MODERN LAND (CHINA) CO., LIMITED

當代置業（中國）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1107)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS HIGHLIGHTS

- The contracted sales for the year amounted to approximately RMB32,156.68 million, representing a year-on-year increase of approximately 44.9%, and the average selling price was approximately RMB10,442 per sq.m..
- Revenue increased by approximately 9.8% to approximately RMB9,337.65 million.
- Gross profit increased by approximately 21.2% to approximately RMB2,170.60 million.
- Gross profit margin increased by 2.3 percentage points to 23.3%.
- Profit for the year of the Group decreased by approximately 19.9% to approximately RMB662.26 million.
- The Group's total assets as at 31 December 2018 amounted to RMB53,628.96 million, an increase of approximately 18.7% as compared to that as at 31 December 2017.
- As at 31 December 2018, bank balances and cash (including restricted cash) was RMB9,717.21 million, accounting for 18.1% of total assets.
- The weighted average borrowing cost of the Group as at 31 December 2018 was about 8.2%.
- Basic earnings per share was RMB18.9 cents (2017: RMB25.6 cents).
- Proposed final dividend of HK1.98 cents per share – together with interim dividend, full year dividend was equivalent to HK4.28 cents per share.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors" and each a "Director") of Modern Land (China) Co., Limited (the "Company" or "Modern Land") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 with the comparative figures for the preceding financial year, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Renminbi)

	Note	**2018** *RMB'000*	2017 *(Note)* *RMB'000*
Revenue	*4*	**9,337,650**	8,506,328
Cost of sales		**(7,167,052)**	(6,716,111)
Gross profit		**2,170,598**	1,790,217
Other income, gains and losses	*5*	**206,814**	652,518
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties		**65,150**	27,883
Changes in fair value of investment properties, net		**67,072**	74,307
Selling and distribution expenses		**(432,719)**	(300,682)
Administrative expenses		**(574,141)**	(479,220)
Finance costs	*6*	**(257,845)**	(393,189)
Share of gains/(losses) of joint ventures		**161,809**	(7,021)
Share of losses of associates		**(1,833)**	(6,898)
Profit before taxation		**1,404,905**	1,357,915
Income tax expense	*7*	**(742,644)**	(531,376)
Profit for the year		**662,261**	826,539

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

	Note	2018	2017 (Note)
		RMB'000	RMB'000
Other comprehensive income for the year:			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of owner-occupied properties upon transfer to investment properties		–	5,676
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of nil tax		**19,480**	(8,268)
Total comprehensive income for the year		**681,741**	823,947
Profit for the year attributable to:			
Owners of the Company		**524,791**	705,999
Non-controlling interests		**137,470**	120,540
		662,261	826,539
Total comprehensive income attributable to:			
Owners of the Company		**544,271**	703,407
Non-controlling interests		**137,470**	120,540
		681,741	823,947
Earnings per share, in Renminbi cents:			
Basic	*9*	**18.9**	25.6
Diluted	*9*	**18.8**	25.6

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

(Expressed in Renminbi)

	Note	2018 *RMB'000*	2017 *(Note)* *RMB'000*
Non-current assets			
Investment properties		**2,128,610**	1,965,000
Property, plant and equipment		**472,477**	483,613
Intangible assets		**2,436**	2,302
Freehold land held for future development		**31,980**	29,732
Interests in associates		**112,984**	106,664
Interests in joint ventures	*10*	**2,430,885**	2,698,333
Loans to joint ventures	*10*	**5,455,094**	3,190,116
Other non-current financial assets		**60,085**	50,085
Deferred tax assets		**751,306**	421,242
		11,445,857	8,947,087
Current assets			
Inventories and other contract costs		**64,924**	7,263
Properties under development for sale		**23,764,203**	20,173,043
Properties held for sale		**2,314,191**	2,396,366
Trade and other receivables, deposits and prepayments	*11*	**5,969,034**	3,009,880
Amounts due from related parties		**353,541**	227,391
Restricted cash		**2,983,945**	2,876,247
Bank balances and cash		**6,733,265**	7,533,713
		42,183,103	36,223,903
Current liabilities			
Trade and other payables, deposits received and accrued charges	*12*	**9,094,513**	16,846,552
Contract liabilities	*13*	**16,918,562**	–
Amounts due to related parties		**1,564,072**	2,550,226
Taxation payable		**2,285,403**	1,939,709
Bank and other borrowings – due within one year		**5,550,716**	5,234,810
Senior notes – due within one year		**3,286,031**	1,478,140
		38,699,297	28,049,437
Net current assets		**3,483,806**	8,174,466
Total assets less current liabilities		**14,929,663**	17,121,553

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

	Note	2018	2017 (Note)
		RMB'000	*RMB'000*
Capital and reserves			
Share capital	*14*	**175,341**	173,932
Reserves		**5,498,341**	5,003,879
Equity attributable to owners of the Company		**5,673,682**	5,177,811
Non-controlling interests		**1,908,277**	1,838,963
Total equity		**7,581,959**	7,016,774
Non-current liabilities			
Bank and other borrowings – due after one year		**3,731,390**	5,284,320
Senior notes – due after one year		**2,327,846**	3,215,818
Corporate bond		**1,032,175**	1,027,672
Long term payables		**–**	334,711
Deferred tax liabilities		**256,293**	242,258
		7,347,704	10,104,779
		14,929,663	17,121,553

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Modern Land (China) Co., Limited (the "Company") was incorporated in the Cayman Islands on 28 June 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its parent is Super Land Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is Fantastic Energy Ltd., a company incorporated under the laws of Commonwealth of the Bahamas. These entities do not produce financial statements available for public use.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in real estate development, property investment, hotel operation, project management, real estate agency services, and other services in the People's Republic of China (the "PRC") and the United States (the "US").

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the group entities operate (the functional currency of the major subsidiaries of the Company).

2. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018, but is extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The impact of transition to IFRS 9 does not have any material impact on retained earnings of the Group at 1 January 2018.

(ii) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IASs 11 and 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Earlier revenue and profit recognition for sales of properties	87,970
Capitalisation of sales commissions as other contract costs	32,125
Related tax	(57,324)
Net increase in retained earnings at 1 January 2018	62,771
Non-controlling interests	
Net increase in non-controlling interests at 1 January 2018	39,286

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing on (a) sale of properties, (b) property investment, (c) hotel operation, (d) project management, (e) real estate agency services and (f) other services. The operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision maker of the Group ("CODM"), Mr. Zhang Peng, who is the President of the Group. The CODM mainly reviews the revenue information on sales of properties from property development, leasing properties from property investment, hotel operation, project management, real estate agency services and other services. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective types of revenue. The CODM reviews the overall results and organization structure of the Group as a whole to make decision about resources allocation. Accordingly, no analysis of this single reportable and operating segment is presented.

Revenue represents the fair value of the consideration received or receivable.

Entity-wide information

An analysis of the Group's revenue by type is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	**9,043,504**	8,282,941
Real estate agency services	**106,900**	68,690
Project management	**49,410**	13,162
Hotel operation	**71,813**	67,608
Property investment	**64,095**	59,556
Other services	**1,928**	14,371
	9,337,650	8,506,328
Disaggregated by timing of revenue recognition		
Point in time	**7,832,707**	8,506,328
Over time *(note)*	**1,504,943**	–
	9,337,650	8,506,328

Note: Out of the above revenue recognised over time, RMB564,175,000 is related to properties completed and delivered to customers during 2018. Hypothetical revenue of these properties for the year ended 31 December 2018 under IAS 18 would be RMB900,828,000.

Geographic information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

No revenue from transaction with single external customer amounted to 10% or more of the Group's revenue for the year.

5. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Interest income	**110,147**	89,620
Dividend income from available-for-sale investments	**–**	7,073
Government grants *(note a)*	**1,510**	2,833
Remeasurement to fair value of pre-existing interest in acquirees *(note b)*	**–**	116,988
Net exchange (loss)/gain *(note d)*	**(205,237)**	205,102
Gain on disposal of subsidiaries	**20,386**	22,765
Gain on disposal of joint ventures *(note c)*	**212,746**	42,570
Gain on disposal of an associate *(note e)*	**–**	147,195
Gain on disposal of property, plant and equipment	**29**	1,283
Others	**67,233**	17,089
	206,814	652,518

Notes:

(a) Government grants represent incentive subsidies from various PRC governmental authorities. There are no conditions or future obligations attached to these subsidies.

(b) For the year ended 31 December 2017, the Group acquired two subsidiaries which were joint ventures of the Group before the acquisition. The remeasurement to fair value of the Group's pre-existing interest in the acquirees resulted in a gain of RMB116,988,000.

(c) For the year ended 31 December 2018, the Group disposed of the interests in two joint ventures for a total consideration of RMB373,000,000, which resulted in a gain of RMB212,746,000.

For the year ended 31 December 2017, the Group disposed of the interest in a joint venture for a consideration of RMB50,200,000, which resulted in a gain of RMB42,570,000.

(d) The net exchange (loss)/gain for the years ended 31 December 2018 and 2017 mainly arose from retranslation of senior notes issued by the Company denominated in US$ due to (depreciation)/appreciation of RMB against US$.

(e) For the year ended 31 December 2017, the Group disposed of the interest in an associate for a consideration of RMB150,000,000, which resulted in a gain of RMB147,195,000.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**(755,662)**	(685,178)
Interest expense on senior notes and corporate bond	**(572,139)**	(508,085)
	(1,327,801)	(1,193,263)
Less: Amount capitalised in properties under development for sale	**1,069,956**	800,074
	(257,845)	(393,189)

The borrowing costs have been capitalised at a rate of 2.10%-13.44% (2017: 1.27%-11.50%) per annum.

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	**(791,072)**	(501,578)
Land appreciation tax ("LAT")	**(357,725)**	(164,343)
Deferred tax	**395,484**	128,739
Over-provision of PRC Corporate Income Tax in respect of prior years	**10,669**	5,806
Income tax expense	**(742,644)**	(531,376)

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided on the appreciated amount at progressive rates ranging from 30% to 60%, with certain allowable exemptions and deductions.

Pursuant to the rules and regulation of BVI and the Cayman Islands, the Group is not subject to any income tax in BVI and the Cayman Islands.

No provision for Hong Kong profits tax has been made as the income generated from the Group neither arose in, nor was derived from, Hong Kong for the years ended 31 December 2018 and 2017.

The tax charge for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**1,404,905**	1,357,915
PRC corporate income tax at 25%	**(351,226)**	(339,479)
Provision for LAT	**(357,725)**	(164,343)
Tax effect of LAT deductible for PRC Corporate Income Tax	**89,431**	41,085
Tax effect of share of gains/(losses) of joint ventures	**40,452**	(1,755)
Tax effect of share of losses of associates	**(458)**	(1,725)
Tax effect of non-deductible expenses	**(209,496)**	(104,642)
Tax effect of non-taxable income	**65,233**	97,230
Tax effect of unused tax losses not recognised	**(29,524)**	(63,553)
Over provision of PRC Corporate Income Tax in respect of prior years	**10,669**	5,806
Tax charge	**(742,644)**	(531,376)

8. DIVIDEND

(i) Dividends payable to owners of the Company attributable to the year

	2018	2017
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK2.3 cents per ordinary share (2017: HK2.3 cents per ordinary share)	**56,465**	49,065
Final dividend proposed after the end of the reporting period of HK1.98 cents per ordinary share (2017: HK3.6 cents per ordinary share)	**48,402**	80,740
	104,867	129,805

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of previous financial year, approved and paid during the year, of HK3.6 cents per share (2017: HK6.3 cents per share)	**84,559**	137,349

(iii) Bonus issue

A resolution on a bonus share issue of 1 bonus share for every 10 then existing was duly passed by the shareholders by way of poll at an extraordinary general meeting held on 18 September 2017.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**524,791**	705,999

	2018	2017
	'000	*'000*
Number of shares (basic)		
Issued ordinary shares at 1 January	**2,768,291**	2,503,405
Effect of bonus issue	**–**	251,321
Effect of share options exercised	**15,010**	3,113
Weighted average number of ordinary shares at 31 December	**2,783,301**	2,757,839
Number of shares (diluted)		
Number of ordinary shares for the purpose of calculating basic earnings per share	**2,783,301**	2,757,839
Effect of dilutive potential ordinary shares:		
– Share options *(note)*	**16,068**	5,714
Number of ordinary shares for the purpose of calculating diluted earnings per share	**2,799,369**	2,763,553

Note: The computation of the diluted earnings per share for the year ended 31 December 2018 has taken into consideration the weighted average number of 16,068,000 shares (2017: 5,714,000 shares) deemed to be issued at nil consideration as if all outstanding share options had been exercised.

10. INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

Details of the Group's interests in joint ventures are as follows:

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Cost of investment in joint ventures	**2,178,632**	2,678,210
Share of post-acquisition profits and other comprehensive income	**252,253**	20,123
	2,430,885	2,698,333
Loans to joint ventures, gross	**5,561,361**	3,241,816
Less: Share of post-acquisition losses that are in excess of cost of the investments	**(106,267)**	(51,700)
	5,455,094	3,190,116

Loans to joint ventures are unsecured, have no fixed term of repayment, out of which RMB79,794,000 as at 31 December 2017 bear interest at fixed rate of 13% per annum, and the remaining balances are interest free. All the loans to joint ventures are expected to be recovered after one year and, in substance, form part of the Group's net investments in these joint ventures.

Details of the Group's material joint ventures as at 31 December 2018 are as follows:

Name of company	**Place of establishment**	**Effective interests attributable to the Group**		**Principal activities**
		2018	**2017**	
Changsha Pengyue Real Estate Development Co., Limited * ("Changsha Pengyue") 長沙鵬躍房地產開發有限公司	PRC	51%	51%	Property development
Yango Yuegang Limited *("Yango Yuegang") 陽光城粵港有限公司	PRC	51%	51%	Property development

* *The English names of the companies which operate in the PRC are for reference only and have not been registered.*

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' unaudited financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Changsha Pengyue

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Current assets	**1,659,439**	2,179,830
Non-current assets	**8,702**	8,794
Current liabilities	**(1,272,856)**	(1,769,297)
Non-current liabilities	**–**	(200,000)
Net assets	**395,285**	219,327
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**253,681**	255,399

	2018 *RMB'000*	2017 *RMB'000*
Revenue	**1,339,398**	1,024,573
Gain/(loss) and total comprehensive income for the year	**175,958**	(67,996)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Pengyue recognised in the consolidated financial statements:

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Net assets of Changsha Pengyue	**395,285**	219,327
Proportion of the Group's ownership interest in Changsha Pengyue	**51%**	51%
Carrying amount of the Group's interest in Changsha Pengyue	**201,595**	111,857

Yango Yuegang

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Current assets	**6,878,674**	6,567,699
Non-current assets	**185,718**	5,731
Current liabilities	**(726,785)**	(429,304)
Non-current liabilities	**(2,383,324)**	(2,157,834)
Net assets	**3,954,283**	3,986,292
Attributable to equity shareholders	**2,970,217**	2,985,439
Non-controlling interest	**984,066**	1,000,853
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**5,761**	6,756

	31 December 2018 *RMB'000*	For the period from 15 September 2017 to 31 December 2017 *RMB'000*
Revenue	**–**	–
Loss and total comprehensive income for the year/period	**(32,009)**	(17,125)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yango Yuegang recognised in the consolidated financial statements:

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Net assets of Yango Yuegang	**2,970,217**	2,985,439
Proportion of the Group's ownership interest in Yango Yuegang	**51%**	51%
Carrying amount of the Group's interest in Yango Yuegang	**1,514,811**	1,522,574

Aggregate information of joint ventures that are not individually material

	2018	2017
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**714,479**	1,063,902
Aggregate amounts of the Group's share of those joint ventures' gains and total comprehensive income	**88,395**	36,391

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly are rental receivable and receivable from sale of properties.

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Trade receivables, net of allowance	**601,800**	167,157
Other receivables, net of allowance	**3,323,945**	1,234,943
Guarantee deposits for housing provident fund loans provided to customers *(note)*	**16,777**	33,796
Loans and receivables	**3,942,522**	1,435,896
Prepayments to suppliers of construction materials	**277,389**	151,053
Deposits paid for acquisition of land use rights	**374,308**	40,000
Deposits paid for acquisition of subsidiaries	**–**	428,859
Prepaid taxation	**1,374,815**	954,072
	5,969,034	3,009,880

Note: Guarantee deposits for housing provident fund loans provided to customers represent amounts placed with Housing Provident Fund Management Center, a state-owned organisation responsible for the operation and management of housing provident fund, to secure the housing provident fund loans provided to customers and will be refunded to the Group upon customers obtaining the property individual ownership certificate.

The following is an ageing analysis of trade receivables based on due date for rental receivables and revenue recognition dates for receivables from properties sold, at the end of each reporting period.

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Less than 1 year	**554,611**	134,729
1 - 2 years	**47,189**	32,428
	601,800	167,157

All of the above trade receivables are overdue rental receivables and receivables from properties sold but not impaired at the end of the reporting period. For the overdue rental receivables, the Group does not hold any collateral over those balances. For the receivables from properties sold, the Group holds the title of the property units as collateral over those balances.

Movements in the allowance for doubtful debts on trade receivables are set out as follows:

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
At the beginning and the end of the year	**4,041**	4,041

Movements in the allowance for doubtful debts on other receivables are set out as follows:

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
At the beginning of the year	**3,431**	2,763
Provided during the year	**38**	668
At the end of the year	**3,469**	3,431

12. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Trade and notes payables	**2,277,935**	1,534,024
Accrued expenditure on construction	**845,742**	562,754
Amount due to non-controlling interests	**1,945,902**	2,306,511
Accrued interest on senior notes	**118,480**	80,557
Accrued payroll	**20,377**	31,858
Dividend payable	**2,085**	1,648
Other payables	**3,876,792**	1,343,128
Financial liabilities measured at amortised cost	**9,087,313**	5,860,480
Deposits received and receipt in advance from property sales *(note 13)*	**–**	10,796,614
Other tax payables	**7,200**	189,458
	9,094,513	16,846,552

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe, if any.

The following is an ageing analysis of trade payables based on invoice date at the end of the reporting period:

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Less than 1 year	**1,935,105**	1,037,273
1 to 2 years	**338,346**	327,314
More than 2 years and up to 3 years	**4,484**	169,437
	2,277,935	1,534,024

13. CONTRACT LIABILITIES

	Note	**At 31 December 2018**	At 1 January 2018(i)	At 31 December 2017(i)
		RMB'000	*RMB'000*	*RMB'000*
Contract liabilities				
Sales deposits	*(ii)*	**16,918,562**	10,796,614	–
		16,918,562	10,796,614	–

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of IFRS 15, these amounts were reclassified from "Trade and other payables, deposits received and accrued charges" (note 12) to contract liabilities.

14. SHARE CAPITAL

	Number of shares	Amount	Equivalent to
	'000	*USD'000*	*RMB'000*
Ordinary shares of US$0.01 each			
Authorised:			
At 1 January 2017	3,000,000	30,000	184,404
Increase on 29 June 2017 *(note a)*	5,000,000	50,000	339,610
At 31 December 2017, 1 January 2018 and 31 December 2018	8,000,000	80,000	524,014
Issued and fully paid:			
At 1 January 2017	2,503,405	25,034	156,459
Bonus issue of shares *(note b)*	251,321	2,503	16,613
Exercise of share options *(note c)*	13,565	137	860
At 31 December 2017 and 1 January 2018	2,768,291	27,674	173,932
Exercise of share options *(note c)*	21,628	216	1,409
At 31 December 2018	2,789,919	27,890	175,341

Notes:

(a) Pursuant to the resolutions passed in the Company's annual general meeting held on 29 June 2017, the authorised share capital of the Company was increased from US$30,000,000 divided into 3,000,000,000 shares to US$80,000,000 divided into 8,000,000,000 shares.

(b) Pursuant to the bonus issue which was completed on 9 October 2017, a total of 251,321,000 bonus shares were issued on the basis of one bonus share for every ten shares then existing as at 26 September 2017.

(c) During the year ended 31 December 2018, share options were exercised to subscribe for 994,000, 1,622,500 and 19,011,600 ordinary shares of the Company at HK$1.041, HK$1.045 and HK$1.138 (equivalent to approximately RMB0.879, RMB0.838 and RMB0.948) per share, respectively, with the aggregate amount of HK$24,365,000 (equivalent to approximately RMB20,263,000). During the year ended 31 December 2017, share options were exercised to subscribe for 2,312,500, 1,070,000, 7,490,000, 1,727,000 and 965,000 ordinary shares of the Company at HK$1.145, HK$1.041, HK$1.252, HK$1.138 and HK$1.045 (equivalent to approximately RMB0.967, RMB0.879, RMB1.057, RMB0.961 and RMB0.882) per share, respectively with the aggregate amount of HK$16,115,000 (equivalent to approximately RMB13,608,000).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the business review of the Group for the year ended 31 December 2018 and its prospects.

Results

For the twelve months ended 31 December 2018, the Group achieved contracted sales of approximately RMB32,156.68 million, of which approximately RMB31,705.06 million was from properties and approximately RMB451.62 million was from car parking spaces. Area of properties under contracted sales was approximately 3,036,234 square metres ("sq.m.") and the average selling price per sq.m. was approximately RMB10,442.

2018 Review

The year of 2018 marked the 40th anniversary of the Reform and Opening-up of the country. Over the past forty years, under the leadership of the Party, the real estate industry in China maintained a stable development momentum. In addition, the real estate market has started from scratch, achieving remarkable improvement in living environment for urban residents, with per capita housing area increasing by 4.5 times or approximately 36.9 sq.m..

In 2018, changes in the central government policies demonstrated the shift from tight control to more relaxed regulatory policies in three phases, including reiterating the policy of "Houses are for living but not for speculation" at The National People's Congress and The Chinese Political Consultative Conference (the "Two Sessions") in March, signaling the determination to "resolutely curb the rise in housing prices" at The PolitBuro meeting at the end of July and issuing the requirement of "stabilizing land prices, housing prices and expectations" by the Ministry of Housing and Urban-Rural Development in August. At local level, changes in the policies can be categorized into two phases: for the first three quarters, the local governments were determined to stick to the regulatory policies without any intention of relaxing any policies introduced, including the continuous implementation of the "four tightening measures" (namely restrictions on purchasing, pricing, re-selling and lending), regulation of the property market and increase in the mortgage rate, etc., while there were signals indicating the loosening of the regulatory policy in the fourth quarter, with some cities partially uplifting restrictions on pricing and many cities lowering the increase in mortgage rate.

In 2018, investments in the real estate industry across the country amounted to RMB12 trillion, representing a year-on-year increase of 9.8%, and the sales of commercial properties amounted to RMB15 trillion, down by 1.5 percentage points as compared with that of last year.

Achieving steady growth in operating results by conducting precise analysis of the market

Against the backdrop of instability in policy development, financial environment and regional markets, and benefiting from our differentiated product roadmap as well as prudent investment allocation and financial management, we recorded steady growth in operating results in 2018.

For the twelve months ended 31 December 2018, the Group achieved contracted sales of approximately RMB32,156.68 million, presenting a year-on-year increase of 44.9%. Among which, approximately RMB31,705.06 million was from properties and approximately RMB451.62 million was from car parking spaces. Area of properties under contracted sales was approximately 3,036,234 square meters. In addition, the Board declared a final dividend of HK1.98 cents per share, totaling HK4.28 cents per share for the year.

Promoting business expansion with prudent operation strategy

1. *Adopting a flexible investment approach through focused investment and financing.*

   The Company made steady investments to explore market potential, and implemented focused investment by adopting a prudent approach in acquiring lands, developing an asset-light operation model and diversifying its businesses into entrusted construction and cooperative development. In 2018, over 80% of the newly acquired projects were strategically located at Jing-Jin-Ji megalopolis, Yangtze River Delta megalopolis, Pearl River Delta megalopolis, Middle Yangtze River Valley megalopolis, Cheng-Yu megalopolis and 15 provincial capital cities or quality second-tier cities. The Company acquired 22 new projects with parcels of land with a total site area of 3.93 million sq.m.. The Company made strenuous efforts to explore the major markets, further improving its nationwide business footprint. By adopting an assess-light development model, the Company acquired 5 parcels of land for entrusted construction in 2018, recording a contract amount of over RMB110 million with saleable value of RMB3.17 billion and gross floor area of 375,000 sq.m..

2. *Ensuring a stable cash flow by facilitating inventory sales, achieving efficient operation and rapid turnover of projects.*

   In 2018, the Company had 49 projects for sale and carried out 45 concentrated sales launches, recording a sell-through rate of 68% for the year. In particular, the units of Jinjiang Wan Guo Cheng project were launched nine times and sold out at each time. Regarding corporate operation, the Company implemented the “456” regulation, with 43% of projects commencing construction within 6 months and 5 projects being released within 4 months. In particular, Modern Shang Pin Wan (Xi’an) commenced construction within 77 days and was released within 90 days.

3. *Implementing prudent financial management to achieve healthy capital structure.*

   The Company continued to record revenue growth in 2018. Many securities firms are confident about the future development of the Company and gave the Company positive ratings. The Company obtained from seven new financial institutions credit facilities in an aggregate amount of over RMB30 billion, which provided sufficient capital for the subsequent development of the Company.

   The Company always embraces the principle of keeping sufficient reserve of cash on hand, with the cash on hand accounting for over 15% of its total assets. In active response to the national initiative of green finance, the Company has issued offshore green bonds in an aggregate principal amount of US$500 million.

Focusing on product development to promote its green brand

1. *Implementing effective cost control to strengthen its core green competitiveness.*

   In 2018, the Company achieved its cost control target through several means including upgrading 360 information technology modules and developing 6 cost data. The Company was accredited as China Model Green Property Developers in Operation (ranking No.1) and has successfully applied for 9 technology patents, adding to a total of 91 core green patents. Wan Guo Cheng MOMΛ (Tongzhou) is the first museum project which passed AH international certification across the globe. Modern MOMΛ project is currently the only domestic project being awarded Three Star Green Building Certification – Operation, the first domestic project being awarded Three-Star WELL Building Certification – Operation, and the only project being awarded both Three-Star WELL Building Certification – Operation and Three Star Green Building Certification – Operation. The Company further upgraded its product portfolio by launching the full life cycle Modern City MOMΛ product line, with Modern MOMΛ (Guizhou) being the first project to be released.

2. *Tapping into the elderly care industry to capitalize its assets by innovating full life cycle operation.*

   We will forge forward despite the challenges ahead. In 2018, the Company entered into a cooperation agreement with Taiping Life Insurance Company Limited to form Green Elderly Healthcare Industry Group (綠健養老產業集團), and officially launched the first MOMΛ elderly care community in China, namely Modern Shi Guang Li (當代•時光裡), in an effort to create a corporate operation service brand with distinctive competitiveness. The Company promoted simultaneous development of its sales and operation service businesses, which helped to expand its business coverage.

3. *Focusing on the theme of "Action of Loving My Homeland" to expand the influence of green brand.*

   The Company strove to enhance its brand influence and proactively participated in green public welfare activities. The Company is always committed to fulfilling its social responsibilities. In 2018, the Company made donations to 24 schools in Yunnan and Guizhou region, and continued to participate in public welfare undertaking. At the brand level, we witnessed further improvements in brand influence. In 2018, the Company was granted a total of 102 awards, including 22 green property operation awards, 18 finance awards, 6 elite technology awards and 16 green certifications.

Outlook in 2019

Key points related to the real estate industry in the Report on the Work of the Government issued during the Two Sessions in 2019 include:

In 2019, further efforts will be made to ensure stability in employment, finance, foreign trade, foreign investments, investment and expectations. In terms of the policies for the real estate market, the government did not reiterate the policy of "Houses are for living but not for speculation" nor accentuated again the policy of "parallel development of housing for lease and for sale".

Firstly, it is emphasized that more efforts will be made to effectively address the housing problem, and each city will assume the responsibility in regulating the property market, indicating that the strategy of "differential policies for different cities" may become the guideline policy. It is also stated that measures will be taken to reform and improve the market system and security system for housing, with an aim to promote stable development of the real estate market.

Secondly, it is stated that the government will focus on alleviating the financing difficulties and high financing costs experienced by the enterprises. The government will strengthen the implementation of "Targeted RRR cuts" for small– and medium– sized banks, and will release all the resulting funds to private enterprises and micro and small enterprises. Loans to micro and small enterprises by large state-owned commercial banks are targeted to increase by more than 30% this year. The government will maintain optimal and prudent monetary policies. The government will improve the exchange rate regime and keep the RMB exchange rate basically stable at a fair and balanced level.

Given the expected stable and positive market conditions for the year, the Company will implement the following four measures, with an aim to achieve its strategic business targets for 2019.

To enhance our green technology strengths for steady growth in results

In 2019, under the strategy of "differential policies for different cities" which requires each city to assume the responsibility in regulating the property market, and with the residents focusing on urban environment, health and quality, companies focusing on green technology and customer operation will benefit from the favorable government policy. With upgraded demands for green buildings and green industries from the market and the clients, the Company will enjoy notable advantage with its green building and green technology strengths.

Sticking to the "5+15+M" investment strategy, the Company continued to explore the Jing-Jin-Ji megalopolis, Yangtze River Delta megalopolis, Pearl River Delta megalopolis, Middle Yangtze River Valley megalopolis and Cheng-Yu megalopolis in 2019. The Company will keep an active watch on 15 robust second-tier cities including Xi'an and Wuhan, and seize opportunities to invest in cities that meet our investment and value appreciation criteria, especially those among the top 100 county-level cities in economic strengths in the PRC.

To expand financing channels for stable capital supply

In 2019, with loose monetary policy becoming the main tone of economic development, the listed companies are uniquely positioned to benefit from this policy. In order to ensure that the Company has sufficient capital for operation and sustainable development, the Company will continue to explore new financing channels and improve the financing structure mechanism, enabling the financing structure to accommodate the requirements of the Company's development strategy. Given the ever-changing financing environment, capital composition and supply-and-demand conditions in the market, the Company will adopt a fair financing plan, select the optimal financing structure and optimize its capital structure in a timely manner.

To achieve breakthroughs in sales performance with rapid turnover of projects and timely cash collection

Product capability. The Company will continue to develop green technology while exploring customers' value in response to current market changes, and has designed 4 standardized product lines and 8 product series for residential properties based on customer needs, customer characteristics, energy system and technology configuration. As to development of new project products, the Company will conduct study and analysis on the standards for competing products across the region in advance, and complete research on product demands of the customers, so as to quickly come up with different suitable green technology products.

Marketing strength. The Company is committed to green real estate development with "precise positioning + timely commencement of construction + speedy market release + low-cost adaptation + milestone implementation". Speedy product positioning and precise customer orientation will enable us to gain differentiated competitive edges in product development and improve the matching between product positioning and customer demands. In addition to the standardization of products, start-up zone, VI and footholds, the Company will focus on customers, process, costs and cash collection to ensure satisfactory turnover rate, profit margin and cash flow.

To explore brand value for stable full life cycle operation

Leveraging on its sophisticated green technology strengths and brand advantage, the Company will continue to explore into the asset-light entrusted construction and cooperative development business through cooperation in respect of specific projects. Furthermore, the population of citizens aged 60 or above in China has reached 250 million. According to the Report on the Work of the Government issued during the Two Sessions, the government will step up efforts to develop elderly care (particularly community-based elderly care) service industry in 2019. The Company will continue to develop the elderly care business as a new growth driver, thereby further extending its business to cover the industry-wide value chain.

Sticking to the core competitiveness of green technologies, the Company will take the lead in developing green buildings, green communities and technology communities, so as to enhance its brand influence. By establishing the green financial capital platform, green real estate development platform and green digital interconnection service platform, the Company will operate and maintain its operations with the customers truly as its focus.

Furthermore, according to the Two Sessions, great efforts will be made to facilitate the development of emerging industries and strengthen the research, development and application of big data and artificial intelligence technologies, so as to boost the development of digital economy. On development strategy, the Company will focus on operational performance, risk control as well as integration and collaboration of industries in 2019. The Company will focus on not only project development, but also the overall operation of projects, establishment of the big data industry-wide chain cloud platform and innovation of smart AI communities, etc., with an aim to become a leading operator in China's green technology real estate during the transition to a city operator. Adhering to the operation mode of full life cycle residential properties featuring "green technology + comfort and energy saving + digital interconnection", the Company will strive to provide our customers with a green and quality lifestyle. By adopting differentiated roadmap and a diversified development mode, the Company will continue to boost business growth in 2019.

Finally, on behalf of the Board, I would like to extend sincere thanks to our shareholders for their unwavering support and trust, and would like to express deepest gratitude to the Board, the management team and all staff for their dedication and diligence!

Zhang Lei
Chairman

11 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue is mainly attributable to sale of properties, property investment, hotel operations and project management, real estate agency services and other businesses.

Sale of Properties

For the year ended 31 December 2018, the Group's revenue from sale of properties amounted to RMB9,043.50 million, representing an increase of 9.2% as compared to the year ended 31 December 2017. The Group delivered 1,001,739 sq.m. of property in terms of total gross floor area ("GFA") and 1,615 units of car parking spaces in 2018. Gross profit margin of sale of properties was 21.8%, up from 19.7% in the corresponding period in 2017. Delivered average selling price ("ASP") was RMB8,828 per sq.m. and that for car parking spaces was RMB123,703 per unit for the year ended 31 December 2018.

Table 1: Breakdown of revenue from sale of properties (by projects) and car parking spaces of the Group

* *After deducting sales tax*

	2018			2017		
	Revenue	**Total GFA or units**	**ASP**	Revenue	Total GFA or units	ASP
Project name	***RMB'000***	***sq.m. or unit***	***RMB/sq.m. or unit***	*RMB'000*	*sq.m. or unit*	*RMB/sq.m. or unit*
Modern Chun Feng Hu Shang MOMΛ (Wuxi)	**259,717**	**27,440**	**9,465**	342,601	40,237	8,515
Dongdaihe • Bai Jin Hai MOMΛ (Dongdaihe)	**271,082**	**40,051**	**6,768**	364,608	62,799	5,806
Guanggu Man Ting Chun MOMΛ (Wuhan)	**9,149**	**548**	**16,695**	533,360	62,014	8,601
Modern Zhongrui Wan Guo Fu (Wuhan)	**50,586**	**1,787**	**28,308**	–	–	–
Hanyang Modern Wan Guo Cheng (Wuhan)	**974,462**	**67,806**	**14,371**	–	–	–
Kaifu Man Ting Chun MOMΛ (Changsha)	**2,096**	**191**	**10,974**	21,271	2,650	8,027
Man Tang Yue MOMΛ (Huizhou)	**936,782**	**86,616**	**10,815**	–	–	–
Man Ting Chun MOMΛ (Jiujiang) *(Note)*	**4,025**	**538**	**7,481**	307,629	57,329	5,366
Man Ting Chun MOMΛ (Nanchang)	**–**	**–**	**–**	2,799	402	6,963
Man Ting Chun MOMΛ (Xiantao)	**904,944**	**238,993**	**3,786**	348,947	113,987	3,061
Man Ting Chun Modern City MOMΛ (Xiantao)	**4,433**	**864**	**5,131**	–	–	–
Man Ting Chun MOMΛ (Zhangjiakou)	**13,207**	**1,938**	**6,815**	–	–	–
Modern Binjiang MOMΛ (Changsha)	**267,610**	**14,292**	**18,724**	270,237	25,504	10,596
Modern International MOMΛ (Nanchang)	**8,932**	**792**	**11,278**	25,657	1,778	14,430
Modern Jinjiang Wan Guo Cheng MOMΛ (Fujian)	**10,083**	**879**	**11,471**	–	–	–
Modern Land • CIFI Villa (Beijing)	**90,693**	**3,493**	**25,964**	195,348	19,396	10,072
Modern Man Tang Yue MOMΛ (Jingzhou)	**162,950**	**30,005**	**5,431**	–	–	–
Modern MOMΛ (Hefei)	**64,016**	**2,897**	**22,097**	1,143,077	62,269	18,357
Modern MOMΛ Plaza (Taiyuan)	**3,647**	**370**	**9,857**	–	–	–
Modern MOMΛ New City (Nanchang)	**20,296**	**1,950**	**10,408**	14,241	2,048	6,955
Modern MOMΛ Yan Hu Cheng (Taiyuan)	**611,436**	**88,426**	**6,915**	–	–	–
Modern Shang Pin Wan MOMΛ (Foshan)	**11,409**	**676**	**16,877**	–	–	–
Modern Shang Pin Xue Fu (Huzhou)	**14,205**	**1,448**	**9,810**	–	–	–
Modern Wan Guo Fu (Hefei)	**38,628**	**1,765**	**21,886**	–	–	–
Modern Wan Guo Fu MOMΛ (Foshan)	**1,035,342**	**49,171**	**21,056**	–	–	–
Modern Wan Guo Fu MOMΛ (Nanjing)	**10,302**	**252**	**40,881**	–	–	–
Modern Wan Guo Fu MOMΛ (Shanghai)	**169,928**	**2,840**	**59,834**	3,141,173	83,821	37,475
Modern Wan Guo Fu MOMΛ (Suzhou)	**19,937**	**700**	**28,481**	1,328,240	53,500	24,827
Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan)	**11,851**	**1,799**	**6,588**	–	–	–
MOMΛ Modern Plaza (Changsha)	**339,568**	**34,348**	**9,886**	74,868	10,940	6,844
Shangdi MOMΛ (Beijing)	**–**	**–**	**–**	2,297	85	27,024
Shao Quan Hu City of Future (Hefei)	**1,610,264**	**224,958**	**7,158**	–	–	–

Project name	**2018** Revenue *RMB'000*	**2018** Total GFA or units *sq.m. or unit*	**2018** ASP *RMB/sq.m. or unit*	2017 Revenue *RMB'000*	2017 Total GFA or units *sq.m. or unit*	2017 ASP *RMB/sq.m. or unit*
Shishan Modern MOMΛ (Suzhou)	**639,623**	**27,652**	**23,131**	–	–	–
Wan Guo Cheng MOMΛ (Taiyuan)	**(6,215)**	**(394)**	**15,774**	(5,151)	(311)	16,563
Yangluo Man Ting Chun MOMΛ (Wuhan)	**278,736**	**46,648**	**5,975**	–	–	–
Sub-total	**8,843,724**	**1,001,739**	**8,828**	8,111,202	598,448	13,554
Car parking spaces	**199,780**	**1,615 units**	**123,703/unit**	171,739	1,840 units	93,336/unit
Total	**9,043,504**			8,282,941		

Note: Related information of Chao Yang Li MOMΛ (Jiujiang) is no longer presented separately as it has been consolidated into Man Ting Chun MOMΛ (Jiujiang).

Contracted Sales

For the year ended 31 December 2018, the Group, its joint ventures and associates achieved contracted sales of RMB32,156.68 million, representing an increase of 44.9% as compared to the year ended 31 December 2017, whereas 3,036,234 sq.m. in total GFA and 2,954 units of car parking spaces were sold, representing an increase of 70% and a decrease of 34.5% respectively as compared to the year ended 31 December 2017.

Table 2: Breakdown of contracted sales of the Group

** Before deducting sales tax*

		2018			2017		
Project name	**Attributable interest to the Group** *(%)*	**Contracted sales** *RMB'000*	**GFA** *(in sq.m.) or units*	**ASP** *RMB/sq.m. or unit*	Contracted sales *RMB'000*	GFA *(in sq.m.) or units*	ASP *RMB/sq.m. or unit*
Modern Huangshi Man Tang Yue MOMΛ (Hubei)	**51.00%**	**315,817**	**38,944**	**8,110**	–	–	–
Man Ting Chun MOMΛ (Jiujiang)	**100.00%**	**12,195**	**989**	**12,331**	86,905	9,740	8,923
Modern Furong Wan Guo Cheng MOMΛ(Changsha)	**51.00%**	**1,004,938**	**92,180**	**10,902**	1,302,452	164,507	7,917
Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan)	**70.00%**	**919,762**	**115,035**	**7,995**	–	–	–
Modern Binjiang MOMΛ (Changsha)	**100.00%**	**281,297**	**14,417**	**19,511**	247,383	21,826	11,334
MOMΛ Modern Plaza (Changsha)	**100.00%**	**331,236**	**32,078**	**10,326**	63,941	7,266	8,801
Kaifu Man Ting Chun MOMΛ (Changsha)	**100.00%**	**–**	**–**	**–**	3,525	644	5,472
Modern Zhongrui Wan Guo Fu (Wuhan)	**51.00%**	**205,007**	**6,503**	**31,525**	924,803	29,682	31,157
Hanyang Modern Wan Guo Cheng (Wuhan)	**75.00%**	**1,089,362**	**69,400**	**15,697**	1,358,657	90,316	15,043
Guanggu Man Ting Chun MOMΛ (Wuhan)	**100.00%**	**2,252**	**102**	**22,078**	75,688	16,358	4,627
Yangluo Man Ting Chun MOMΛ (Wuhan)	**20.00%**	**944,676**	**104,174**	**9,068**	960,297	150,052	6,400
Man Ting Chun MOMΛ(Xiantao)	**100.00%**	**571,664**	**101,219**	**5,648**	932,019	216,997	4,295
Man Ting Chun Modern City MOMΛ (Xiantao)	**82.00%**	**491,110**	**94,394**	**5,203**	–	–	–
Binjiang Man Ting Chun MOMΛ (Tianmen)	**60.00%**	**138,282**	**29,822**	**4,637**	–	–	–
Jingzhou Modern Man Tang Yue MOMΛ (Hubei)	**30.00%**	**470,269**	**77,823**	**6,043**	–	–	–
North Star-Modern • Guanggu Green Home (Wuhan)	**45.00%**	**49,775**	**2,787**	**17,860**	811,846	70,949	11,443
Modern Gaoling Shang Pin Wan MOMΛ (Shaanxi)	**60.00%**	**2,571,103**	**302,084**	**8,511**	–	–	–
Modern Jiabao Park•YUE MOMΛ (Shaanxi)	**51.02%**	**1,233,958**	**116,535**	**10,589**	–	–	–
Man Tang Yue MOMΛ (Huizhou)	**100.00%**	**1,296,768**	**109,292**	**11,865**	–	–	–
Modern Jinjiang Wan Guo Cheng MOMΛ (Fujian)	**60.04%**	**2,465,631**	**235,655**	**10,463**	1,549,672	151,374	10,237
Modern Hong Shan Fu (Fujian)	**75.00%**	**53,570**	**7,042**	**7,607**	–	–	–
Modern Wan Guo Fu MOMΛ (Foshan)	**51.00%**	**654,122**	**29,043**	**22,523**	1,328,052	62,676	21,189
Modern Shang Pin Wan MOMΛ (Foshan)	**100.00%**	**3,518**	**391**	**8,997**	454,617	26,086	17,428
Man Ting Chun MOMΛ (Zhangjiakou)	**35.00%**	**618,106**	**81,269**	**7,606**	–	–	–
Dongdaihe•Bai Jin Hai MOMΛ(Dongdaihe)	**100.00%**	**583,633**	**71,808**	**8,128**	584,976	85,206	6,865
Modern MOMΛ Yan Hu Cheng (Taiyuan)	**50.00%**	**41,425**	**4,267**	**9,708**	1,524,194	189,310	8,051
Modern MOMΛ Plaza (Taiyuan)	**51.00%**	**1,144,827**	**102,878**	**11,128**	–	–	–
Modern Jinzhong Shang Pin Xue Fu (Shanxi)	**49.00%**	**981,902**	**115,533**	**8,499**	–	–	–
Shao Quan Hu City of Future (Hefei)	**100.00%**	**302,506**	**18,392**	**16,448**	1,288,528	145,227	8,873

Project name	2018 Attributable interest to the Group (%)	2018 Contracted sales *RMB'000*	2018 GFA *(in sq.m.) or units*	2018 ASP *RMB/sq.m. or unit*	2017 Contracted sales *RMB'000*	2017 GFA *(in sq.m.) or units*	2017 ASP *RMB/sq.m. or unit*
Modern Wan Guo Fu (Hefei)	**30.60%**	**1,740,291**	**78,346**	**22,213**	3,003,030	126,815	23,680
Modern MOMΛ (Hefei)	**100.00%**	**28,968**	**1,627**	**17,805**	129,794	6,263	20,725
Fuyang Modern City MOMΛ (Anhui)	**74.00%**	**1,854,987**	**293,553**	**6,319**	–	–	–
Shishan Modern MOMΛ (Suzhou)	**20.00%**	**218,261**	**12,449**	**17,532**	27,763	3,195	8,689
Xiangcheng Wan Guo Shu (Suzhou)	**50.00%**	**130,294**	**6,045**	**21,554**	672,010	29,613	22,693
Modern Suzhou Fu MOMΛ	**50.00%**	**238,952**	**7,264**	**32,895**	352,789	10,681	33,030
Modern Chun Feng Hu Shang MOMΛ (Wuxi)	**100.00%**	**71,935**	**4,425**	**16,256**	804,457	84,981	9,466
Modern Wan Guo Fu MOMΛ (Suzhou)	**100.00%**	**24,244**	**818**	**29,638**	18,922	1,230	15,381
Modern Wan Guo Fu MOMΛ (Nanjing)	**51.00%**	**1,229,164**	**27,954**	**43,971**	–	–	–
Wuqing Sunshine MOMΛ (Tianjin)	**70.00%**	**496,749**	**38,238**	**12,991**	–	–	–
Hongsheng Man Ting Chun MOMΛ (Shaanxi)	**0.00%**	**–**	**–**	**–**	295,173	35,861	8,231
Modern Wan Guo Fu MOMΛ (Shanghai)	**100.00%**	**6,000**	**86**	**69,767**	115,733	4,938	23,439
Modern Jiaxing Man Tang Yue MOMΛ	**51.00%**	**602,563**	**51,557**	**11,687**	–	–	–
Modern Shang Pin Xue Fu (Huzhou)	**65.24%**	**806,269**	**79,281**	**10,170**	–	–	–
Modern Shang Pin Wan (Huzhou)	**69.15%**	**493,890**	**35,804**	**13,794**	–	–	–
Modern Tian Yu (Huzhou)	**40.00%**	**361,118**	**36,190**	**9,978**	–	–	–
Man Ting Chun MOMΛ (Nanchang)	**100.00%**	**1,608**	**113**	**14,230**	4,432	312	14,200
Modern MOMΛ New City (Nanchang)	**100.00%**	**7,601**	**764**	**9,949**	15,312	1,594	9,605
Modern International MOMΛ (Nanchang)	**100.00%**	**–**	**–**	**–**	18,548	1,525	12,161
Modern Tongzhou Wan Guo Fu MOMΛ	**51.00%**	**2,557,524**	**37,377**	**68,425**	2,763,270	40,494	68,240
Modern Xingyi Shang Pin Wan (Guizhou)	**85.00%**	**608,819**	**145,247**	**4,192**	–	–	–
Modern MOMΛ City of Future (Guizhou)	**62.20%**	**1,436,878**	**204,478**	**7,027**	–	–	–
Modern North Star•YUE MOMΛ (Beijing)	**50.00%**	**10,234**	**562**	**18,210**	–	–	–
Sub-total		**31,705,060**	**3,036,234**	**10,442**	21,718,788	1,785,718	12,162
Car parking spaces		**451,619**	**2,954**	**152,884**	467,232	4,510	103,599
Total		**32,156,679**			22,186,020		

Property Investment, Hotel Operations, Project Management and Real Estate Agency Services

For the year ended 31 December 2018, the Group's revenue from property investment amounted to RMB64.10 million, representing an increase of 7.6% as compared to the corresponding period in 2017. The Group's revenue from hotel operations increased by 6.2% to RMB71.81 million in 2018 while the revenue from project management increased by 275.4% to RMB49.41 million in 2018.

With the unique product, brand, management and credibility advantages supported by our MOMΛ green-technology products, real estate agency services offer customised full-set development and operation management solutions to customers.

The Group had a total of 5 contracted real estate agency projects in 2018, with a contractual amount of approximately RMB109.15 million. In 2018, the revenue from real estate agency services amounted to approximately RMB106.9 million (2017: approximately RMB68.7 million).

Hotel MOMC, a boutique hotel owned and operated by the Group, has established its presence in Beijing and Taiyuan, and its revenue for the year amounted to RMB71.81 million.

Note: The projects of real estate agency services and land bank of the Group, its joint ventures and associates are located in Beijing, Zhangjiakou, Shanghai, Nanjing, Suzhou, Hefei, Wuxi, Taiyuan, Changsha, Wuhan, Huangshi, Jingzhou, Nanchang, Dongdaihe, Quanzhou, Huizhou, Jiujiang, Xiantao, Foshan, Guangzhou, Xi'an, Jiaxing, Huzhou, Qianxinan and Qiannan.

Land Bank

As at 31 December 2018, total land bank in the PRC (excluding investment properties and properties held for own use) held by the Group, its joint ventures and associates was 8,765,415 sq.m..

The geographic spread of the land bank held by the Group, its joint ventures and associates was as follows:

Table 3: Land bank held by the Group

Land bank in China

	As at 31 December 2018		
Project name	**Attributable interest to the Group** *(%)*	**Total GFA** *(Note (1))* *(sq.m.)*	**Aggregated GFA sold but undelivered with sales contracts** *(sq.m.)*
Modern MOMΛ (Beijing)	100%	17,907	–
MOMΛ Forest Forever (Beijing)	100%	7,985	–
Shangdi MOMΛ (Beijing)	100%	11,163	–
Modern Land • CIFI Villa (Beijing)	50%	5,207	4,214
Modern North Star • YUE MOMΛ (Beijing)	50%	5,731	–
Modern Yunjing MOMΛ (Bejing)	51%	163,593	–
Modern Tongzhou Wan Guo Fu MOMΛ	51%	220,733	77,871
Modern Xishan Shang Pin Wan MOMΛ (Beijing)	51%	130,030	–
Wuqing Sunshine MOMΛ (Tianjin)	70%	43,123	38,356
Man Ting Chun MOMΛ (Zhangjiakou)	35%	340,841	81,269
Yuanzhu MOMΛ (Zhangjiakou)	48.45%	121,909	–
Modern Wan Guo Fu MOMΛ (Shanghai)	100%	17,704	–
Modern Wan Guo Fu MOMΛ (Foshan)	51%	131,761	98,322
Modern Shang Pin Wan MOMΛ (Foshan)	100%	29,222	26,477
Lishui Shang Pin Wan MOMΛ(Foshan)	100%	37,776	–
Man Tang Yue MOMΛ (Huizhou)	100%	123,084	22,676
Modern Jiaxing Man Tang Yue MOMΛ	51%	55,027	51,565
Modern Shang Pin Xue Fu (Huzhou)	65.24%	223,850	79,281
Modern Shang Pin Wan (Huzhou)	66%	71,447	35,804
Modern Tian Yu (Huzhou)	40%	42,883	36,317
Modern Wan Guo Fu MOMΛ (Suzhou)	100%	2,458	-
Modern Suzhou Fu MOMΛ	50%	24,078	17,945

Project name	Attributable interest to the Group (%)	Total GFA *(Note (1))* *(sq.m.)*	Aggregated GFA sold but undelivered with sales contracts *(sq.m.)*
	As at 31 December 2018		
Xiangcheng Wan Guo Shu (Suzhou)	50%	18,962	9,948
Shishan Modern MOMΛ (Suzhou)	20%	52,650	21,788
Zhongxiang Wan Guo Cheng MOMΛ (Suzhou)	80%	154,294	–
Modern Chun Feng Hu Shang MOMΛ (Wuxi)	100%	17,835	5,370
Modern Great Lakes Shang Pin MOMΛ (Suzhou)	80%	57,578	–
Modern Wan Guo Fu MOMΛ (Nanjing)	50%	54,486	27,954
Wan Guo Cheng MOMΛ (Taiyuan)	100%	49,078	–
Modern MOMΛ Yan Hu Cheng (Taiyuan)	50%	109,631	101,303
Modern MOMΛ Plaza (Taiyuan)	51%	140,788	102,878
Modern City (Taiyuan)	51%	486,971	–
Modern Jinzhong Shang Pin Xue Fu (Shanxi)	49%	355,388	115,533
Modern Gaoling Shang Pin Wan MOMΛ (Shaanxi)	60%	637,559	302,084
Modern Jiabao Park • YUE MOMΛ (Shaanxi)	51.02%	202,970	116,535
Kaifu Man Ting Chun MOMΛ (Changsha)	100%	41,989	–
Modern Binjiang MOMΛ (Changsha)	100%	13,649	–
MOMΛ Modern Plaza (Changsha)	100%	37,507	18,668
Modern Furong Wan Guo Cheng MOMΛ(Changsha)	51%	122,044	83,697
Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan)	70%	164,595	115,035
Hanyang Man Ting Chun MOMΛ (Wuhan)	99.02%	8,056	–
Guanggu Man Ting Chun MOMΛ (Wuhan)	100%	21,459	–
North Star-Modern • Guanggu Green Home (Wuhan)	45%	9,781	3,022
Modern Zhongrui Wan Guo Fu (Wuhan)	51%	39,810	36,290
Hanyang Modern Wan Guo Cheng (Wuhan)	75%	121,276	118,479
Yangluo Man Ting Chun MOMΛ (Wuhan)	20%	217,017	203,102
Jingzhou Modern Man Tang Yue MOMΛ (Hubei)	30%	74,444	48,794
Modern Huangshi Man Tang Yue MOMΛ (Hubei) *(Note (2))*	51%	162,865	38,944

Project name	Attributable interest to the Group (%)	Total GFA *(Note (1))* (sq.m.)	Aggregated GFA sold but undelivered with sales contracts (sq.m.)
	As at 31 December 2018		
Xiaogan Modern Shi Guang Li MOMΛ (Hubei)	52.50%	68,979	–
Shishou Xian Yang Fu MOMΛ (Hubei)	30%	164,700	–
Man Ting Chun MOMΛ (Xiantao)	100%	248,899	148,256
Man Ting Chun Modern City MOMΛ (Xiantao)	82%	300,138	94,394
Binjiang Man Ting Chun MOMΛ (Tianmen)	60%	131,697	29,822
Modern MOMΛ (Hefei)	100%	7,492	–
Modern MOMΛ Hengtong International City of the Future (Hefei)	100%	174,129	152,666
Modern Wan Guo Fu (Hefei)	30.60%	258,402	205,424
Modern Jiuhuashan Lotus Small Town (Anhui)	51%	48,477	–
Fuyang Modern City MOMΛ (Anhui)	74%	357,186	293,553
Modern Jinjiang Wan Guo Cheng MOMΛ (Fujian)	60.04%	426,305	387,029
Modern Hong Shan Fu (Fujian)	75%	19,800	7,042
Modern Yu Quan Fu (Fujian)	51%	88,257	–
Man Ting Chun MOMΛ (Nanchang)	100%	7,769	–
Modern MOMΛ New City (Nanchang)	100%	11,305	–
Modern International MOMΛ (Nanchang)	100%	22,080	1,482
Fuzhou Modern City MOMΛ (Jiangxi)	51%	264,145	–
Man Ting Chun MOMΛ (Jiujiang)	100%	25,917	–
Modern Xingyi Shang Pin Wan (Guizhou)	85%	174,542	145,247
Modern MOMΛ City of Future (Guizhou)	62.20%	263,055	204,478
Dongdaihe • Bai Jin Hai MOMΛ (Dongdaihe)	100%	217,351	98,500
Dongguan Zhuang Project (Guangzhou)	51%	284,596	–
Total		8,765,415	3,807,414

Notes:

(1) Total GFA includes aggregated GFA sold but not yet delivered with sales contracts.

(2) The total GFA of Modern Huangshi Man Tang Yue MOMΛ (Hubei) was reduced by 51,603 sq.m. due to the adjustment of floor area ratio.

Land Acquisitions

In 2018, the Group continued to apply the same conservative and balanced strategy as its general direction towards land acquisitions. For the year ended 31 December 2018, the Group purchased a total of 22 new projects' corresponding land parcels or related interests through various channels, including private negotiation and government-held public tenders, urban redevelopment projects, integrated primary and secondary development and cooperation.

The aggregate consideration for the PRC land acquisitions was approximately RMB8,687.73 million, with total GFA of approximately 3,928,557 sq.m..

Location	**No. of New Projects**	**Approximate Total GFA** *(sq.m.)*
Anhui	2	405,663
Fujian	2	108,057
Guizhou	2	437,597
Hebei	1	121,909
Hubei	4	665,514
Jiangsu	1	57,578
Jiangxi	1	264,145
Shanxi	2	591,235
Shaanxi	2	840,529
Tianjin	1	43,123
Zhejiang	4	393,207
Total	22	3,928,557

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2018 was approximately RMB9,337.65 million, representing an increase of approximately 9.8% as compared to approximately RMB8,506.33 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in sales revenue from properties in cities such as Hefei, Huizhou, Xiantao and Foshan. The average sales price of the properties of the Group decreased from approximately RMB13,554 per sq.m. for the year ended 31 December 2017 to approximately RMB8,828 per sq.m. for the year ended 31 December 2018, mainly due to the delivery of Man Ting Chun MOMΛ (Xiantao) and Shao Quan Hu City of Future (Hefei) during the year.

Cost of Sales

The Group's cost of sales increased by approximately 6.7% to RMB7,167.05 million in 2018 when compared to the figure in 2017.

Gross Profit and Gross Profit Margin

The Group's gross profit in 2018 was RMB2,170.60 million, whereas the gross profit margin increased by 2.3 percentage points to 23.3% in 2018 from that in 2017.

Other Income, Gains and Loss

Other income, gains and loss for the year ended 31 December 2018 decreased to the gains of approximately RMB206.81 million from the gains of approximately RMB652.52 million for the year ended 31 December 2017. Such decrease was mainly attributable to the foreign exchange losses arising from depreciation of RMB against US$ in 2018.

Change in Fair Value

The change in fair value for the year ended 31 December 2018 increased by approximately 29.4% to RMB132.2 million in 2018 from RMB102.2 million in 2017, which was mainly attributable to the combined effect of an increase in the GFA of additional completed properties held for sale upon transfer to investment properties in 2018 as compared to that of 2017 and an increase in the market rental rate for investment properties in 2018.

Selling and Distribution Expenses

The selling and distribution expenses of the Group for the year ended 31 December 2018 increased by approximately 43.9% to approximately RMB432.72 million from approximately RMB300.68 million for the same period of 2017, which was primarily due to the enlarged overall sales scale. Overall, selling and distribution expenses accounted for about 1.35% of contracted sales of the Group in 2018, which was lower than 1.36% in 2017.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 December 2018 was approximately RMB574.14 million, representing an increase of approximately 19.8% as compared to that for the the year ended 31 December 2017. The increase in administrative expenses was primarily due to the increase in sales scale and the increase in the number of projects, resulting in an increase in the number of staff and cost. Nevertheless, administrative expenses accounted for 1.79% of contracted sales of the Group in 2018 as compared to 2.16% in 2017, representing a better cost control.

Finance Costs

The finance costs of the Group amounted to approximately RMB257.85 million for the year ended 31 December 2018, representing a decrease of approximately 34.4% from approximately RMB393.19 million for the year ended 31 December 2017, which was due to the increase in the proportion of capitalization of interest expenses.

Income Tax Expense

The income tax expense of the Group for the year ended 31 December 2018 increased by approximately 39.8% to approximately RMB742.64 million from approximately RMB531.38 million for the year ended 31 December 2017, primarily due to the increase in the income tax of certain recognized projects that were projects acquired through premium purchase and the increase in LAT.

Profit for the Year

The profit of the Group for the year ended 31 December 2018 decreased by approximately 19.9% to approximately RMB662.26 million from approximately RMB826.54 million for the year ended 31 December 2017, primarily due to the increase in income tax expense and exchange loss resulting from retranslation of senior notes issued by the Company denominated in US$ due to depreciation of RMB against US$.

Profit for the Year Attributable to Owners of the Company

As a result of the foregoing, the profit of the Group attributable to owners of the Group for the year ended 31 December 2018 decreased by approximately 25.7% to approximately RMB524.79 million from approximately RMB706.00 million for the year ended 31 December 2017.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2018, the cash, restricted cash and bank balances of the Group decreased by approximately 6.7% to approximately RMB9,717.21 million from approximately RMB10,409.96 million as at 31 December 2017, but were still maintained at over 15% of total assets of the Group.

Borrowings and pledge of the Group's assets

As at 31 December 2018, the Group had total borrowings of approximately RMB15,928 million, including bank and other loans of approximately RMB9,282.1 million, senior notes of approximately RMB5,613.9 million and corporate bonds of approximately RMB1,032.2 million. As at 31 December 2018, certain banking and other facilities granted to the Group were secured by the Group's assets, such as investment properties, properties under development for sale, properties held for sale, plant and equipment, equity interests in subsidiaries and bank deposits which had a carrying amount of approximately RMB12,250.7 million. A majority of the carrying value of all the Group's bank loans was denominated in RMB.

Breakdown of borrowings

By type of borrowings and maturity

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Bank and other loans		
Within one year or on demand	**5,550,716**	5,234,810
More than one year, but not exceeding two years	**3,031,390**	3,344,440
More than two years, but not exceeding five years	**630,000**	1,849,880
More than five years	**70,000**	90,000
Sub-total	**9,282,106**	10,519,130
Senior notes		
Within one year	**3,286,031**	1,478,140
More than one year, but not exceeding two years	**–**	–
More than two years, but not exceeding five years	**2,327,846**	3,215,818
Sub-total	**5,613,877**	4,693,958
Corporate bonds	**1,032,175**	1,027,672
TOTAL	**15,928,158**	16,240,760
Less:		
Bank balances and cash (including restricted cash)	**9,717,210**	10,409,960
Net debt	**(6,210,948)**	(5,830,800)
Total equity	**7,581,959**	7,016,774
Net debt to equity	**81.9%**	83.1%

By currency denomination

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
– Denominated in RMB	**8,538,706**	9,221,992
– Denominated in US$	**6,147,467**	5,862,828
– Denominated in HK$	**1,241,985**	1,155,940
	15,928,158	16,240,760

Leverage

The net debt ratio of the Group decreased from 83.1% in 2017 to 81.9% as at 31 December 2018, which was mainly due to the combined effect of (i) the decrease in overall borrowings of the Group from approximately RMB16,240.76 million as at 31 December 2017 to approximately RMB15,928.16 million as at 31 December 2018, representing a decrease of approximately RMB312.60 million; and (ii) the increase in total revenue.

The Group's net current assets (being current assets less current liabilities) decreased by approximately 57.4% to approximately RMB3,483.81 million as at 31 December 2018 from approximately RMB8,174.5 million as at 31 December 2017.

Foreign Currency Risk

The functional currency of the major subsidiaries of the Company is RMB. Most of the transactions are denominated in RMB. Transactions of the Group's foreign operations (such as the purchase of land held for future development) and certain expenses incurred are denominated in foreign currencies. As at 31 December 2018, the Group had monetary assets which are denominated in US dollars and Hong Kong dollars of approximately RMB554.66 million and approximately RMB21.64 million respectively and liabilities which are denominated in US dollars and Hong Kong dollars of approximately RMB6,147.47 million and approximately RMB1,241.99 million respectively. Those amounts were exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy in place, but the management will monitor foreign exchange exposure and will consider to hedge against any significant foreign currency exposure when necessary.

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities amounting to approximately RMB11,587.34 million (31 December 2017: approximately RMB9,625.76 million) in relation to guarantees provided to the domestic banks for their mortgage bank loans granted to the Group's customers. Under the terms of the guarantees, if a purchaser has defaulted on mortgage payments, the Group will be liable for the payment of outstanding mortgage principals plus accrued interest and penalties as owed by the defaulted purchasers to the banks, and in such circumstances, the Group will be entitled to take over the legal title and ownership of the relevant properties. These guarantees will be released upon the earlier of: (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property and the completion of registration of other ownership certificates.

The Group provided guarantees in respect of bank loans and other loans of a joint venture amounting to RMB998,000,000 as at 31 December 2018 (2017: RMB1,898,000,000). As at the end of the reporting period, the Directors do not consider it is probable that claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees.

Employees and Compensation Policy

As at 31 December 2018, the Group had 1,842 employees (31 December 2017: 1,705). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make any necessary adjustment in order to be in line with the remuneration levels in the industry norm. In addition to basic salaries, employees may be granted with discretionary bonus and cash awards based on individual performance.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year of 2018, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

FUND AND TREASURY POLICIES AND OBJECTIVES

Executive Directors and president office will hold meeting with finance and operation teams in the first week of every month to discuss the cash position and indebtedness situation. In addition, Board office circulates monthly capital market reports to the Board members so that the Board can assess equity/debt financing opportunities.

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL OF ASSETS

A summary of the material investment, acquisition and disposal of assets of the Group during the year ended 31 December 2018 is set out as follows:

1. On 8 January 2018, Vision Hongye Investment (Beijing) Co., Ltd. ("Vision Hongye") (an indirect wholly-owned subsidiary of the Company), Beijing Fornot Property Management Limited ("Beijing Fornot") and Beijing Ai Lihua Property Management Limited ("Beijing Ai Lihua") entered into the equity transfer agreement whereby Vision Hongye conditionally agreed to acquire 100% equity interest and take up the liabilities of Beijing Ai Lihua from Beijing Fornot at the consideration of RMB1,550,000,000, comprising RMB100,000,000 as the consideration for acquiring the equity interest and RMB1,450,000,000 for discharging the liabilities of Beijing Ai Lihua. Thereafter, since the payment conditions have not been completely fulfilled, the management of the Group and Beijing Fornot had carried out negotiation and entered into a supplemental agreement to the equity transfer agreement, which turned out to be unsuccessful. On 12 March 2018, Vision Hongye has initiated a civil complaint against Beijing Fornot, Beijing Ai Lihua and the sole shareholder of Beijing Fornot as guarantor at Bejing Municipal No. 1 Intermediate People's Court. For details, please refer to the announcements of the Company dated 8 January 2018 and 29 March 2018, respectively.

2. On 28 June 2018, Modern Green Development Co., Ltd. ("Modern Green") (an indirect wholly-owned subsidiary of the Company) and Jingshenzhiye Investment (Beijing) Co., Ltd. ("JSZY") entered into the joint development agreement and the equity transfer agreement with Jiaxing Dingyan Investment Partnership (Limited Partnership) ("Jiaxing Dingyan") whereby Jiaxing Dingyan agreed to pay the consideration of RMB363,000,000, out of which i) RMB5,600,000 is the consideration for acquiring 56% equity interest in JSZY; ii) RMB197,400,000 is the consideration for acquiring the shareholder's loan previously provided by Modern Green; and iii) RMB160,000,000 is the premium. For details, please refer to the announcement of the Company dated 28 June 2018.

3. On 10 September 2018, Su Kun Green (Beijing) Real Estate Co., Ltd. ("Su Kun Green") (an indirect wholly-owned subsidiary of the Company) entered into the joint development agreement with Suzhou Pingwang Urbanization Construction Development Co., Ltd. ("Suzhou Pingwang") whereby Su Kun Green agreed to (among other things) cooperate with Suzhou Pingwang in joint development of the real estate development project located at Pingwang Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC and contribute an aggregate sum of RMB477,748,353, which shall be used for the subscription of registered capital of Suzhou Modern Original Green Real Estate Co., Ltd., the repayment of the shareholder's loan with interest, the payment of land premium of the project land and the payment of the fixed earning of Suzhou Pingwang. For details, please refer to the announcement of the Company dated 10 September 2018.

4. On 18 September 2018, Tianjin MOMΛ Hantang Real Estate Co., Ltd. ("MOMΛ Hantang") (an indirect non wholly-owned subsidiary of the Company) entered into the equity transfer agreement with Tianjin Zheng Xin Group Co., Ltd. and Tianjin Zheng Xin Binhai Investment Development Co., Ltd. (the "Vendors"), whereby MOMΛ Hantang conditionally agreed to acquire 100% equity interest of Tianjin Haiyiyuan Real Estate Development Company Limited from the Vendors at the consideration of RMB225,560,000. For details, please refer to the announcement of the Company dated 18 September 2018.

5. On 16 October 2018, Modern Land (HKNo. 7) Co., Limited ("Modern Land No. 7") (a wholly-owned subsidiary of the Company) entered into the share purchase agreement (the "Share Purchase Agreement") with Modern Commercial Holdings (Canada) Ltd ("Modern Commercial") and Kunyuan International Group Ltd ("Kunyuan International") whereby, among other things, Modern Commercial and Kunyuan International conditionally agreed to sell and Modern Land No. 7 conditionally agreed to purchase 1,000 class "A" common voting shares (representing all issued shares) of Modern Kunyuan Commercial Holdings (Canada) Ltd at the consideration of CAD220,000,000, subject to certain adjustments. As additional time is required for the parties to satisfy certain conditions precedent, on 30 November 2018, Modern Commercial, Kunyuan International and Modern Land No. 7 entered into a supplemental agreement to the Share Purchase Agreement whereby the parties agreed to postpone the closing date to 13 March 2019 or such other date as may be mutually agreed upon in writing by the parties to the Share Purchase Agreement. Mutually agreed by all parties, the said transaction was terminated pursuant to the termination agreement entered into by Modern Land No. 7, Modern Commercial and Kunyuan International on 4 March 2019. For details, please refer to the announcements of the Company dated 16 October 2018, 30 November 2018, 17 January 2019 and 4 March 2019, respectively.

6. On 5 November 2018, Jiujiang Modern Green Development Co., Ltd. (“Jiujiang Modern Green”) (a wholly-owned subsidiary of the Company) as the vendor and Jiangxi First Estate Service Co., Ltd (“Jiangxi First Estate”) as the purchaser entered into the sale and purchase agreements, pursuant to which Jiangxi First Estate agreed to acquire and Jiujiang Modern Green agreed to sell the properties totaling approximately 1,038 square metres located at Jiujiang City, Jiangxi Province, the PRC at the total consideration of RMB11,735,667.77. For details, please refer to the announcement of the Company dated 5 November 2018.

SENIOR NOTES

Issuance of Green Senior Notes

On 27 February 2018, the Company and certain subsidiaries of the Company entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, BOCOM International Securities Limited, BOSC International Company Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, UBS AG Hong Kong Branch, VTB Capital plc and Zhongtai International Securities Limited in connection with the Company’s issuance of senior notes due 2021 with principal amount of US$350 million at a coupon rate of 7.95% per annum. Completion of the issuance took place on 5 March 2018. For details, please refer to the announcements of the Company dated 27 February 2018, 28 February 2018 and 7 March 2018.

EVENTS AFTER THE REPORTING PERIOD

On 20 December 2018, the Company and certain subsidiaries of the Company entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Morgan Stanley & Co. International plc, Deutsche Bank AG, Hong Kong Branch, Southwest Securities (HK) Brokerage Limited and Haitong International Securities Group Limited in connection with the Company’s issuance of senior notes due 2020 with principal amount of US$150 million at a coupon rate of 15.5% per annum. Completion of the issuance took place on 2 January 2019. For details, please refer to the announcements of the Company dated 20 December 2018, 21 December 2018 and 9 January 2019.

On 20 February 2019, the Company and certain subsidiaries of the Company entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Group Limited and UBS AG Hong Kong Branch in connection with the Company’s issuance of senior notes due 2020 with principal amount of US$200 million (which shall be consolidated and form a single series with the senior notes issued on 2 January 2019) at a coupon rate of 15.5% per annum. Completion of the issuance took place on 27 February 2019. For details, please refer to the announcements of the Company dated 20 February 2019, 21 February 2019 and 7 March 2019.

PROSPECTS

Looking forward into 2019, the real estate policy will still be subject to the macro impact of long-term regulation mechanism. Amidst the market environment where restrictions are imposed on house sales, mortgage loans, prices and purchases and under the policy promoting the "parallel development of housing for sales and for lease", the Group will adhere to the strategy of entire industry value chain development by completing the three upgrades under the real estate development, i.e. transforming from mixed functions, full life cycle and green technology to urban planning, urban lifestyle and urban environment, with an aim to strengthen its core competitiveness and achieve stable and sustainable development in this market segment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed that they complied with the required standards set out in the Model Code during the year under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year under review.

CORPORATE GOVERNANCE

The Board is of the opinion that the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting (the "2019 AGM") will be held on Tuesday, 18 June 2019. The notice of the 2019 AGM will be published and despatched to the shareholders in due course.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board is pleased to recommend a final dividend of HK1.98 cents per share for the year ended 31 December 2018. Subject to the approval of the proposed final dividend by the shareholders at the 2019 AGM, it is expected that the final dividend will be paid on or before Friday, 12 July 2019 to the shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2019.

(a) For determining the entitlement of the shareholders to attend and vote at the 2019 AGM

For determining the entitlement of the shareholders to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Wednesday, 12 June 2019 to Tuesday, 18 June 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the 2019 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 June 2019.

(b) For determining the entitlement to the proposed final dividend (subject to the shareholders' approval at the 2019 AGM)

For determining the entitlement to the proposed final dividend (subject to the shareholders' approval at the 2019 AGM), the register of members of the Company will be closed from Monday, 24 June 2019 to Tuesday, 25 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 June 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive Directors who together have substantial experience in the fields of auditing, legal, business, accounting, corporate internal control and regulatory affairs. The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2018.

AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION

This annual results announcement of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.modernland.hk) respectively. The 2018 annual report will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board of
Modern Land (China) Co., Limited
Zhang Peng
President and Executive Director

Hong Kong, 11 March 2019

As at the date of this announcement, the Board comprises ten Directors, namely executive Directors: Mr. Zhang Lei, Mr. Zhang Peng and Mr. Chen Yin; non-executive Directors: Mr. Fan Qingguo, Mr. Chen Zhiwei and Mr. Chen Anhua; and independent non-executive Directors: Mr. Qin Youguo, Mr. Cui Jian, Mr. Hui Chun Ho, Eric and Mr. Zhong Bin.