粵海置地

粵海置地控股有限公司
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

中期報告 2019
INTERIM REPORT

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Corporate Information

(As at 22 August 2019)

Board of Directors

Non-Executive Director

HOU Wailin *(Chairman)*

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

LI Wai Keung

Auditors

PricewaterhouseCoopers

Website Address

http://www.gdland.com.hk

Principal Bankers

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office & Principal Place of Business in Hong Kong

18th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong
Telephone: (852) 2165 6262
Facsimile: (852) 2815 2020

Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
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:	31st December

@ *The English name of the entity or PRC laws and regulations marked with an @ is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.*

Highlights

	For the six months ended 30 June		
	2019	2018	Change
Revenue, in thousand HK$	**464,151**	10,423	+4,353.1%
Gross profit, in thousand HK$	**119,628**	10,182	+1,074.9%
(Loss)/profit attributable to owners of the Company, in thousand HK$	**(33,891)**	62,404	N/A
Basic (loss)/earnings per share, in HK cent	**(1.98)**	3.65	N/A

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

Notes:

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

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

Management Discussion and Analysis

During the period under review, Guangdong Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group") was engaged in property development and investment. The Group currently holds the GDH City Project and certain investment properties in Shenzhen City, as well as the Ruyingju Project in Panyu District, the Laurel House Project in Yuexiu District and the Baohuaxuan Project in Liwan District, Guangzhou City.

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

Against the backdrop of complicated internal and external environments during the first half of the year, the management adhered to the general principle of prudent development and carried out the construction of the GDH City Project cautiously in accordance with the requirements of "safeguarding quality, ensuring speed and meeting schedule". It focused on building up its strength with reference to other key peers in the real estate industry, coordinated internal and external resources, and seizing development opportunities in major cities in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") and covered by Core, Coastal Belt and Area 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). To secure the growth of the Group's business, it has also formulated comprehensive short-term, medium-term and long-term funding plans that tap into the capital markets in both Hong Kong and Mainland China.

Results

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

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

(a) land appreciation tax was accrued by the Group in 2017 as a result of the sale of certain properties. In the first half of 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. In the first half of 2019, no such reversal of land appreciation tax for the same property project was recorded;

Results (continued)

(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$24.20 million from that for the same period last year. Also, since July 2018, the Group has borrowed interest-bearing loans to finance its business development. As a result, interest expenses incurred on such loans and recognised in the consolidated statement of profit or loss in the first half of 2019 were approximately HK$40.32 million (six months ended 30 June 2018: nil);

(c) 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, respectively, commenced in the fourth quarter of 2018. As such, certain sales and marketing activities were launched in respect of those projects, contributing to the increase in selling and marketing expenses of approximately HK$23.03 million; and

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

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

Business Review

GDH City Project

The Group holds a 100% interest in the GDH City Project, which is a multi-functional commercial complex with jewelry as the main theme, located in Luohu District, Shenzhen City in the PRC. The total site area of the project amounts to approximately 66,526 square metres ("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.

Business Review (continued)

GDH City Project (continued)

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 and curtain wall installation, public area decoration, utilities and road works were in progress on schedule during the period under review. As for the second phase of the project, the foundation pit support as well as earth-and-stone excavation for the Northern Land and the Southern Land have been commenced. In December 2018, a pre-sale permit for the first phase of the GDH City Project was obtained and the pre-sale commenced. During the period under review, the Group achieved great success in the product launch event of the GDH City Project, at which target clients in the industry were widely invited, thus further promoting the GDH City Project to the market, and establishing a positive brand image.

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

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

Business Review (continued)

GDH City Project (continued)

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

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

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

Laurel House and Baohuaxuan Projects

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

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

Business Review (continued)

Laurel House and Baohuaxuan Projects (continued)

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

The Group acquired the interests in the Laurel House 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.

Ruyingju Project

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

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

The Group acquired the interest in the Ruyingju Project in April 2015. As the consideration paid for the acquisition 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.

Financial Review

Key Financial Indicators

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

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

Note:

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

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

Operating Income, Expenses and Finance Costs

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

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

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

Financial Review (continued)

Capital Expenditure

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

Financial Resources and Liquidity

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

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

Of the Group's cash and bank balances (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 USD and approximately 0.2% was in HKD. 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 Mainland China are denominated in Renminbi, currency exposure from these transactions is low. During the period under review, the Group did not take the initiative to perform currency hedge for such transactions.

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

Asset Pledged and Contingent Liabilities

As at 30 June 2019, the Group's certain real estate amounting to approximately HK$3,119 million and the entire share capital of GYPD were pledged to secure certain bank loans; and bank deposits amounting to HK$42.11 million were pledged for bank guarantees as stipulated by certain construction contracts. In addition, as at 30 June 2019, the Group provided guarantees (please refer to note 16 to the interim financial information for details) 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.

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

Risks and Uncertainties

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

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

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

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

Environmental, Social and Governance Policy and Performance

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

Environmental, Social and Governance Policy and Performance (continued)

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

Human Resources

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

Outlook

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

Outlook (continued)

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

Projects held by the Group, such as the GDH City Project, are located at the heart of the Greater Bay Area and will therefore reap benefits from the promising development prospects of the 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, Baohuaxuan and Ruyingju Projects 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 Mainland China. 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 co-operative relationship with local governments, accumulated relevant experience in urban renewal and old town redevelopment projects, laid the foundation for industry research, obtained information about the industry, established a professional development team and formulated an operating model for project development.

Capitalising on its well-established professional capacity, industry experience and abundant resources, 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 Mainland China. On the other hand, it will continue to search for and carry out integrated real estate and urban development projects similar to the GDH City Project by capitalising on the advantages in technological and industrial innovation of the Greater Bay Area and the Core, Coastal Belt and Area, especially Hong Kong, during the development of the Greater Bay Area and the Core, Coastal Belt and Area so as to 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.

Directors' Interests and Short Positions in Securities

As at 30 June 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 Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 30 June 2019.

(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 30 June 2019.

Save as disclosed above, as at 30 June 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 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 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 period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company 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 30 June 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 30 June 2019.*

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

Save as disclosed above, as at 30 June 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.

Corporate Governance and Other Information

Corporate Governance Code

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019.

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 directors. In response to specific enquiries made, all directors of the Company confirmed that they had complied with the required standards of dealings as set out in the Model Code during the six months ended 30 June 2019.

Changes in Directors' Information

Changes in directors' information in respect of the period between the publication dates of the 2018 annual report and this report, which are required to be disclosed pursuant to the requirement of Rule 13.51B(1) of the Listing Rules are set out below:

— Ms. ZHAO Chunxiao ceased to be the chief administrative officer of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited@) ("Guangdong Holdings") and GDH Limited ("GDH") with effect from 25 June 2019. She has been appointed as a deputy general manager of GDH and ceased to be an executive director of GDH with effect from 27 June 2019.

— Mr. LI Wai Keung ceased to be an executive director of GDH with effect from 27 June 2019.

— Mr. WU Mingchang ceased to be an executive director of GDH with effect from 27 June 2019.

— Mr. ZENG Yi has been appointed as a general manager assistant of Guangdong Holdings and GDH and ceased to be the chief strategic development officer of Guangdong Holdings and GDH with effect from 25 June 2019.

Review of Interim Results

The Audit Committee of the Company has reviewed the unaudited interim financial information of the Group and the Company's interim report for the six months ended 30 June 2019. In addition, the Company's external auditors, Messrs. PricewaterhouseCoopers, have also reviewed the aforesaid unaudited interim financial information.

Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange during the six months ended 30 June 2019.

By Order of the Board
HOU Wailin
Chairman

Hong Kong, 22 August 2019

Report on Review of Interim Financial Information

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 18 to 44, which comprises the condensed consolidated balance sheet of Guangdong Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2019

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Condensed Consolidated Interim Financial Information

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

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

The notes on pages 24 to 44 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(27,393)**	64,274
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(31,300)**	(41,066)
Total comprehensive (loss)/income for the period	**(58,693)**	23,208
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	**(64,260)**	22,746
Non-controlling interest	**5,567**	462
	(58,693)	23,208

The notes on pages 24 to 44 form an integral part of this interim financial information.

Condensed Consolidated Balance Sheet

30 June 2019

	Notes	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**50,777**	58,868
Right-of-use asset	2	**8,962**	—
Investment properties	10	**2,269,701**	2,211,312
Deferred tax assets		**205,749**	184,246
Total non-current assets		**2,535,189**	2,454,426
Current assets			
Completed properties held for sale		**4,588,146**	4,946,066
Properties held for sale under development		**2,307,564**	2,102,738
Prepayments, deposits and other receivables		**129,279**	89,244
Tax recoverable		**15,231**	—
Pledged bank deposit	11	**42,112**	42,278
Restricted bank balances	11	**282,343**	177,454
Cash and cash equivalents	11	**772,884**	835,579
Total current assets		**8,137,559**	8,193,359
Total assets		**10,672,748**	10,647,785
LIABILITIES			
Current liabilities			
Trade payables	12	**(1,829)**	(4,178)
Other payables, accruals and provisions		**(829,766)**	(853,026)
Contract liabilities		**(824,457)**	(454,961)
Lease liabilities	2	**(5,305)**	—
Tax payable		**(510,297)**	(463,285)
Bank borrowings	13	**(250,096)**	(470,216)
Loan from a fellow subsidiary	18(c)	**(113,680)**	—
Total current liabilities		**(2,535,430)**	(2,245,666)

Condensed Consolidated Balance Sheet (continued)

30 June 2019

	Notes	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Net current assets		**5,602,129**	5,947,693
Total assets less current liabilities		**8,137,318**	8,402,119
Non-current liabilities			
Bank borrowings	13	**(1,938,244)**	(2,041,785)
Lease liabilities	2	**(4,849)**	—
Deferred tax liabilities		**(1,592,902)**	(1,700,318)
Total non-current liabilities		**(3,535,995)**	(3,742,103)
Total liabilities		**(6,071,425)**	(5,987,769)
Net assets		**4,601,323**	4,660,016
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**171,154**	171,154
Reserves		**4,301,695**	4,365,955
		4,472,849	4,537,109
Non-controlling interest		**128,474**	122,907
Total equity		**4,601,323**	4,660,016

The notes on pages 24 to 44 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Unaudited										
	Attributable to owners of the Company										
	Issued 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 period	–	–	–	–	–	–	–	62,404	62,404	1,870	64,274
Other comprehensive loss for the period	–	–	–	–	–	–	(39,658)	–	(39,658)	(1,408)	(41,066)
Total comprehensive income for the period	–	–	–	–	–	–	(39,658)	62,404	22,746	462	23,208
At 30 June 2018	171,154	1,688,606	13,824	6,984	216	96,905	133,518	2,429,743	4,540,950	158,903	4,699,853
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**
(Loss)/profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33,891)**	**(33,891)**	**6,498**	**(27,393)**
Other comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(30,369)**	**–**	**(30,369)**	**(931)**	**(31,300)**
Total comprehensive (loss)/ income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(30,369)**	**(33,891)**	**(64,260)**	**5,567**	**(58,693)**
At 30 June 2019	**171,154**	**1,688,606***	**13,824***	**6,984***	**216***	**164,354***	**(62,551)***	**2,490,262***	**4,472,849**	**128,474**	**4,601,323**

* *These reserve accounts represented the consolidated reserves of HK$4,301,695,000 in the condensed consolidated balance sheet.*

The notes on pages 24 to 44 form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	17	**400,044**	(43,845)
Interest received		**4,542**	28,528
Interest paid		**(60,084)**	—
PRC tax paid		**(138,069)**	(32,710)
Net cash flows from/(used in) operating activities		**206,433**	(48,027)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,195)**	(40,114)
Proceeds from disposal of property, plant and equipment		**1,880**	—
Additions to investment properties		**(63,907)**	(15,043)
Decrease in financial assets at fair value through profit or loss and at amortised cost		**—**	1,185,221
Net cash flows (used in)/from investing activities		**(63,222)**	1,130,064
Cash flows from financing activities			
Drawdown of bank borrowings		**57,790**	—
Repayment of bank borrowings		**(376,790)**	—
Increase in loan from a fellow subsidiary		**115,580**	—
Principal elements of lease payments		**(2,475)**	—
Net cash flows used in financing activities		**(205,895)**	—
Net (decrease)/increase in cash and cash equivalents		**(62,684)**	1,082,037
Cash and cash equivalents at beginning of period		**835,579**	602,749
Effect of foreign exchange rate changes, net		**(11)**	(35,050)
Cash and cash equivalents at end of period		**772,884**	1,649,736
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**682,930**	1,518,588
Time deposits with original maturity of less than three months when acquired		**89,954**	131,148
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		**772,884**	1,649,736

The notes on pages 24 to 44 form an integral part of this interim financial information.

Notes to Condensed Consolidated Interim Financial Information

1 General information

Guangdong Land Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong. In the opinion of the directors, the ultimate holding company of the Company is 廣東粵海控股集團有限公司 (Guangdong Holdings Limited@), a company established in the People's Republic of China (the "PRC").

During the period, the Company and its subsidiaries (together, the "Group") were involved in property development and investment.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the adoption of new standards and amendments to standards effective for the financial year ending 31 December 2019.

(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
HK(FRIC) 23	Uncertainty over Income Tax Treatments

Notes to Condensed Consolidated Interim Financial Information (continued)

2 Basis of preparation (continued)

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

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

HKFRS 16, "Leases" — Impact of adoption

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

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

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was approximately 5.46% per annum.

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

Notes to Condensed Consolidated Interim Financial Information (continued)

2 Basis of preparation (continued)

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

HKFRS 16, "Leases" — Impact of adoption (continued)

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.

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

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

(a) Impact on segment disclosures

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

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

2 Basis of preparation (continued)

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

HKFRS 16, "Leases" — Impact of adoption (continued)

(b) Practical expedients applied

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

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

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

HKFRS 16, "Leases" — Accounting policies applied from 1 January 2019

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

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

Notes to Condensed Consolidated Interim Financial Information (continued)

2 Basis of preparation (continued)

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

HKFRS 16, "Leases" — Accounting policies applied from 1 January 2019 (continued)

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

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

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

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

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

Notes to Condensed Consolidated Interim Financial Information (continued)

2 Basis of preparation (continued)

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

HKFRS 16, "Leases" — Accounting policies applied from 1 January 2019 (continued)

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.

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

The Group has not early adopted the following new standards and amendments to standards that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	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 and amendments to standards and the Group is in the process of assessing the impact on the financial statements.

Notes to Condensed Consolidated Interim Financial Information (continued)

3 Critical accounting estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

4 Segment information

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

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

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

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

4 **Segment information** (continued)

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

	For the six months ended 30 June 2019		
	Property development and investment *HK$'000*	**Other** *HK$'000*	**Total** *HK$'000*
Segment revenue:			
Sales to external customers	**464,151**	**—**	**464,151**
Segment results	**57,921**	**(2,259)**	**55,662**
Reconciliation:			
Finance and interest income			**4,704**
Finance cost			**(40,517)**
Profit before tax			**19,849**

	For the six months ended 30 June 2018		
	Property development and investment *HK$'000*	Other *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	10,423	—	10,423
Segment results	(21,185)	(18,014)	(39,199)
Reconciliation:			
Finance and interest income and gain			28,902
Loss before tax			(10,297)

Notes to Condensed Consolidated Interim Financial Information (continued)

4 Segment information (continued)

	At 30 June 2019		
	Property development and investment *HK$'000*	**Other** *HK$'000*	**Total** *HK$'000*
Segment assets	**10,364,220**	**102,779**	**10,466,999**
Reconciliation:			
Unallocated assets			**205,749**
Total assets			**10,672,748**
Segment liabilities	**(4,453,162)**	**(25,361)**	**(4,478,523)**
Reconciliation:			
Unallocated liabilities			**(1,592,902)**
Total liabilities			**(6,071,425)**

	At 31 December 2018		
	Property Development and investment *HK$'000*	Other *HK$'000*	Total *HK$'000*
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)

Notes to Condensed Consolidated Interim Financial Information (continued)

5 Revenue, other income and other gains/(losses), net

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

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

Notes to Condensed Consolidated Interim Financial Information (continued)

6 Finance income/(cost)

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

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

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

Notes to Condensed Consolidated Interim Financial Information (continued)

7 Profit/(loss) before tax

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

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

8 Income tax expense/(credit)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The corporate income tax rate of the PRC is 25%.

Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions. During the six months ended 30 June 2018, the over-provision of LAT in relation to the sales of certain properties in the prior year amounting to HK$77,173,000 was reversed, following tax clearance with the local tax authorities to charge the LAT at a deemed basis.

Notes to Condensed Consolidated Interim Financial Information (continued)

8 Income tax expense/(credit) (continued)

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
— PRC taxation	**52,045**	2,162
Under-provision of corporate income tax in Mainland China	**906**	—
LAT in Mainland China	**119,287**	(76,512)
Deferred income tax	**(124,996)**	(221)
	47,242	(74,571)

9 (Loss)/earnings per share attributable to ordinary equity holders of the company

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings for the period attributable to ordinary equity holders of the Company and the number of shares of 1,711,536,850 (for the six months ended 30 June 2018: 1,711,536,850) in issue during the period.

The Group had no potentially dilutive shares in issue during the six months ended 30 June 2019 and 2018.

Notes to Condensed Consolidated Interim Financial Information (continued)

10 Investment properties

	Completed investment properties at fair value *HK$'000*	Investment properties under development at cost *HK$'000*	Total *HK$'000*
2019			
At 1 January 2019	**522,498**	**1,688,814**	**2,211,312**
Additions	**—**	**64,542**	**64,542**
Fair value gains on investment properties	**3,687**	**—**	**3,687**
Exchange differences	**(2,120)**	**(7,720)**	**(9,840)**
At 30 June 2019	**524,065**	**1,745,636**	**2,269,701**
2018			
At 1 January 2018	27,849	1,129,042	1,156,891
Additions	—	15,043	15,043
Fair value losses on investment properties	(881)	—	(881)
Exchange differences	(210)	(10,084)	(10,294)
At 30 June 2018	26,758	1,134,001	1,160,759

Completed investment properties of fair value of HK$414,352,000 (31 December 2018: HK$412,009,000) was pledged to banks as securities for bank borrowings granted to a subsidiary of the Company (note 13).

At 30 June 2019, the Group's completed investment properties were revalued by Vigers Appraisal and Consulting Limited, independent professionally qualified valuers, at HK$524,065,000 (31 December 2018: HK$522,498,000).

Investment properties under development are measured at cost until such time as fair value can be determined reliably. The Group has concluded that the fair value of these investment properties under development cannot be measured reliably and they were therefore measured at cost in the condensed consolidated balance sheet as at 30 June 2019.

Notes to Condensed Consolidated Interim Financial Information (continued)

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

	Note	**30 June 2019** ***HK$'000***	31 December 2018 *HK$'000*
Cash and bank balances		**1,007,385**	959,371
Time deposits with original maturity of less than three months when acquired		**89,954**	95,940
		1,097,339	1,055,311
Less: restricted bank balances	(i)	**(282,343)**	(177,454)
pledged bank deposit	(ii)	**(42,112)**	(42,278)
Cash and cash equivalents		**772,884**	835,579

Notes:

(i) Balance at 30 June 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$282,169,000 (31 December 2018: HK$177,280,000).

(ii) Balance at 30 June 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$42,112,000 (31 December 2018: HK$42,278,000).

12 Trade payables

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

Notes to Condensed Consolidated Interim Financial Information (continued)

13 Bank borrowings

	30 June 2019 HK$'000	31 December 2018 HK$'000
Bank borrowings — secured	**2,188,340**	2,512,001
Bank borrowings repayable as follows:		
Not exceeding 1 year	**250,096**	470,216
More than 1 year but not exceed 2 years	**420,616**	569,508
More than 2 year but not exceed 5 years	**1,517,628**	1,472,277
	2,188,340	2,512,001
Less: current portion	**(250,096)**	(470,216)
Non-current portion	**1,938,244**	2,041,785

Bank borrowings are secured by the following pledged assets:

	30 June 2019 HK$'000	31 December 2018 HK$'000
Completed properties held for sale	**2,704,499**	3,566,882
Investment properties *(note 10)*	**414,352**	412,009
Pledged bank deposit *(note)*	**—**	—
	3,118,851	3,978,891

Note:

Pursuant to the relevant bank loan agreement, the bank borrowing of HK$852,600,000 (31 December 2018: HK$798,910,000) is secured by a pledged bank deposit account. As at 30 June 2019, there is nil cash and bank deposit in this designated account (31 December 2018: Nil).

13 Bank borrowings (continued)

Out of the above secured bank borrowings of HK$2,188,340,000 (31 December 2018: HK$2,512,001,000), an aggregate amount of HK$1,091,328,000 (31 December 2018: HK$1,369,560,000) is also secured by pledge of shares of a subsidiary.

Bank borrowings to the extent of HK$2,188,340,000 (31 December 2018: HK$2,512,001,000) are repayable by instalments. Bank borrowings are interest bearing at floating rates with contractual interest repricing dates ranged within 6 months.

As at 30 June 2019, the weighted average effective interest rate of the Group's bank borrowings is approximately 5.12% (31 December 2018: 5.11%) per annum.

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

14 Share capital

	30 June 2019 *HK$'000*	31 December 2018 *HK$'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

15 Commitments

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

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
Contracted, but not provided for:		
Property development expenditure	**148,946**	226,206

Notes to Condensed Consolidated Interim Financial Information (continued)

16 Guarantees

As at 30 June 2019, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by any of these purchasers, the Group is responsible for repaying the relevant outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks, and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 30 June 2019, the Group's outstanding guarantees amounted to HK$515,163,000 (31 December 2018: HK$370,276,000) in respect of these guarantees.

17 Note to the consolidated statement of cash flows

Reconciliation of profit/(loss) before tax to net cash generated from/(used in) operations

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit/(loss) before tax	**19,849**	(10,297)
Adjustments for:		
Depreciation	**9,793**	794
Finance and interest income	**(4,704)**	(28,902)
Finance cost	**40,517**	—
Exchange gain	**(12,260)**	—
Fair value (gains)/losses on investment properties	**(3,687)**	881
Operating profit/(loss) before working capital changes	**49,508**	(37,524)
Decrease in completed properties held for sale	**342,540**	102
Increase in properties held for sale under development	**(192,116)**	(93,617)
(Increase)/decrease in restricted bank balances	**(109,422)**	119,255
(Decrease)/increase in trade payables	**(2,371)**	878
Increase in contract liabilities and receipts in advance	**377,550**	11,607
Other changes in working capital	**(65,645)**	(44,546)
Net cash generated from/(used in) operations	**400,044**	(43,845)

18 Related party transactions

(a) In addition to the related party information and transaction disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties.

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Rental expenses paid to a fellow subsidiary	**1,577**	1,577
Consultancy fee paid to a fellow subsidiary	**981**	1,040
Property management fee paid to a fellow subsidiary	**5,966**	—
Interest expenses paid to a fellow subsidiary	**757**	—

The rental expenses, consultancy fee and property management fee were based on normal commercial terms agreed between the relevant parties.

The interest expenses paid to a fellow subsidiary was charged at interest rate of 4.35% per annum.

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Short term employee benefits	**885**	261
Post-employment benefits	**57**	60
Total compensation paid to key management personnel	**942**	321

Notes to Condensed Consolidated Interim Financial Information (continued)

18 Related party transactions (continued)

(c) Outstanding balances with related parties:

	30 June 2019 HK$'000	31 December 2018 HK$'000
Amounts due from fellow subsidiaries	**1,229**	1,230
Amount due to the ultimate holding company	**(26)**	(26)
Amount due to an intermediate holding company	**(41)**	(6)
Amounts due to fellow subsidiaries	**(437,834)**	(435,943)
	(437,901)	(435,975)
Loan from a fellow subsidiary	**(113,680)**	—
	(551,581)	(435,975)

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

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

19 Financial risk management and financial instruments

19.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no changes in the risk management policies since year end.

Notes to Condensed Consolidated Interim Financial Information (continued)

19 Financial risk management and financial instruments (continued)

19.2 Fair value estimation

The Group has no financial assets and liabilities that are measured at fair value at 30 June 2019 and 31 December 2018.

19.3 Group's valuation processes

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposit, restricted bank balances, financial assets included in deposits and other receivables, financial liabilities included in trade and 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.

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GUANGDONG LAND HOLDINGS LIMITED