project"	the development and construction of certain residential and commercial properties located at 43-79 Zhuguang Road, Yuexiu District (越秀區珠光路43-79號) in Guangzhou, the PRC (for details, please refer to the circular of the Company dated 18 May 2018)
"Levies and Taxes"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"Major Materials"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"Measure Fees"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Northern Land"	the northern part of the GDH City Land (designated as land number H409-0092) (for details, please refer to the circular of the Company dated 22 June 2016)
"Northern Land Construction Agreements"	has the meaning ascribed to it under the section headed "7. MATERIAL CONTRACTS" in Appendix II to this circular
"Northwestern Land"	the northwestern part of the GDH City Land (designated as land number H409-0078(1)) (for details, please refer to the circular of the Company dated 22 June 2016)
"Other Measure Fees"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"Pengjiang Project"	the development and construction of the land located to the southeast to the intersection of Chenyuan Road and Longteng Road and west to Fengxiang Road in Pengjiang District, Jiangmen City, the PRC (for details, please refer to the section headed "Successful Bidding for the Land Use Rights of a land parcel in Jiangmen City" in Appendix I to this circular)
"PRC"	the People's Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Ruyingju Project"	the construction, development and sale of certain commodity residential properties and the related ancillary facilities erected on the land located in South of Sanzhi Xiangshui Road, Dongxiang Village, Dashi Town, Panyu District, Guangzhou, the PRC（中國廣州番禺區大石鎮東鄉村三支香水道南側）undertaken by 廣州市番禺粵海房地產有限公司 (Guangzhou Panyu Yuehai Real Estate Company Limited) (for details, please refer to the circular of the Company dated 2 April 2015)
"Safety Measure Fees"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Southern Land"	the southern part of the GDH City Land (designated as land number H409-0011) (for details, please refer to the circular of the Company dated 22 June 2016)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"sq. m."	square metre(s)
"Sub-project Fees"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"US"	the United States of America
"Work Fees"	has the meaning ascribed to it under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in the letter from the Board contained in this circular
"%"	per cent.

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

For the purpose of this circular, unless otherwise specified, conversion of Renminbi, the lawful currency of the PRC, into Hong Kong dollars, the lawful currency of Hong Kong, is based on the approximate exchange rate of HK$1 to RMB0.8946. No representation is made that any amount in HK$ and RMB could be converted at such rate.

GUANGDONG LAND HOLDINGS LIMITED
粵 海 置 地 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 0124)

Board of Directors:

Non-Executive Director
HOU Wailin *(Chairman)*

Executive Directors
ZHAO Chunxiao *(Chief Executive Officer)*
LI Wai Keung
WU Mingchang
ZHU Guang

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)

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office & Principal Place of Business in Hong Kong:

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

9 December 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

MAIN CONTRACTOR CONSTRUCTION AGREEMENT IN RELATION TO THE SOUTHERN LAND UNDER THE GDH CITY PROJECT

A. INTRODUCTION

Reference is made to the circular of the Company dated 22 June 2016 in relation to the Buxin Project (now known as the GDH City Project), which set out the details of the GDH City Project. As disclosed in the Company's interim report for the six months ended 30 June 2019 published on 25 September 2019, the Southern Land is under the second phase of the development of the GDH City Project and the properties thereon are expected to be filed for completion (竣工備案) in 2023 based on current schedule.

Reference is also made to the announcement of the Company dated 18 November 2019 in relation to the Agreement which disclosed that, upon the conclusion of a tender process for the selection of the main contractor for the construction of the Southern Land, on 18 November 2019, Guangdong Land Shenzhen (a wholly-owned subsidiary of the Company) entered into the Agreement with the Contractor in relation to the Construction of the Southern Land at the Consideration of RMB626,083,681.73 (equivalent to approximately HK$699,848,000), subject to adjustments (if any) as set out below. More details of the Agreement are set out below.

The purpose of this circular is to provide Shareholders with further details of the Agreement.

B. THE AGREEMENT

A summary of the salient terms of the Agreement is set out below:

Parties

Principal (發包人)	:	Guangdong Land Shenzhen, a wholly-owned subsidiary of the Company
Contractor (承包人)	:	China Construction Eighth Engineering Division Corp. Ltd.

Based on public information available, the Company understands that the Contractor is a wholly-owned subsidiary of China State Construction Engineering Corporation Limited (中國建築股份有限公司) (“**CSCECL**”), a company currently listed on the Shanghai Stock Exchange (stock code: 601668.SH); and the CSCECL group of companies are principally engaged in project development and investment, survey and design, engineering contracting, urban infrastructure project and construction engineering in the PRC, North America, Hong Kong and Macau, Africa and other regions; and, further, CSCECL had stated in its interim report dated 28 August 2019 that its controlling shareholder was China State Construction Engineering Group Co. Ltd, whose ultimate beneficial owner was the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are not connected persons of the Company and thus they are third parties independent of the Group.

Subject matter

On 18 November 2019, the Contractor was appointed as the contractor for main contractor construction of the Southern Land (the “**Construction**”). Tenders were received from 10 bidders. The Group has considered the quotations, specialised technological know-hows, equipment, construction plan, proposed construction period, personnel and experience of all 10 bidders for the determination of the successful bidder, among which the quotation and the bidders’ relevant experience in carrying out construction works of comparable scale and complexity (i.e. constructing office buildings of around 300 metres in height) were the major factors considered by the Group. After conducting an overall evaluation of the tender proposals, the Construction was awarded to the Contractor on the basis that it obtained the most votes from the Group’s tender evaluation committee. The Contractor’s bidding price is within the mid-range of the bidding prices submitted by the other 9 bidders and the Company considers that the Consideration was consistent with the Group’s estimation of the Construction’s contract value having regard to the market price of the constructions that are of similar scale and nature, in particular, the Group has relied on the results of other open tenders published by the Shenzhen Building and Construction Bureau (深圳市住房和建設局).

Pursuant to the Agreement, the scope of the Construction shall include the basement and commercial shopping buildings works as well as the office tower works, inter alia, secondary earth-and-stone works, anti-floating anchor works, main structural works (including basement structure), steel structure works, roofing works, waterproof works, curtain wall works prefabrication, buildings' water supply and drainage prefabrication, electrical pipe and wire prefabrication, intelligence prefabrication, ventilation and air-conditioning prefabrication, grounding prefabrication for lightning arrester, decorative and fitting-out works, wall vibration isolation and noise reduction, other sporadic works and etc.

Consideration and basis of determination of Consideration

The total consideration payable to the Contractor for the Construction shall be RMB626,083,681.73 (equivalent to approximately HK$699,848,000) (the "**Consideration**"). If the volatility of wages, the prices of steel bars (excluding pre-stressed steel strands, rough decorative works and steel bars for electromechanical parts), shaped steel (excluding embedded parts, embedded bolts, laminated steel plates, rough decorative works and shaped steel for electromechanical parts), commodity concrete (excluding fine stone concrete, underwater concrete, rough decorative works and commodity concrete for electromechanical parts), commodity plastering mortar and ground mortar, aerated concrete blocks (including commodity masonry mortar when calculation of works' quantity) (collectively "**Major Materials**") exceeds such percentage as stated in the Agreement or there is a change of works and permit after on-site inspections or there is a state policy adjustment to value-added tax rate, the Consideration may subject to adjustments pursuant to the corresponding mechanism under the Agreement.

The Consideration comprises (i) sub-project fees（分部分項工程費）("**Sub-project Fees**"), including sub-project fees, management fees and other relevant fees for sub-projects of the works under the Construction as set out in the paragraph headed "Subject matter" above; (ii) measure fees（措施項目費）("**Measure Fees**"), including safety and civilisation measure fees（安全文明施工措施費）("**Safety Measure Fees**"), concrete moulding and framework fees（混凝土模板及支架費）("**Concrete Moulding and Framework Fees**") and other measure fees ("**Other Measure Fees**"); (iii) levies and taxes（徵費及稅金）("**Levies and Taxes**") payable in relation to the works under the applicable rules and regulations in the PRC; and (iv) incentives for good quality and price（優質優價獎勵費）("**Incentives for Good Quality and Price**").

The Consideration shall be paid by Guangdong Land Shenzhen in cash in the manners set out below:

(i) Prepayment

Upon signing of the Agreement, where the Contractor provides the letter from bank performance guarantee and applies for the prepayment, within 42 days upon receipt of the application, Guangdong Land Shenzhen shall pay RMB60,338,461.37 (equivalent to approximately HK$67,447,000), representing 10% of the aggregate of Sub-project Fees, Measure Fees, Incentives for Good Quality and Price and the relevant Levies and Taxes (net of the payment for Safety Measure Fees, Guangdong Land Shenzhen supplied materials and equipment fees, Incentives for Good Quality and Price, tentative fees and provisionally listed amounts (if any)) under the Agreement; before making such payments, the Contractor shall issue the relevant tax invoice for each of the said amounts to Guangdong Land Shenzhen;

(ii) Work Fees

Sub-project Fees, Concrete Moulding and Framework Fees and the relevant Levies and Taxes (collectively "**Work Fees**") (after deduction of the relevant fees) shall be paid by the following means:

(1) where the Contractor lodges application for the work progress fees to the engineers and Guangdong Land Shenzhen at the monthly agreed time under the Agreement, upon the review and confirmation of the application for the work progress fees by the engineers and Guangdong Land Shenzhen, Guangdong Land Shenzhen shall pay to the Contractor the work progress fees, which is 80% of construction price in respect of the completed works (reviewed and confirmed by Guangdong Land Shenzhen) in that month after deduction of other deductible amounts;

(2) if Guangdong Land Shenzhen confirms in writing that it is necessary to adjust the construction price for on-site permit and change of works, payment or deduction shall be made to the 80% of the construction price (reviewed and confirmed by Guangdong Land Shenzhen) of the latest subsequent instalment of work progress fees;

(3) upon completion of the removal of external wall scaffolding, Guangdong Land Shenzhen shall pay to the Contractor the work progress fees up to 85% of the accrued construction price in respect of the completed works (total sum of Sub-project Fees, Concrete Moulding and Framework Fees, for on-site permit and change of works and the corresponding stipulated fees as well as tax payables) reviewed and confirmed by Guangdong Land Shenzhen after deduction of other deductible amounts;

(4) within the context of the Agreement, upon completion inspection of works under level one is conducted and passed, the Contractor may apply to Guangdong Land Shenzhen for settlement in phases. After the review of the settlement amount in phases by Guangdong Land Shenzhen, Guangdong Land Shenzhen shall pay 85% of the settlement amount in phases confirmed by both the Contractor and Guangdong Land Shenzhen; and

(5) within the context of the Agreement, upon completion inspection of all works is conducted and passed and successful delivery of all works, relocation of all equipment, machineries, materials and other articles of the Contractor from the worksite and receipt of the certificate of compliance for works completion and inspection approved under the seal of the engineers and Guangdong Land Shenzhen and delivery of the complete completion information to Guangdong Land Shenzhen, Guangdong Land Shenzhen shall pay to the Contractor the work progress fees up to 90% of the accrued construction price in respect of the completed works (total sum of Sub-project Fees, Concrete Moulding and Framework Fees, for on-site permit and change of works and the corresponding stipulated fees as well as tax payables) reviewed and confirmed by Guangdong Land Shenzhen after deduction of other deductible amounts;

(iii) Safety Measure Fees and Other Measure Fees

(1) Safety Measure Fees

Safety Measure Fees shall be paid by the following means:

(a) upon signing of the Agreement, Guangdong Land Shenzhen shall pay 50% of the Safety Measure Fees after the proposal on safety and civilisation measures and construction organisational design be assessed and passed by the engineers and Guangdong Land Shenzhen; and

(b) upon delivery of works inspection information that passes inspection without occurrence of any safety incident, Guangdong Land Shenzhen shall pay the remaining 50% of the Safety Measure Fees;

(2) Other Measure Fees

(a) Guangdong Land Shenzhen shall pay 12% of the sub-project items' progress fees (excluding tax) confirmed in that month while the accumulated payment amount of the progress fees for Other Measure Fees shall not exceed 80% of total Other Measure Fees; and

(b) Guangdong Land Shenzhen shall pay to the Contractor up to 90% of total Other Measure Fees under the Agreement upon completion inspection of the works is conducted and passed, receipt of the certificate of compliance for works completion and inspection approved under the seal of the engineers and Guangdong Land Shenzhen and delivery of the complete information to Guangdong Land Shenzhen;

Levies and Taxes corresponding to such Measure Fees shall be paid according to the relevant policy and requirements in conjunction with the said relevant payments;

(iv) Management fees

Management fees (after deduction of the relevant fees) of each single professional work shall be paid by the following means:

(1) upon the contractor for such professional construction has gained access to the site, Guangdong Land Shenzhen shall pay to the Contractor 20% of the management fees corresponding to such professional construction;

(2) upon completion inspection of such professional construction is conducted and passed, receipt of the construction works completion inspection filing notice and delivery of the complete completion information to Guangdong Land Shenzhen, Guangdong Land Shenzhen shall pay to the Contractor up to 90% of the management fees corresponding to such professional construction; and

(3) up to 97% of the management fees corresponding to such professional construction shall be paid upon settlement of completion of such professional construction but Guangdong Land Shenzhen considers that the deductible amount(s) shall be deducted in the same period;

(v) Remainder of the Consideration

Remainder of the Consideration shall be paid by the following means:

(1) upon confirmation of completion inspection is conducted and passed by both parties, the Contractor submits settlement information as required under the provisions of the Agreement. Upon review and issue of written confirmation of the construction price for settlement of completion of the Construction by Guangdong Land Shenzhen, the Contractor shall apply to Guangdong Land Shenzhen for payment for settlement of completion of works while Guangdong Land Shenzhen shall pay to the Contractor up to 97% payment for settlement of completion of works (confirmed by Guangdong Land Shenzhen in writing); and

(2) the remaining 3% of the Consideration, being quality bond, shall be paid to the Contractor after deduction of deductible amounts upon the expiration of works quality warranty period or the completion inspection of the Construction is conducted and passed, whichever is later.

Note: In general, a warranty period for decorative and fitting-out works is two years. For waterproof related matters, the warranty period is five years. For the foundation and the main structure, the warranty shall cover a reasonable period of usage as per detailed design documentations. Warranty period on other works shall be as required under the relevant rules and regulations of Shenzhen and the PRC (if the relevant rules and regulations are silent on the warranty period, the warranty period for such works shall be two years).

(vi) Incentives for Good Quality and Price

Such consideration shall be paid subject to the following conditions:

(1) the Contractor shall conduct the works in accordance with the quality requirements specified in the Agreement and have responsibility to report to the relevant institution(s) the related information about “Quality Structure Award for Guangdong Construction Works” and “National Quality Engineering Award” after the completion of filing（竣工備案）. The Contractor, who fails to obtain “Quality Structure Award for Guangdong Construction Works” for the relevant construction, shall pay to Guangdong Land Shenzhen RMB1,000,000 (equivalent to approximately HK$1,118,000); and if the Contractor obtains “National Quality Engineering Award” for the relevant construction, Guangdong Land Shenzhen shall pay RMB3,000,000 (equivalent to approximately HK$3,353,000) to the Contractor; and

(2) the Contractor shall allocate and manage on-site safety facilities based on such safety management targets as agreed in the Agreement and have responsibility to report to the relevant institution(s) the related information about "Sample Worksite for Safe Production and Civilised Operation of Housing Municipal Works in Guangdong" and "National AAA Grade Safe and Civilised Standardised Worksite" after the completion of filing. If the Contractor obtains the title of "Sample Worksite for Safe Production and Civilised Operation of Housing Municipal Works in Guangdong" for the relevant construction, Guangdong Land Shenzhen shall then return 50% of the penalty for safety and civilised operation received (if any) to the Contractor; the Contractor, who fails to obtain the title of "Sample Worksite for Safe Production and Civilised Operation of Housing Municipal Works in Guangdong" for the relevant construction, shall pay to Guangdong Land Shenzhen RMB1,000,000 (equivalent to approximately HK$1,118,000); and if the Contractor obtains the honorary title of "National AAA Grade Safe and Civilised Standardised Worksite" for the relevant construction, Guangdong Land Shenzhen shall pay RMB1,000,000 (equivalent to approximately HK$1,118,000) to the Contractor.

The Company considers that the abovementioned "incentive mechanism" is in the Group's interest, as winning the awards and titles would help create a better branding for the Group and have a positive impact on the marketing of the GDH City Project. On the basis of the above, the Board (including the independent non-executive Directors) considers that it is fair and reasonable and in the interests of the Company to provide such an incentive to the Contractor.

For each of the payments under Work Fees and Measure Fees above, such payment shall be made within 30 days from receipt of the tax invoice for the relevant payment by Guangdong Land Shenzhen from the Contractor.

The Consideration is expected to be funded by the internal resources and/or borrowings of the Group. As the Company manages the borrowings for the GDH City Project as a whole, it is impracticable for the Company to identify the specific amount from the internal resources and/or borrowings (including bank borrowings and loan(s) from the Company's holding company group), respectively to be used for the purpose of funding the Consideration only.

The Consideration was determined based on the bidding price offered by the Contractor.

The Agreement was based on "Shenzhen construction project construction contract"(深圳市建設工程施工合同), a standard form construction contract published by Shenzhen Construction Engineering Costs Management Station(深圳市建設工程造價管理站). Such standard form construction contract is widely used in construction projects of similar scale in Shenzhen and the payment terms for each part of the Consideration have followed the terms of such standard form construction contract. On that basis, the Board (including the independent non-executive Directors) considers that the payment terms for each part of the Consideration are in line with the market and industry practice for projects with similar scale and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Adjustment mechanism for the Consideration

The Consideration may be adjusted based on the relevant mechanism under the Agreement:

(i) Price fluctuations of wages and/or Major Materials

According to the requirements of the Agreement, when the price fluctuations (not caused by the Contractor) of wages and/or Major Materials (based on the price quoted in "Shenzhen Construction Works Price Information" (《深圳建設工程價格信息》)) exceeds ±5%, the Consideration will be subject to corresponding adjustment while the adjusted amounts shall be determined based on the relevant price fluctuations, the relevant works quantity/materials quantity and the applicable tax rate.

(ii) Value-added tax rate adjustments according to the PRC government policy

According to the terms of the Agreement, in the event that there is any adjustment to the applicable value-added tax rate according to the PRC government policy, the adjusted value-added tax rate would be adopted (and reflected in the value-added tax invoices to be issued by the Contractor), and the amount of the adjustment shall be calculated based on the project price under the Agreement and the difference between the then original and the adjusted value-added tax rates.

(iii) Change of works and permit after on-site review

The Contractor will submit the changed works price list (including detailed budget of works accompanied with changed breakdown inclusive of complete changed works quantity calculation sheet and comprehensive order price analysis table) to the engineers within 14 days upon receipt of work change instruction, and the engineers shall forward the same to Guangdong Land Shenzhen upon review and signing of the express opinion. The changed work fees are confirmed upon the approval of the engineers and Guangdong Land Shenzhen.

The Contractor has the on-site permit originated and submitted to the engineers with permit budget, accompanied with budgetary breakdown of the permit budget including complete permitted works quantity calculation sheet and comprehensive order price analysis table, and the engineers shall forward the same to Guangdong Land Shenzhen upon review and signing of the express opinion. Guangdong Land Shenzhen shall review and confirm the permitted work fees pursuant to the agreed terms of the Agreement.

According to the terms of the Agreement, the relevant adjustment shall be made in the following manners:

(1) whether there is an identical or similar applicable item in the Agreement shall be first referred to and, if any, such price shall be used as the basis of price determination.

(2) if there is no identical or similar applicable item in the Agreement, such price shall be arrived at on the bases of the comprehensive order price calculated in compliance with the basis or requirements issued by the relevant official department(s) such as "Fixed Consumption for Prefabricated Construction

Works (2016)"(《裝配式建築工程消耗量定額(2016)》), "Fixed Consumption for Construction Works in Shenzhen (2016)" (《深圳市建築工程消耗量定額(2016)》) and "Fixed Operating Mechanical Capacity per 8-hour Shift for Construction Works in Shenzhen (2014)"(《深圳市建設工程施工機械台班定額(2014)》) in the PRC and of the price calculation method(s) as agreed under the Agreement. The labour cost, material fee, and mechanical order price shall follow "Shenzhen Construction Works Price Information"(《深圳建設工程價格信息價》) issued by the Shenzhen Construction Engineering Costs Management Station (深圳市建設工程造價管理站) in current period of month of bidding deadline. If "Shenzhen Construction Works Price Information"(《深圳建設工程價格信息》) (in current period of month of bidding deadline) has no such materials and equipment order price, such materials and equipment order price shall be jointly negotiated and confirmed among Guangdong Land Shenzhen, the engineers and the Contractor with reference to their market prices.

(3) if the quotation for the works quantity list of the Agreement does not have any identical or similar and related fixed amount item(s) and there is no information available for reference to the benchmarks or regulations issued by the relevant official departments of the PRC, such prices shall be jointly negotiated and confirmed among Guangdong Land Shenzhen, the engineers and the Contractor with reference to their market prices.

The above adjustments (if any) under items (i) and (ii) would be the result of the fluctuation in wages and/or the prices of the materials or adjustments of the value-added tax rate due to the PRC government policy (both of such adjustments could be upward or downward), which are not within the control of both parties to the Agreement. The relevant adjustments (if any) as abovementioned in item (iii) are the slight and insignificant changes needed in light of the design and/or actual situation and therefore the Company considers that the relevant adjustments (if any) will not cause the Consideration to be increased significantly.

The Agreement does not include any cap on the maximum Consideration after adjustments and the Company is of the view that it is not a market practice to include such a cap in construction contracts of similar scale and nature in Shenzhen.

Other terms

The Agreement has become effective on 18 November 2019.

Under the Agreement, the construction period is expected to be 948 calendar days and the Construction is therefore expected to be completed in July 2022. Based on the current plan as estimated by the Company's management, the filings in respect of the completion of construction of the properties on the Southern Land is expected to be made in 2023.

The detailed timetable of the Construction as provided under the Agreement, is set out below:

No.	Key milestones	Number of days assigned for each key milestone (calendar days)	Commencement date*	Completion date*
1	Completion of the basement	150	10 December 2019	8 May 2020
2	Completion of the commercial shopping building	100	8 May 2020	16 August 2020
3	Completion of two-thirds of the office tower (up to 42 stories)	341	25 April 2020	1 April 2021
4	Completion of the main structure	130	1 April 2021	9 August 2021
5	Completion inspection	340	9 August 2021	14 July 2022
6	Completion filings	20	15 July 2022	3 August 2022

* *The commencement date of the Construction (i.e. 10 December 2019) is a tentative date. The relevant completion dates and commencement dates in respect of the key milestones will be adjusted should there be any change to the commencement date of the Construction. However, the number of days assigned for each key milestone shall remain unchanged.*

Guarantee

The Contractor shall deliver an irrevocable guarantee in favour of Guangdong Land Shenzhen in respect of the performance of the duties under the Agreement by the Contractor, up to a maximum amount of 10% of contractual tentative total price (net of the Incentives for Good Quality and Price, tentative fees and provisionally listed amounts (if any)) of the Agreement, being RMB62,208,368.17 (equivalent to approximately HK$69,538,000), for the period from the date of the Agreement up to 28 days after the passing of specific completion inspection of the works, submission of all work completion information and issue of proof of delivery of the works.

Based on the Group's experience, performance guarantees are typically set at 10% of the contract value in transactions of similar scale and nature in Shenzhen including but not limited to the Group's construction contract in relation to the development of Northwestern Land and the Northern Land (for further details, please refer to the Company's circulars dated 19 June 2017 and 26 October 2019). The Group has also taken into account the financial strength of the Contractor and is of the view that the possibility for the Contractor becoming insolvent before completing the Construction is relatively low and therefore the considered amount of Guarantee is sufficient to protect the Group's interests.

On the basis of the above, the Board (including the independent non-executive Directors) considers that the guarantee is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

As disclosed in the circular of the Company dated 22 June 2016, the Group has acquired the GDH City Land in June 2016 with a purpose to develop the GDH City Project, being a multi-functional commercial complex with jewellery as the main theme. 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. Based on the Group's current development plan, the construction on Northwestern Land will mainly comprise business apartments, office premises and commercial units. While, among others, office buildings that are approximately 180 meters and 300 meters respectively in height will be built on the Northern Land and Southern Land, which make up the second phase of the project. A shopping mall with a GFA of over 100,000 sq. m. is planned to be constructed across the Northern Land and the Southern Land.

The required work permit for the works of foundation pit support as well as earth-and-stone excavation of the Southern Land had already been obtained in September 2018. The solid works are in progress and is expected to complete in February 2020. Guangdong Land Shenzhen selected the Contractor as the main constructor for the Construction through open tender. The Construction is expected to commence on or around 10 December 2019 and complete on or around second half of 2022. Further, to ensure the Construction will be completed in accordance with the proposed timetable, a project consultant has been engaged to monitor the progress of the Construction by the Contractor.

In terms of the necessary permits required for the Construction, Guangdong Land Shenzhen will require the following permits before the commencement of the Construction: real property ownership certificate (land certificate), construction planning permit and the construction permit. Guangdong Land Shenzhen has already obtained the real property ownership certificate (land certificate) and the construction planning permit. Guangdong Land Shenzhen has submitted its application for the construction permit, which is expected to be obtained between December 2019 and February 2020.

For the further details of the GDH City Project and the Southern Land, please refer to section headed "Financial Information of the Group — 5. Financial and Trading Prospects of the Group — GDH City Project" in Appendix I to this circular.

Based on the following reasons, the Board (including the independent non-executive Directors) considers that the terms and conditions (including the adjustment mechanism for the Consideration) of the Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

(1) Guangdong Land Shenzhen employed the Contractor for the provision of services as mentioned in the Agreement through open tender, being an open and transparent process. Besides, the Company understands that the Contractor has extensive experience in the construction business in the PRC. The Directors believe that engaging the Contractor to carry out the Construction would allow the Group to successfully leverage on the technical expertise and experience of the Contractor and believe that the Construction will be completed up to the standard as required by Guangdong Land Shenzhen, without devoting the manpower and internal resources of the Group to the Construction, thereby minimising the management and operational costs.

(2) As the construction period under the Agreement is relatively long, Guangdong Land Shenzhen and the Contractor could not accurately estimate the fluctuations of wages and prices of the Major Materials of the Construction at the time of entering into the Agreement. Thus, the two-way adjustment mechanism as mentioned above based on the price quoted in "Shenzhen Construction Works Price Information" (《深圳建設工程價格信息》) is an usual market practice and fair and reasonable to both parties to the Agreement. The adjustment mechanism was formulated with reference to the relevant requirements of "Code of Valuation with Bill Quantity of Construction Works" (《建設工程工程量清單計價規範》) as promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部).

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

(4) If the Contractor was to bear the additional costs in relation to the said fluctuations of wages and/or the prices of Major Materials or changes in the value-added tax rate, Guangdong Land Shenzhen might need to accept higher bidding prices (hence higher costs to the Group) or fewer bidders would participate in the tenders for the Construction.

(5) Variation requests are not uncommon during the course of construction. To ensure the flexibility of the Construction, an adjustment mechanism as described in the section entitled "B. THE AGREEMENT — Adjustment mechanism for the Consideration — (iii) Change of works and permit after on-site review" is, in particular, added into the Agreement and while the relevant adjustment mechanism for the Consideration is customary and fair and reasonable to both parties to the Agreement. In addition, since it is necessary for the Construction to obtain an approval of the documents related to work specifications and scale such as construction plan from the relevant governmental authority(ies) of the PRC before implementation, none of such changes of works can be significantly modified and will lead to significant increase in the Consideration.

The possibility of the transactions being re-classified as transactions of a higher category under Chapter 14 of the Listing Rules as a result of adjustment to the Consideration (if any) is very low. In the event that the transactions, after such price adjustments, contemplated under the Agreement would fall into a higher transaction threshold classification under Chapter 14 of the Listing Rules as a result of an adjustment to the Consideration, the Company would re-comply with the relevant Listing Rules.

D. INFORMATION ON THE GROUP

The Group is principally engaged in property development and investment businesses.

E. INFORMATION ON THE CONTRACTOR

The Company understands that the Contractor is principally engaged in the construction general contracting, engineering general contracting and project management businesses of housing construction, highway, railway, municipal and public utilities, ports and waterways, water conservancy and hydropower.

F. LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Agreement exceeds 25% but all of them are less than 100%, the transactions contemplated under the Agreement shall constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval by the Shareholders. Since no Shareholder is required to abstain from voting if the Company were to convene a special general meeting for the approval of the Agreement and the transactions contemplated thereunder, and the Company has obtained a written approval for the Agreement and the transactions contemplated thereunder from Guangdong Investment Limited (the controlling shareholder of the Company holding 1,263,494,221 Shares, representing approximately 73.82% of the issued share capital of the Company as at the date of such approval and as at Latest Practicable Date), a special general meeting of the Company to approve the Agreement and the transactions contemplated thereunder is not required to be and will not be convened pursuant to Rule 14.44 of the Listing Rules.

For Shareholders' information, an aggregation of the highest applicable percentage ratio calculated in respect of the transactions (the "**Transactions**") contemplated under the Agreement and the Northern Land Construction Agreements (of which details were disclosed in the circular of the Company dated 26 October 2019) would remain in excess of 25% but less than 100% and thus the Transactions in aggregate would also remain a major transaction of the Company as defined under Chapter 14 of the Listing Rules.

G. FINANCIAL EFFECTS OF THE TRANSACTIONS UNDER THE AGREEMENT ON THE GROUP

The Consideration is approximately RMB626,083,681.73 (equivalent to approximately HK$699,848,000). The properties to be developed on the Southern Land is intended to be used for sale or for rental purposes. The settlement of the Consideration is set out under the section headed "B. THE AGREEMENT — Consideration and basis of determination of Consideration" in this letter from the Board.

When the construction costs under the Agreement (being the Consideration) are incurred, the relevant portion of Consideration will be capitalised to "Properties held for sale under development" or "Investment properties" under the consolidated balance sheet of the Group, depending on the intended usage of the properties, with the corresponding increase in the balance of "Trade payables". The payment of Consideration, and the payments and expenses incurred and to be incurred in connection with the GDH City Project would result in the decrease in "Trade payables", the decrease in "Cash and cash equivalents" and/or "Bank borrowings" and/or "Loan from a fellow subsidiary".

The Company considers that there will not be any material effect on the earnings of the Group immediately due to the execution of the Agreement. Since the Consideration is expected to be funded by the internal resources and/or borrowings of the Group, after the payment of the Consideration, the cash and cash equivalents of the Group will be decreased by approximately RMB626 million (equivalent to approximately HK$700 million) and as a results, the bank interest income of the Group will be reduced and the finance costs from interest-bearing loans will be increased.

H. RECOMMENDATION

Although no general meeting will be convened, the Board (including the independent non-executive Directors) considers that the Agreement was entered into on normal commercial terms and the terms of the Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were convened for approving the Agreement thereunder, the Board would have recommended the Shareholders to vote in favour of the Agreement.

I. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Guangdong Land Holdings Limited
HOU Wailin
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018, together with the interim report of the Company for the six months ended 30 June 2019 are disclosed in the following documents respectively which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gdland.com.hk):

- the Company's annual report for the year ended 31 December 2016 published on 25 April 2017 (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0425/LTN201704251311.pdf) (pages 44 to 101);
- the Company's annual report for the year ended 31 December 2017 published on 27 April 2018 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804273129.pdf) (pages 45 to 103);
- the Company's annual report for the year ended 31 December 2018 published on 24 April 2019 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn201904241269.pdf) (pages 65 to 139); and
- the Company's interim report for the six months ended 30 June 2019 published on 25 September 2019 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0925/ltn20190925373.pdf) (pages 18 to 44).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular for ascertaining the information contained in this statement of indebtedness, the Group had total outstanding interest-bearing borrowings of approximately HK$2,310.0 million, comprising secured and unguaranteed interest-bearing bank loans of approximately HK$1,865.6 million and unsecured and unguaranteed interest-bearing loans due to a fellow subsidiary of the Company of approximately HK$444.4 million. The aforesaid interest-bearing bank loans were secured by the Group's certain real estate amounting to approximately HK$2,525.4 million and the entire share capital of GYPD.

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities over the lease term. As at 31 October 2019, the Group have lease liabilities with outstanding principal amount of approximately HK$8.2 million.

As at the close of business on 31 October 2019, unutilised bank and other loan facilities available to the Group amounted to approximately HK$1,478 million in aggregate.

As the close of business on 31 October 2019, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by any of these purchasers, the Group is responsible for repaying the relevant outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks, and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 October 2019, the Group's outstanding guarantees amounted to HK$550.0 million in respect of these guarantees.

Save as aforesaid liabilities, the Group did not, at the close of business on 31 October 2019, have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade and other payables), acceptance credits, or any guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business on 31 October 2019.

3. WORKING CAPITAL

In determining the sufficiency of the working capital of the Group, the Group has obtained four-year term loan of RMB880 million (equivalent to approximately HK$978 million) from a fellow subsidiary which is to be available to the Group for drawdown from November 2019 to December 2020.

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group, including the internally generated funds, cash flows from operation, currently available facilities and the newly approved financing facilities mentioned above, the Group has sufficient working capital to satisfy its requirements for its normal business for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As disclosed in the Company's interim report for the six months ended 30 June 2019 published on 25 September 2019, the Group has recorded an unaudited loss attributable to owners of the Company of approximately HK$33.89 million for the six months ended 30 June 2019, while the unaudited profit attributable to owners of the Company for the same period in 2018 was approximately HK$62.40 million. The loss in the first half of 2019 was mainly attributable to (a) a reversal of the over-accrual of land appreciation tax of approximately HK$77 million in the first half of 2018; (b) an increase in finance cost of approximately HK$41 million mainly due to the increase in interest expenses on loans; (c) a decrease in interest income and gain from financial assets at fair value through profit or loss and at amortised costs of approximately HK$24 million mainly due to the use of funds for the Group's business development; and (d) an increase in selling and marketing expenses of approximately HK$23 million mainly due to the increase in sales and marketing activities in respect of the GDH City Project and the Laurel House Project. For details of the other factors affecting the Group's results for the six months ended 30 June 2019 and comparative figures with the same period in 2018, please refer to the section headed "Management Discussion and Analysis" of the Company's interim report 2019. Save as aforesaid, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up) as at the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company and the Group is principally engaged in property development and investment businesses.

The consolidated revenue of the Group for 2018 amounted to approximately HK$312 million (2017: HK$187 million), representing an increase of approximately 67% from that of last year. The increase in revenue was mainly attributable to the increased GFA of properties sold during the year compared with that in 2017. The Group's profit attributable to owners of the Company for 2018 was approximately HK$224 million (2017: HK$49 million), representing an increase of approximately 3.6 times from last year.

During the first half of 2019, the consolidated revenue of the Group amounted to approximately HK$464 million (six months ended 30 June 2018: HK$10.42 million), representing an increase of approximately 43.5 times from the same period last year. The increase in revenue was mainly attributable to a surge in the GFA of sold properties held for sale. During the first half of 2019, the Group recorded a loss attributable to owners of the Company of approximately HK$33.89 million (six months ended 30 June 2018: profit of HK$62.40 million).

Successful Bidding for the Land Use Rights of a land parcel in Jiangmen City

On 29 September 2019, the Group 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 land parcel has a site area of approximately 59,704.90 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 available for sale. The cash consideration for the bid of the land use rights is RMB919,490,000 (equivalent to approximately HK$1,027,822,000). The average land cost is approximately RMB5,599 (equivalent to approximately HK$6,259) per sq. m.

Jiangmen is positioned as the western gateway of the Guangdong-Hong Kong-Macao Greater Bay Area, with its land value remaining at a bargain level. With the anticipated improvements in the transportation infrastructure over time across the eastern and western bays, such area is expected to prosper. The Pengjiang Project is situated in a region with high planning priority status, positive market prospects, as well as convenient location. Enjoying rare natural landscape and well-equipped facilities, the Pengjiang Project is positioned in becoming a regional benchmark project, and is an excellent stepping stone for the Group to enter the Jiangmen market. Adjacent to the prime lot in Jiangmen City, the land parcel of the Pengjiang Project enjoys a competitive cost advantage. As the Jiangmen land market is experiencing a temporary adjustment period, it was a good opportunity for the Group to acquire the aforesaid land parcel. The Directors are of the view that the Pengjiang Project will have a positive impact on the Group's sustainable development in the future, and is also in the interests of the Group and the Shareholders as a whole.

The Group is actively considering its future business development in the Guangdong-Hong Kong-Macao Greater Bay Area, first-tier and second-tier cities in the PRC. The acquisition of the aforesaid land parcel is therefore in line with the Group's core business and development trends.

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.

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.

The Group accelerated the development and construction of the GDH City Project, and the structures of all buildings under the first phase of the project have been completed, while mechanical, electrical, curtain wall installation, public area decoration, utilities and road works were in progress on schedule during the first half of 2019. As for the second phase of the project, the works in respect of the foundation pit support as well as earth-and-stone excavation for the Northern Land and Southern Land have been commenced. In December 2018, a pre-sale permit for the first phase of the GDH City Project has been obtained and the pre-sale has commenced.

Lot	Usage	Approximate total site area (sq. m.)	Approximate GFA (Note 1) (sq. m.)	Approximate GFA contracted during the first half of 2019 (sq. m.)	Interest owned by the Group	Progress	Estimated completion and filing date (Note 2)
Northwestern Land	Business apartments/ Commercial	16,680	116,000	4,991	100%	Structures completed, decoration and related works in progress	2020
Northern Land	Commercial/ Office/Mall	33,802	146,551	N/A	100%	Works of foundation pit support as well as earth-and-stone excavation in progress	2nd half of 2022
Southern Land	Offices/Mall	16,044	199,500	N/A	100%		2023

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

Note 2: *The estimated completion dates for the development of the respective land lots were estimated by the Company's management.*

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

Laurel House Project and Baohuaxuan Project

In July 2018, the Group completed the acquisition of a 100% interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.) ("**GYPD**"), which holds the Laurel House Project and the Baohuaxuan Project. The Laurel House Project has a GFA of approximately 119,267 sq. m. and comprises residential units, commercial properties and carparking 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 comprises residential units and car-parking spaces, all of which are for sale.

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.

Financial Resources and Liquidity

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

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

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

As most of the transactions in the Group's daily operations in the PRC are denominated in RMB, currency exposure from these transactions is low. During 2018 and the first six months of 2019, the Group did not take the initiative to perform currency hedge for such transactions.

As at 30 June 2019, the Group borrowed loans from certain banks and a fellow subsidiary of the Company in an aggregate amount of approximately HK$2,302 million (31 December 2018: HK$2,512 million) with a gearing ratio[1] of approximately 33.2% (31 December 2018: 36.0%). As at 30 June 2019, the weighted average effective interest rate of the Group's interest-bearing debts was approximately 5.12% (31 December 2018: 5.11%) per annum. Of the aggregate loan balances of HK$2,302 million as at 30 June 2019, all of which were denominated in RMB. The borrowing rates are floating with reference to the benchmark lending rate announced by the People's Bank of China. Maturity profile of the aggregate loan balances: (i) approximately HK$363 million are repayable within 1 year; (ii) approximately HK$421 million are repayable in 1 to 2 years; and (iii) approximately HK$1,518 million are repayable in 2 to 5 years.

As at 30 June 2019, unutilised bank and other loan facilities available to the Group amounted to RMB750 million (equivalent to approximately HK$838 million) in aggregate. The Group reviews its funding needs from time to time according to the future development of the GDH City Project and other businesses and consider obtaining funds through various financing means and channels so as to secure adequate financial resources for business development. The Company considers the matching of currency between the borrowings and future revenue as well as the project development period and loan borrowing period. Besides, the Company closely monitors the gearing ratio and the maturity profile of the loans of the Group to make sure the Group has sufficient financial resources to meet its debt servicing requirements.

Note:

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

Asset Pledged and Contingent Liabilities

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

Human Resources

As at 30 June 2019, the Group had 253 (31 December 2018: 261) employees in aggregate. Various basic benefits were provided to the Group's staff. As to the staff incentive policy, it was determined with reference to both the Group's operating results as well as the performance of the individual staff member. There was no share option scheme of the Company in operation during 2018 and the first six months of 2019. The Group offers different training courses to its employees.

Risks and uncertainties

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

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

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

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

Outlook

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

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

Capitalising on its well-established professional capacity, industry experience and abundant resources, we will proactively identify business opportunities in the future by accurately grasping government and industry policies, further coordinating internal and external resources, studying the emerging businesses in the industry, actively exploring cooperative development and other new ways to secure land, and acquiring quality land resources by multiple means. On one hand, it will study the viability of replicating its mature business model and develop new projects in other first-tier and second-tier cities in the PRC. On the other hand, it will continue to search for and carry out integrated real estate and urban development projects similar to the GDH City Project by capitalising on the advantages in technological and industrial innovation of the Greater Bay Area and the Core, Coastal Belt and Area (which fosters the optimised development of the Pearl River Delta Core Area, connects Eastern Guangdong, Western Guangdong and cities within the Pearl River Delta as a coastal economic belt like a beaded bracelet, and establishes the mountainous areas of Northern Guangdong as an ecological development zone), especially Hong Kong, during the development of the Greater Bay Area and the Core, Coastal Belt and Area so as to identify real estate development opportunities and investment projects in the Greater Bay Area and the Core, Coastal Belt and Area and procure long-term and sustainable growth.

Under the leadership of the Board, the Group is confident about the prospects of its business development and will actively promote the development of its real estate business in order to create greater returns for its shareholders as always.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, 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 SFO) which were required to be (a) notified to the Company and the 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 of the Company 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 Stock Exchange pursuant to the Model Code 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 in issue as at the Latest Practicable Date.

(ii) Interests and short positions in Guangdong Investment Limited

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

*Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of Guangdong Investment Limited ("**GDI**") in issue as at the Latest Practicable Date.*

GDI is an associated corporation of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, 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 and 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 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 Stock Exchange pursuant to the Model Code.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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 which would fall to be disclosed to the Company and the 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	Type of securities	Number of securities 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) *(Notes 2,3)*	Shares	1,263,494,221	Long position	73.82%
GDH Limited *(Notes 2,3)*	Shares	1,263,494,221	Long position	73.82%
Guangdong Investment Limited *(Note 3)*	Shares	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 in issue as at the Latest Practicable Date.*

2. *The attributable interest which 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("**Guangdong Holdings**") has in the Company is held through its wholly-owned subsidiary, namely GDH Limited ("**GDH**"), and the attributable interest of the latter is held through its subsidiary, GDI.*

3. *As at the Latest Practicable Date, the following Directors were a director or an employee of Guangdong Holdings and/or GDH and/or GDI:*

Name of Director	***Position(s) held in Guangdong Holdings***	***Position(s) held in GDH***	***Position(s) held in GDI***
HOU Wailin	*chairman and director*	*chairman and director*	*chairman and executive director*
ZHAO Chunxiao	*deputy general manager*	*deputy general manager*	*non-executive director*
LI Wai Keung	*chief financial officer*	*chief financial officer*	*non-executive director*
WU Mingchang	*general counsel*	*general counsel*	

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) was directly or indirectly interested in 10% or more of the issued shares carrying rights to vote in all circumstances at general meetings of other member(s) of the Group or had any option in respect of such issued shares:

Name of shareholder interested in 10% or more of the subsidiary of the Company	**Name of subsidiary of the Company**	**Long/Short position**	**Percentage of interests held by that shareholder**
廣州市番禺區房地產聯合開發總公司 (Guangzhou Panyu District Properties Lianhe Kaifa Company)	廣州市番禺粵海房地產有限公司 (Guangzhou Panyu Yuehai Real Estate Company Limited)	Long position	20%

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, there was no other person, other than a Director or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had, or were taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the 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.

4. DISCLOSURE OF OTHER INTERESTS

(i) Interests in competing business

The Group is principally engaged in property development and investment, as at the Latest Practicable Date, so far as is known to the Board, the interests of Directors or their respective close associates in the businesses which competed or were likely to compete, either directly or indirectly, with the property development and investment businesses of the Company (the "**Competing Business**") as required to be disclosed were as follows:

Name of Director	Name of entity *(Note)*	Nature of interest *(Note)*
HOU Wailin	Guangdong Holdings	chairman and director
	GDH	chairman and director
	GDI	chairman and executive director
ZHAO Chunxiao	GDI	non-executive director
LI Wai Keung	GDI	non-executive director

Note: 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.

The aforementioned entities are engaged in, *inter alia*, property development and investment, and each of the aforementioned Directors is regarded as being interested in the Competing Business.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business that competes with or is likely to compete with the business of the Group.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up).

(iii) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested in and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

There is a letter of appointment entered into between the Company and each of the Directors. As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The members of the Group had, within the date of two years immediately preceding the Latest Practicable Date, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

(i) the Agreement;

(ii) the Yuecai City Northern Land Works Main Contractor Construction Agreement Section I Contract（悅彩城（北地塊）建築施工總承包工程合同第一合同段）and the Yuecai City Northern Land Works Main Contractor Construction Agreement Section II Contract（悅彩城（北地塊）建築施工總承包工程合同第二合同段）, each dated 11 September 2019 and made between Guangdong Land Shenzhen and the Contractor in respect of the main contractor construction of the Northern Land, at the total consideration of RMB503,017,553.96 (equivalent to approximately HK$562,282,000), subject to adjustments (if any) in accordance with the terms of the said agreements (collectively, the "**Northern Land Construction Agreement**s");

(iii) the professional contractor agreement for foundation pit support as well as earth and stone and piling works implementation in relation to Guangdong Land Building（粵海置地大廈基坑支護與土石方及樁基礎工程專業承包合同）entered into between Guangdong Land Shenzhen and上海市基礎工程集團有限公司 (Shanghai Foundation Engineering Group Co., Ltd.), on 6 September 2018 in respect of the works of foundation pit support as well as earth-and-stone and piling works for properties on the Southern Land, amended by the supplemental agreement on 4 July 2019 in respect of an increase of consideration, at the total consideration of RMB131,149,359.56 (equivalent to approximately HK$146,601,000);

(iv) the professional contractor agreement for foundation pit support as well as earth and stone and piling works implementation in relation to Yuecai City Northern Land（悅彩城北地塊基坑支護與土石方及樁基礎工程專業承包合同）entered into between Guangdong Land Shenzhen and中國京冶工程技術有限公司 (China Jingye Engineering Technology Co., Ltd), on 29 June 2018 in respect of the works of foundation pit support as well as earth-and-stone and piling works for properties on the Northern Land, amended by the supplemental agreement on 4 July 2019 in respect of an increase of consideration, at the total consideration of RMB170,915,017.56 (equivalent to approximately HK$191,052,000);

(v) the agreement dated 21 December 2018 entered into between Guandgong Land Shenzhen and深圳市規劃和國土資源委員會 (Urban Planning, Land and Resources Commission of Shenzhen Municipality) in relation to the increase of the GFA of the underground commercial area in the Northern Land from 9,000 sq. m. to 21,000 sq. m. at the consideration of RMB470,010,000 (equivalent to approximately HK$525,386,000); and

(vi) the agreement dated 27 April 2018 entered into between 粵海置地發展(深圳)有限公司 (Guandgong Land Development (Shenzhen) Limited) as the purchaser and 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.) as the vendors in respect of (i) the proposed acquisition of the entire equity interest in GYPD for the aggregate consideration of RMB1,200,490,000 (equivalent to approximately HK$1,341,929,000) in cash, subject to adjustment (if any) in accordance with the terms of the agreement; and (ii) the procurement of GYPD to repay its outstanding loans in the amount of RMB842,139,229.20 (equivalent to approximately HK$941,358,000) after the completion.

8. GENERAL

(i) The company secretary of the Company is Mr. LI Wai Keung, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants;

(ii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda;

(iii) The head office and principal place of business in Hong Kong of the Company is situated at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong;

(iv) The principal share registrar of the Company is MUFG Fund Services (Bermuda) Limited which is located at 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda; and

(v) The Hong Kong branch share registrar and the transfer office of the Company is Tricor Tengis Limited situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business in Hong Kong of the Company at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong, during normal business hours on any Business Day from the date of this circular up to and including 23 December 2019:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019;

(iii) the letter from the Board as set out in this circular;

(iv) the material contracts referred to in the section headed "7. MATERIAL CONTRACTS" in this Appendix;

(v) the circular of the Company dated 26 October 2019; and

(vi) this circular.