當代置業（中國）有限公司
MODERN LAND (CHINA) CO., LIMITED

（於開曼群島註冊成立的有限公司）
(incorporated in the Cayman islands with limited liability)

股份代號 Stock Code: 1107

2018 中期報告 INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Lei *(Chairman)*
Mr. Zhang Peng *(President)*
Mr. Chen Yin

Non-Executive Directors

Mr. Fan Qingguo
Mr. Chen Zhiwei
Mr. Chen Anhua

Independent Non-Executive Directors

Mr. Qin Youguo
Mr. Cui Jian
Mr. Hui Chun Ho, Eric
Mr. Zhong Bin

Audit Committee

Mr. Hui Chun Ho, Eric *(Chairman)*
Mr. Cui Jian
Mr. Qin Youguo
Mr. Zhong Bin

Remuneration Committee

Mr. Qin Youguo *(Chairman)*
Mr. Zhang Lei
Mr. Cui Jian

Nomination Committee

Mr. Cui Jian *(Chairman)*
Mr. Zhang Lei
Mr. Hui Chun Ho, Eric
Mr. Zhong Bin

AUTHORISED REPRESENTATIVES

Mr. Zhang Peng
Mr. Lam Tsz Kin *(appointed on 20 April 2018)*
Mr. Yeung Tak Yip *(resigned on 20 April 2018)*

COMPANY SECRETARY

Mr. Lam Tsz Kin *(appointed on 20 April 2018)*
Mr. Yeung Tak Yip *(resigned on 20 April 2018)*

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISER

Loong & Yeung

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 805-6
Champion Tower
3 Garden Road
Central, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

HEADQUARTERS IN THE PRC

No. 1 Xiangheyuan Road
Dongcheng District
Beijing
PRC 100028

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
22nd Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTORS AND MEDIA RELATIONS CONSULTANT

Wonderful Sky Financial Group
9/F, The Center
99 Queen's Road Central,
Central, Hong Kong
Tel: (852) 2851 1038
Fax: (852) 2865 1638
E-mail: modernland@wsfg.hk

PRINCIPAL BANKERS

Bank of China
Industrial and Commercial Bank of China
China Merchants Bank
Hang Seng Bank
Bank of East Asia
Shanghai Pudong Development Bank Co., Ltd.
Bank of Shanghai

STOCK CODE

1107

COMPANY'S WEBSITE

www.modernland.hk

COMPANY PROFILE

Modern Land (China) Co., Limited (hereinafter referred to as "we", "us", "Modern Land" or the "Company", together with its subsidiaries as the "Group") is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2013 with Class 1 qualification in real estate development in the People's Republic of China (the "PRC" or "China").

The Company has always been adhering to the development concept of "Technology Buildings and Quality Living", sticking to the development philosophy of "Natural Simplicity, Harmonious Health, Simple Focus, and Endless Vitality" and focusing on the theme of "Action of Loving My Homeland" to bring home owners the sincere and real life experience and achieve positive economic and social benefits.

The Company pours herself to a homeland of "Green technology + comfort & energy-saving + whole life cycle with mobile interconnection". In 2002, "MOMΛ" was born. MOMΛ consists of four text graphics "M" "O" "M" "Λ". Two "M" symbolises our home, "O" represents the origin of the universe and "Λ" stands for human. The left and right half of the pattern symbolise architecture and life respectively, which in turn provides a vivid interpretation for the concept of the Company of "Technology Buildings and Quality Life". At present, MOMΛ has become an iconic brand in the energy-saving real estate industry of China.

COMPANY PROFILE

For many years, the Company has established and improved the standard development mode of product line, forming three types of standard product lines which gained a lot of positive feedbacks from the market. The first type aims to generate "profit + cash flow" while the second type only aims to generate cash flow, and the third type focuses on net profit margin. With the successful operation within three types of product lines, in 2013, in order to solve the two major problems faced by human beings in 21st century, i.e. sustainable development and aging population, the Company proposed the strategy of "heating and cooling unique solution + air quality unique solution + energy consumption and operation cost reduction unique solution + whole life cycle aging population solution + industry-leading solution under the theme of sustainable development". To this end, the Company has been committed to making product innovation and has its own Research, Development and Design Department for self-designing of ten major technical architecture systems including the geothermal pump, exterior temperature preservation, ceiling radiation, overall fresh air displacement ventilation and noise reduction systems. The powerful instruments for haze clearing named "Air Dino 1 (恐龍壹號)" and "Air Dino 1 Mini (恐龍壹號mini)" were introduced, which have dual effects of fresh air displacement and purification, wisely solving the air quality problem throughout the house with only one machine. "Air Dino 2" (恐龍貳號) was further introduced. Apart from fresh air displacement and purification, it is also equipped with indoor temperature adjustment function.

The Company has developed the core expertise on green technological real estate, i.e. "high comfort level and low energy consumption" since 2002. With over a decade of development, "Green technology + comfort & energy-saving + whole life cycle with mobile interconnection" has become the core competitiveness of the fourth-generation product. When creating an equally high comfortable level, with the indoor temperature around 20-26℃ and humidity around 30%-70%, which fits the definition of the "most comfortable environment" within ISO7730, the energy consumption of MOMΛ products is estimated to be only 1/3 of that of other normal residential buildings in China at present. This will save a slew of cost for the residents and create a pleasant ecological environment for the society.

As of 30 June 2018, the Company and its subsidiaries held a total of over 150 patents and won more than 50 domestic and foreign green building awards, including one LEED-ND Certification granted by the United States Green Building Council, and Three-star (as the highest rating in the country) Green Building Certification — Operation of Residential Projects, making the Company as one of the enterprises receiving the most of such awards; Modern MOMΛ won the first China's Three-star Health Certification — Operation of Residential Projects, which is also the first project awarded the Three-star Green Building Certification — Operation in the country in a consecutive way; "MOMΛ Building & Arts Museum" located at Tongzhou " is the first museum project which passed AH international certification across the globe; Modern Wan Guo Fu MOMΛ (Foshan) was among the first batch of enterprises that obtained the Three-Star WELL Building Certification — Design in China; In addition, the Company has also won Three-star Green Building Certification — Design, elite technology awards, renewable demonstration award, green residence award, China Civil Engineering Zhan Tianyou Awards, the award granted by the Council on Tall Buildings and Urban Habitat, and many other domestic and foreign green buildings awards.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the business review of the Group for the period from 1 January 2018 to 30 June 2018 (the "Period") and its prospects.

Results

For the six months ended 30 June 2018, the Group achieved contracted sales of approximately RMB13,356.87 million, of which approximately RMB13,217.44 million was from properties and approximately RMB139.43 million was from car parking spaces. Area of properties under contracted sales was approximately 1,184,918 sq.m. and the average selling price per sq.m. was approximately RMB11,155.

Review in First Half of 2018

- **Steady growth in results was achieved by seizing opportunities in volatile industry**

In the first half of 2018, a long- and short-term regulatory system was continued within the core framework of China's real estate policy under the tone of "the house is used for living in, not for speculation". At the Central Government level, focusing on deepening the reform of key basic systems, financial supervision and risk prevention and control were strengthened, the construction of housing leasing system was speeded up to ensure residents' reasonable self-occupation needs; at the local level, housing system reform was further promoted, housing and land supply structure was optimised with enhancement in basic housing system and establishment and improvement of a long-term mechanism was accelerated. Overall, with the more precise and targeted regulation of real estate market, the promotion of effective supply and demand has become the main theme of industry development in the first half of the year.

We were presented with challenges and opportunities. Due to the precise strategic layout, quick turnover rate in our operation and differentiated core competitiveness of products of the Company, we achieved a breakthrough in sales in the first half of 2018, representing an increase of 48% as compared to the corresponding period of last year.

- **Focused on regional penetration strategy and achieved the expansion of land bank in a rational manner**

In the first half of 2018, the Company sticked to focus on city agglomerations, reviewed the situation with flexible investment strategy and achieved a coverage of major cities with strong growth potential within metropolitan circles by relying on continuous focusing on first- and second-tier cities. Besides, the Company acquired 13 land parcels, with a saleable value of approximately RMB13.5 billion. The land bank was approximately of 7.37 million sq.m. (excluding area for investment purpose and held for operation) at a saleable value of approximately RMB110.0 billion. The land distribution based on saleable value is accounted for 39% in first-tier cities, 51% in second- and third-tier cities, and 10% in other cities. While exploring opportunities in existing core cities, we continued to cooperate with excellent partners in equity collaboration and adhered to our risk control standard, in order to achieve a reasonable land bank allocation during our land acquisition process, which effectively mitigate and hedge the impact of differentiated regulatory policy across various cities.

CHAIRMAN'S STATEMENT

- **Steady capital structure to achieve financial capital enhancement**

The central government emphasised on strengthening financial supervision and continued financial deleveraging policy. At the beginning of 2018, the central government repeatedly emphasized the importance of the prevention and mitigation of financial risks. The National People's Congress and the Chinese Political Consultative Conference made it clear that financial risks prevention is one of the three major battles in the next three years, and thus requiring to strengthen the internal risk control for financial institutions, and further improve financial supervision.

Despite the trend of tightening financial policies, the Company has benefited from a healthy capital structure. In the first half of 2018, the Company has won a number of distinguished awards, including but not limited to the AAA rated credit enterprise awarded by the China Market Credit, 2018 Top 100 China Real Estate Enterprises – TOP 10 Financing Capability, TOP 10 Growth Enterprise and received the highest standard green rating certification from S&P and a "Green Finance Pre-issuance Stage Certification" from The Hong Kong Quality Assurance Agency. The Company continued to take efforts in green capital and financing, in particular, it issued Green Bond for the third time with a total amount of US$350 million, and obtained strategic credit facilities in an aggregate amount of RMB20 billion from Beijing Branch of China Construction Bank, Qiannan Branch of Bank of Guizhou, Wuhan Branch of China Merchants Bank respectively, which provided sufficient capital for the development of the Company in the second half of the year.

- **Dedicated to green technology real estate to achieve enhancement in green brand**

As a leader in China green real estate, the Company continued to improve its capability in differentiated competitiveness and was well recognised by various authorities. In the first half of 2018, the Company was consecutively awarded No. 1 ranking in China Green Property Developers in Operation Role Model and 2018 Top 100 China Specialized Real Estate Company with Excellence in Operation — Green Technology Real Estate. The important honors were that the "MOMΛ Building & Arts Museum" became the first museum project awarded AH international certification across the globe, Modern MOMΛ (Beijing) was the first being awarded "WELL Building Three-Star Certification" for residential projects; Modern Wan Guo Fu MOMΛ (Nanjing) awarded Three Star Green Building Label — Design; Hanyang Modern Wan Guo Cheng MOMΛ (Wuhan) and Yangluo Modern Man Ting Chun MOMΛ (Wuhan) awarded Two Star Green Building Label — Design; and another 4 projects awarded the title of "Green Residences", namely, Hanyang Modern Wan Guo Cheng MOMΛ (Wuhan), Yangluo Modern Man Ting Chun MOMΛ (Wuhan), Modern Man Tang Yue MOMΛ (Jingzhou) and Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan).

Outlook in the Second Half of 2018

- **To insist on the core competitiveness of green technology for exploration in product value**

In the second half of 2018, the uncertainties of global economic situation will remain and the domestic economic uncertainty still exists in the PRC. Meanwhile, the regulatory measurement on the real estate market in PRC is gradually taking effect and in order to avoid the impact of real estate bubble on financial stability, it is expected that the regulatory policy will not be loosened. However, given the situation that the economic pace of each city across the nation is different, the implementation of city-specific measurement policies by the local government will be put more importance for property developers on their strategic presence in different cities and especially some cities will have more opportunities to emerge.

CHAIRMAN'S STATEMENT

Under the general direction of deleveraging in finance sector in the PRC, controlling debt scale to comprehensively prevent financial risks and mitigating the risk of local government debt problems, the domestic real estate market will maintain deleveraging, and it is expected that the historical high-leverage development business model will be changed.

The core of real estate enterprises will be further focused on quick turnover and service operation capability, thereby the comprehensive brand influence will become more important. The enterprises with core competitiveness will stand out in this increasingly competitive market. No matter how the market changes in the second half of the year, Modern Land will always adhere to center on the core competitiveness of green technology products, focus on community operation, explore in potential value of green technology products and increase product premiums with quick turnover rate for the satisfaction of multiple demands of customers and accomplishment of the annual strategic business target.

- **To focus on the strategic layout of the three major city agglomerations for exploration in land value**

As to overall layout mode of land bank, the Company will constantly hold to the "3+13+M" development strategy to exploit the three major city agglomerations including Jing-Jin-Ji megalopolis, Yangtze River Delta and Pearl River Delta, and further strengthen the balance of layout in the cities entered and continue to pay attention to the development areas of surrounding cities , focusing on obtaining the projects featured with quick turnover, guaranteed cash flow and brand premium located.

In the second half of 2018, we will ensure the reasonable structure and amount for land acquisition by constant rational strategies for land acquisition. In the layout of first- and second-tier cities and expansion in cities with strong growth potential in the core city agglomerations, security shall be given as the priority to ensure the healthy market supply and demand relationship in the cities entered. The land bank of the Company has achieved a sound balance in all cities and its anti-risk capability has gradually strengthened. The impact of any single market correction on the Company has been decreasing. In the future, the Company will continue to maintain the overall balance of land bank and acquire high-quality parcels through diversified means and strict investment standards.

- **To improve the investments in China's pension industry for exploration in assets value**

Under the background that China's real estate industry has been gradually undergoing the profound reform and the environment that development and sales-oriented business model gradually transformed into sales and operation services business model, long-term holding assets and unique operational service capabilities will become the choice developers must face in the future.

The Company has formulated a strategy and product research and development for the projects for holding and has selectively stepped up its efforts in pension industry among the projects for holding. At the same time, the Company proactively explores in the combination of pension industry and insurance. In July 2018, the Company signed a strategic cooperation agreement with Taiping Life Insurance to formulate in-depth cooperation in senior-housing and related industry, including launching pilot projects located in Bohai Rim region, the Yangtze River Delta region and the Pearl River Delta region and set up an operational service brand with unique competitiveness.

CHAIRMAN'S STATEMENT

In the future, the Company expects to gradually invest more resources in assets for holding to enable the Company to hold the cash flow in the longer term and more stable financial position.

- **To focus on whole life cycle development for exploration in customer value**

Amidst the situation of intensified competition in the industry under high pressure from policy, real estate enterprises are undergoing active strategic transformation from "real estate developers" to "city comprehensive operators", starting from the land acquisition level. According to the statistics, the proportion of domestic commercial and residential comprehensive land transactions has increased rapidly in the past two years, leading to the replacement of single residential by residential complex in the future.

The Company has always attached importance to operation services to create more value for customers, comprehensively improve the comprehensive quality of development projects, and fully promote the city's comprehensive operations. We emphasise on the whole life cycle not only for the building, but also for the residents, by following the sustainable concept in the whole life cycle of the building and city planning, and matching the city function. As for the whole life cycle of residents, we will complete the construction of ancillary facilities, community culture construction, living services and community establishment, etc., so as to build a community model of "MOMΛ Homeland 4+1" with green living area, science and technology, healthy, whole-age and humanities and art community, which enable community to make a strong contribution to the city.

In the future, the Company will focus on not only the projects, but also investment and financing mechanism, property management, and post-investment operations, with an aim for becoming a leading operator in China's green technology real estate during the transition to a city operator.

The Company has always, regardless of the situation, adhered to the green strategic deployment and firmly sticks to the differentiated core competitiveness of "Green technology + comfort & energy-saving + whole life cycle with mobile interconnection" so as to step its efforts in providing customers with sustainable green technology products and create the healthy, comfortable and high-quality life experience. Leveraging the advantages of green technology in the fierce competition in the industry, we will promote the Company's continuous improvement in results and achieve the 2018 annual strategic business target!

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 of the Group for their dedication and diligence!

Zhang Lei
Chairman

15 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Sale of Properties

During the Period, the Group's revenue from sale of properties amounted to approximately RMB4,742.9 million. The Group delivered 592,360 sq.m. of property in terms of total gross floor area ("GFA") and 1,008 units of car parking spaces during the Period. Delivered average selling price ("ASP") for properties was RMB7,743 per sq.m. and that for car parking spaces was RMB154,865 per unit for the six months ended 30 June 2018.

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

* *After deducting sales tax*

	Six months ended 30 June					
	2018			2017		
Project name	Revenue RMB'000	Total saleable GFA delivered (sq.m.) or unit	ASP RMB/sq.m or unit	Revenue RMB'000	Total saleable GFA delivered (sq.m.) or unit	ASP RMB/sq.m or unit
Man Ting Chun MOMA (Zhangjiakou)	12,792	1,885	6,786	–	–	–
Guanggu Man Ting Chun MOMA (Wuhan)	8,407	423	19,883	3,986	585	6,813
Hanyang Man Ting Chun MOMA(Wuhan)	–	–	–	36	4	8,425
Kaifu Man Ting Chun MOMA (Changsha)	732	–	–	15,101	1,840	8,207
MOMA Modern Plaza (Changsha)	354,428	34,009	10,421	25,909	4,940	5,244
Modern Binjiang MOMA (Changsha)	271,479	13,708	19,804	216,810	20,534	10,559
Modern MOMA (Hefei)	35,602	1,394	25,533	312,544	16,318	19,155
Shao Quan Hu City of Future (Hefei)	1,484,769	210,856	7,042	–	–	–
Modern Wan Guo Fu (Hefei)	18,226	814	22,381	–	–	–
Modern Wan Guo Fu MOMA (Shanghai)	–	–	–	3,122,650	83,429	37,429
Modern Wan Guo Fu MOMA (Suzhou)	9,573	389	24,614	–	–	–
Shishan Modern MOMA (Suzhou)	4,551	200	22,709	–	–	–
Modern Chun Feng Hu Shang MOMA (Wuxi)	87,530	10,472	8,359	–	–	–
Wan Guo Cheng MOMA (Taiyuan)	2,240	195	11,452	–	–	–
Modern MOMA Yan Hu Cheng (Taiyuan)	580,942	84,107	6,907	–	–	–
Modern MOMA Plaza (Taiyuan)	1,398	138	10,119	–	–	–

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June					
	2018			2017		
Project name	**Revenue** *RMB'000*	**Total saleable GFA delivered** *(sq.m.) or unit*	**ASP** *RMB/sq.m or unit*	Revenue *RMB'000*	Total saleable GFA delivered *(sq.m.) or unit*	ASP *RMB/sq.m or unit*
Hanyang Modern Wan Guo Cheng (Wuhan)	177,925	11,619	15,314	–	–	–
Hankou Modern Wan Guo Fu (Wuhan)	31,858	1,128	28,237	–	–	–
Yangluo Man Ting Chun MOMA (Wuhan)	30,498	5,194	5,872	–	–	–
Modern Man Tang Yue MOMA (Jingzhou)	6,338	1,160	5,462	–	–	–
Man Ting Chun MOMA (Nanchang)	–	–	–	2,869	402	7,137
Modern MOMA New City (Nanchang)	1,285	216	5,938	15,215	2,173	7,002
Modern International MOMA (Nanchang)	4,741	463	10,237	21,341	1,322	16,143
Modern Wan Guo Fu (Foshan)	768,780	36,648	20,977	–	–	–
Modern Shang Pin Wan MOMA (Foshan)	3,708	218	16,998	–	–	–
Modern Jinjiang Wan Guo Cheng MOMA (Fujian)	56,970	5,998	9,498	–	–	–
Man Tang Yue MOMA (Huizhou)	9,861	904	10,912	–	–	–
Modern Zhuzhou Shang Pin Wan MOMA (Hunan)	3,316	512	6,481	–	–	–
Man Ting Chun MOMA (Jiujiang) (Note (1))	3,081	531	5,809	52,621	7,660	6,870
Man Ting Chun MOMA (Xiantao)	536,322	157,494	3,405	309,851	104,308	2,971
Dongdaihe • Bai Jin Hai MOMA (Dongdaihe)	79,397	11,685	6,795	–	–	–
Subtotal	4,586,749	592,360	7,743	4,098,933	243,515	16,832
Car parking spaces	156,104	1,008 units	154,865/unit	86,741	1,019 units	85,124/unit
Total	4,742,853			4,185,674		

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted Sales

For the six months ended 30 June 2018, the Group, its joint ventures and associates achieved contracted sales of approximately RMB13,356.87 million, representing an increase of 47.8% as compared to the corresponding period in 2017. The Group, its joint ventures and associates pre-sold 1,184,918 sq.m. in total GFA and 948 units of car parking spaces, representing an increase of 32.6% and a decrease of 60% respectively over the same period in 2017.

Table 2: Breakdown of contracted sales of the Group

* *After deducting business tax*

		Six months ended 30 June					
		2018			2017		
Project name	Attributable interest to the Group (%)	Contracted sales *RMB'000*	GFA *(in sq.m.) or unit*	ASP *RMB/sq.m. or unit*	Contracted sales *RMB'000*	GFA *(in sq.m.) or unit*	ASP *RMB/sq.m. or unit*
Modern North Star • YUE MOMA (Beijing)	50%	31,163	774	40,237	26,028	3,035	8,756
Man Ting Chun MOMA (Zhangjiakou)	35%	377,327	48,221	7,825	–	–	–
Modern Tongzhou Wan Guo Fu MOMA	51%	993,607	14,602	68,044	–	–	–
Modern Wan Guo Fu MOMA (Shanghai)	100%	–	–	–	100,078	1,915	52,260
Modern Wan Guo Fu MOMA (Suzhou)	70%	10,144	348	29,156	–	–	–
Modern Suzhou Fu MOMA	50%	109,124	3,088	35,336	–	–	–
Xiangcheng Wan Guo Shu (Suzhou)	50%	126,949	5,933	21,396	659,109	27,798	23,711
Shishan Modern MOMA (Suzhou)	20%	139,955	7,992	17,517	–	–	–
Modern Chun Feng Hu Shang MOMA(Wuxi)	100%	52,112	5,341	9,757	–	–	–
Wan Guo Cheng MOMA (Taiyuan)	100%	–	–	–	462	305	1,515
Modern MOMA Yan Hu Cheng (Taiyuan)	50%	2,326	279	8,327	1,134,172	154,808	7,326
Modern MOMA Plaza (Taiyuan)	51%	786,168	72,418	10,856			
Modern Man Tang Yue (Xi'an)	51%	–	–	–	264,944	34,015	7,789
Kaifu Man Ting Chun MOMA (Changsha)	100%	–	–	–	12,925	1,481	8,727
Modern Binjiang MOMA (Changsha)	100%	268,331	13,289	20,192	196,600	18,133	10,842
MOMA Modern Plaza (Changsha)	100%	356,619	34,239	10,416	26,988	4,151	6,502
Modern Furong Wan Guo Cheng MOMA (Changsha)	51%	536,132	56,025	9,569	856,672	108,898	7,867
Modern Zhuzhou Shang Pin Wan MOMA (Hunan)	70%	781,863	96,010	8,144	–	–	–
Guanggu Man Ting Chun MOMA (Wuhan)	100%	5,022	201	25,000	64,679	15,850	4,081
North Star-Modern • Guanggu Green Home (Wuhan)	45%	49,775	2,787	17,859	702,121	62,649	11,207
Hankou Modern Wan Guo Fu (Wuhan)	51%	208,950	6,584	31,735	–	–	–
Hanyang Modern Wan Guo Cheng (Wuhan)	75%	1,042,921	67,454	15,461	–	–	–
Yangluo Man Ting Chun MOMA (Wuhan)	16%	368,380	57,463	6,411	–	–	–

MANAGEMENT DISCUSSION AND ANALYSIS

		Six months ended 30 June					
		2018			2017		
Project name	Attributable interest to the Group (%)	Contracted sales RMB'000	GFA (in sq.m.) or unit	ASP RMB/sq.m. or unit	Contracted sales RMB'000	GFA (in sq.m.) or unit	ASP RMB/sq.m. or unit
Modern Man Tang Yue MOMA (Jingzhou)	30%	333,384	55,181	6,042	–	–	–
Modern MOMA (Hefei)	100%	19,689	1,041	18,901	113,404	5,616	20,193
Shao Quan Hu City of Future (Hefei)	100%	297,939	17,280	17,242	1,195,764	146,462	8,164
Modern Wan Guo Fu (Hefei)	30.60%	758,568	33,790	22,449	907,458	39,662	22,880
Man Ting Chun MOMA (Nanchang)	100%	1,608	113	14,200	2,822	199	14,181
Modern MOMA New City (Nanchang)	100%	7,601	764	9,953	–	–	–
Modern International MOMA (Nanchang)	100%	–	–	–	3,870	432	8,958
Modern Wan Guo Fu (Foshan)	51%	401,183	19,850	20,211	1,025,682	48,279	21,245
Modern Shang Pin Wan MOMA (Foshan)	100%	2,076	120	17,366	372,874	23,400	15,935
Modern Jinjiang Wan Guo Cheng MOMA (Fujian)	51%	1,387,621	125,838	11,027	–	–	–
Man Tang Yue MOMA (Huizhou)	100%	1,234,001	103,868	11,881	–	–	–
Modern Jiaxing Man Tang Yue MOMA	51%	393,527	34,310	11,470	–	–	–
Modern Xingyi Shang Pin Wan	60%	260,582	62,756	4,152	–	–	–
Modern Shang Pin Xue Fu (Huzhou)	65%	672,508	69,980	9,610	–	–	–
Modern Tian Yu (Huzhou)	40%	219,221	21,041	10,419	–	–	–
Man Ting Chun MOMA (Jiujiang) *(Note (1))*	100%	–	–	–	59,261	7,186	8,247
Man Ting Chun MOMA (Xiantao)	100%	457,140	85,654	5,337	624,655	124,740	5,008
Dongdaihe • Bai Jin Hai MOMA (Dongdaihe)	100%	523,922	60,284	8,691	454,552	64,411	7,057
Subtotal		13,217,438	1,184,918	11,155	8,805,120	893,425	9,855
Car park		139,427	948 units	147,075/unit	231,157	2,370 units	97,535/unit
Total		13,356,865			9,036,277		

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Property investment, Hotel Operation, Real Estate Agency Services and Other Businesses

For the six months ended 30 June 2018, the Group's revenue from property investment amounted to approximately RMB35.61 million, representing an increase of 11.3% as compared to the corresponding period in 2017.

For real estate agency services, with the unique product, brand, management and credibility advantages supported by our MOMΛ green-technology products, the Group offers customized full-set development and operation management solutions to customers. In the first half of 2018, the revenue from real estate agency services amounted to approximately RMB36.03 million, representing an increase of 44.2% as compared to the corresponding period in 2017.

Hotel MOMC, a boutique hotel owned and operated by the Group, has established its presence in Beijing, Taiyuan and Dongdaihe, and revenue from hotel operation for the six months ended 30 June 2018 amounted to RMB33.49 million, representing an increase of 6.1% as compared to the corresponding period in 2017.

In the first half of 2018, the revenue from other businesses was approximately RMB11.08 million (approximately RMB20.12 million in the corresponding period in 2017).

Land Bank

As at 30 June 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 7,373,778 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

The 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

	As at 30 June 2018		
Project name	Attributable interest to the Group (%)	Total GFA unsold (sq.m.)	Aggregated GFA sold but undelivered with sales contracts (sq.m.)
Modern MOMA (Beijing)	100%	17,907	–
MOMA Forest Forever (Beijing)	100%	7,985	–
Shangdi MOMA (Beijing)	100%	11,163	–
Modern Land CIFI Villa(Beijing)	50%	5,207	–
Modern North Star • YUE MOMA (Beijing)	50%	8,513	871
Modern Yunjing MOMA (Beijing)	51%	163,593	–
Modern Tongzhou Wan Guo Fu MOMA	51%	220,733	55,096
Modern Xishan Shang Pin Wan MOMA (Beijing)	51%	130,030	–
Man Ting Chun MOMA (Zhangjiakou)	35%	340,841	48,221
Yuanzhu MOMA (Zhangjiakou)	48%	121,909	–
Modern Wan Guo Fu MOMA (shanghai)	100%	28,545	42
Modern Wan Guo Fu MOMA (Foshan)	51%	155,381	82,749
Modern Shang Pin Wan MOMA (Foshan)	100%	29,222	26,205
Lishui Shang Pin Wan MOMA (Foshan)	74%	37,776	–
Man Tang Yue MOMA (Huizhou)	100%	209,700	103,868
Modern Jiaxing Man Tang Yue MOMA	51%	55,027	34,310
Modern Xingyi Shang Pin Wan	60%	174,000	62,756
Modern Shang Pin Xue Fu (Huzhou)	65%	223,850	69,980
Shang Pin Wan (Huzhou)	69%	71,447	–
Modern Tian Yu (Huzhou)	40%	42,883	21,041
Modern Wan Guo Fu MOMA (Suzhou)	70%	12,735	7,871
Modern Suzhou Fu MOMA	50%	24,078	13,769
Xiangcheng Wan Guo Shu (Suzhou)	50%	58,373	35,547
Shishan Modern MOMA (Suzhou)	20%	80,511	35,990
Zhongxiang Wan Guo Cheng MOMA (Suzhou)	80%	154,294	–
Modern Chun Feng Hu Shang MOMA (Wuxi)	100%	51,895	40,346
Modern Wan Guo Fu MOMA(Nanjing)	51%	54,486	–
Wan Guo Cheng MOMA (Taiyuan)	100%	49,078	–
Modern MOMA Yan Hu Cheng (Taiyuan)	50%	109,631	97,315
Modern MOMA Plaza (Taiyuan)	51%	140,788	72,418
Modern City (Taiyuan)	51%	251,124	–
Modern Jinzhong Shang Pin Xue Fu (Shanxi)	49%	231,726	–
Modern Chun Feng He Shan (Shaanxi)	60%	35,400	–

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2018		
Project name	Attributable interest to the Group (%)	Total GFA unsold (sq.m.)	Aggregated GFA sold but undelivered with sales contracts (sq.m.)
Kaifu Man Ting Chun MOMΛ (Changsha)	100%	70,989	690
Modern Binjiang MOMΛ (Changsha)	100%	36,649	1,343
MOMΛ Modern Plaza (Changsha)	100%	70,889	28,951
Modern Furong Wan Guo Cheng MOMΛ(Changsha)	51%	313,460	239,031
Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan)	70%	164,595	96,010
Hanyang Man Ting Chun MOMΛ (Wuhan)	99.02%	12,256	705
Guanggu Man Ting Chun MOMΛ (Wuhan)	100%	40,959	6,510
North Star-Modern • Guanggu Green Home (Wuhan)	45%	46,951	5,523
Hankou Modern Wan Guo Fu (Wuhan)	51%	39,810	36,266
Hanyang Modern Wan Guo Cheng (Wuhan)	75%	159,944	157,769
Yangluo Man Ting Chun MOMΛ (Wuhan)	16%	268,141	207,515
Modern Man Tang Yue MOMΛ (Jingzhou)	30%	103,473	55,181
Modern Huangshi Man Tang Yue MOMΛ (Hubei)	51%	214,468	–
Modern MOMΛ (Hefei)	100%	31,466	6,780
Shao Quan Hu City of Future (Hefei)	100%	249,183	167,514
Modern Wan Guo Fu (Hefei)	30.6%	258,402	160,605
Modern Jiuhuashan Lotus Small Town (Anhui)	51%	48,477	–
Modern Jinjiang Wan Guo Cheng MOMΛ (Fujian)	60%	426,305	277,212
Modern Hong Shan Fu (Fujian)	75%	19,800	–
Modern Yu Quan Fu (Fujian)	51%	88,257	–
Man Ting Chun MOMΛ (Nanchang)	100%	17,769	–
Modern MOMΛ New City (Nanchang)	100%	21,305	–
Modern International MOMΛ (Nanchang)	100%	32,080	11,152
Man Ting Chun MOMΛ (Jiujiang) (Note (1))	100%	27,037	10,426
Man Ting Chun MOMΛ (Xiantao)	100%	331,753	219,816
Man Ting Chun Modern City MOMΛ (Xiantao)	82%	300,138	–
Binjiang Man Ting Chun MOMΛ (Tianmen)	60%	103,418	–
Dongdaihe • Bai Jin Hai MOMΛ (Dongdaihe)	100%	281,377	151,003
Dongguan Zhuang Project (Guangzhou)	38%	284,596	–
Subtotal		7,373,778	2,648,397

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Land Acquisitions in 2018

During the Period, the Group continued to apply the same conservative and balanced strategy as its general direction towards land acquisitions. During the Period, the Group purchased a total of 13 parcels of land at a total land cost of approximately RMB3,209 million, and a total land cost of approximately RMB2,391 million calculated on the basis of equity interests, with an aggregate GFA of approximately 1,516,332 sq.m..

Location	**No. of Land Parcels**	**Approximate total GFA** *(sq.m.)*
Hebei	1	121,909
Shanxi	1	231,726
Shaanxi	1	35,400
Hubei	2	403,556
Anhui	1	48,477
Zhejiang	4	393,207
Fujian	2	108,057
Guizhou	1	174,000
Subtotal	13	1,516,332

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 13% to approximately RMB4,859.1 million for the six months ended 30 June 2018 from approximately RMB4,294.4 million for the six months ended 30 June 2017, which was mainly due to a year-over-year increase of RMB557.2 million in the income from sales of properties.

Cost of sales , gross profit and gross profit margin

The Group's cost of sales increased by approximately 14.8% to approximately RMB3,911.1 million for the six months ended 30 June 2018 from approximately RMB3,406.7 million for the six months ended 30 June 2017.

The Group's gross profit increased by approximately 6.8% to approximately RMB948.0 million for the six months ended 30 June 2018 from approximately RMB887.7 million for the six months ended 30 June 2017.

For the six months ended 30 June 2018, the Group's gross profit margin was approximately 19.5%, representing a decrease of 1.2 percentage points as compared to approximately 20.7% for the corresponding period in 2017, which was due to the fact that the revaluation gain for the equity of Hefei project in previous years was carried forward and included into the cost of sale.

Other income, gains and losses

The Group's other income, gains and losses decreased by approximately 29.4% to approximately RMB205.2 million for the six months ended 30 June 2018 from approximately RMB290.8 million for the six months ended 30 June 2017, which was mainly due to the net foreign exchange loss of approximately RMB91.4 million, primarily arising from the senior notes denominated in US dollars for the first half of 2018 (net foreign exchange gain for the first half of 2017 was approximately RMB22.6 million).

Change in fair value

Change in fair value includes fair value gain of properties held for sale and properties under development for sale upon transfer to investment properties and changes in fair value of investment properties. The change in fair value of the Company decreased from RMB68.8 million for the six months ended 30 June 2017 to RMB38.2 million for the six months ended 30 June 2018, representing a decrease of approximately 44.5%, which was mainly due to the decrease in new addition of investment properties during the Period.

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately 50.6% to approximately RMB195.8 million for the six months ended 30 June 2018 from approximately RMB130.0 million for the six months ended 30 June 2017, primarily due to the significant increase of RMB4,320.6 million in contracted sales for the Period. Selling and distribution expenses accounted for approximately 1.47% of the contracted sales of the Group for the first half of 2018, which was similar to that of 1.44% in the first half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The administrative expenses of the Group increased by approximately 18.0% to approximately RMB241.9 million for the six months ended 30 June 2018 from approximately RMB205.1 million for the six months ended 30 June 2017, primarily due to the increase in the sales of projects and the area of commenced projects during the Period, and an increase of 238 employees in the first half of 2018 as compared to the first half of 2017 at the same time.

The Group continued to strictly control the scale of administrative expenses. The administrative expenses for the first half of 2018 accounted for approximately 1.81% of contracted sales, representing a decline as compared to that of approximately 2.27% for the first half of 2017.

Finance costs

The finance costs of the Group amounted to approximately RMB139.3 million for the six months ended 30 June 2018, representing an increase of approximately 46.0% from approximately RMB95.4 million for the six months ended 30 June 2017. Despite the general increase of market interest rates both at home and abroad, the Group's weighted average interest rate of borrowings decreased to 7.6% as at 30 June 2018 as compared to that of 7.7% for the year ended 31 December 2017, which was mainly due to the further recognition of the Group in the capital market.

Profit before taxation and profit for the Period

The profit before taxation of the Group decreased by approximately 19.6% to approximately RMB662.4 million for the six months ended 30 June 2018 from approximately RMB824.1 million for the six months ended 30 June 2017, and profit for the Period decreased by approximately 32.5% to approximately RMB361.2 million for the six months end 30 June 2018 from approximately RMB534.7 million for the six months end 30 June 2017, which was mainly due to the net foreign exchange loss of approximately RMB91.4 million for the first half of 2018 as compared to the net foreign exchange gain of approximately RMB22 million for the first half of 2017.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2018, the Group had cash, restricted cash and bank balances of approximately RMB9,257.4 million (31 December 2017: RMB10,410.0 million), representing a decrease of approximately 11.1% as compared to that as at 31 December 2017 mainly due to the partial repayment of borrowings during the Period. The bank balances and cash (including restricted cash) accounted for approximately 19.4% of the total assets as at 30 June 2018, the Group was still able to maintain a healthy cash position.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and pledge of the Group's assets

As at 30 June 2018, the Group had total borrowings of approximately RMB15,150.1 million, including bank and other loans of approximately RMB8,634.3 million, senior notes of approximately RMB5,485.9 million and corporate bond of RMB1,029.9 million , representing a decrease of RMB1,090.7 million as compared to the total borrowings of approximately RMB16,240.8 million as at 31 December 2017, which further reduced the borrowing scale and financial risks of the Group. As at 30 June 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, property, plant and equipment, equity interests in a subsidiary and restricted cash, which had a carrying amount of approximately RMB9,223.2 million (31 December 2017: RMB13,239.3 million). The carrying value of most of the Group's bank and other loans was denominated in RMB. Domestic bank loans of the Group bore interests at variable rates pegged with the benchmark loan interest rates quoted by the People's Bank of China. The Group is exposed to interest rate risk which is mainly related to variable interest rates of the domestic bank loans.

Breakdown of indebtedness

By type of borrowings and maturity

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Bank and other loans		
Within one year or on demand	**6,019,995**	5,234,810
Over one year and within two years	**1,144,850**	3,344,440
Over two years and within five years	**1,380,000**	1,849,880
Over five years	**89,500**	90,000
Subtotal	**8,634,345**	10,519,130
Senior notes		
Within one year	**–**	1,478,140
Over one year and within two years	**3,206,973**	–
Over two years and within five years	**2,278,912**	3,215,818
Subtotal	**5,485,885**	4,693,958
Corporate bond		
Over two years and within five years	**1,029,924**	1,027,672
Total	**15,150,154**	16,240,760

MANAGEMENT DISCUSSION AND ANALYSIS

	30 June 2018 ***RMB'000***	31 December 2017 *RMB'000*
Less:		
Bank balances and cash (including restricted cash)	**9,257,380**	10,409,960
Net debt	**(5,892,774)**	(5,830,800)
Total equity	**7,358,683**	7,016,774
Net debt to equity	**80.1%**	83.1%
Analysis of borrowings by currency		
— Denominated in RMB	**8,303,664**	9,221,992
— Denominated in USD	**5,805,145**	5,862,828
— Denominated in HKD	**1,041,345**	1,155,940
Subtotal	**15,150,154**	16,240,760

Leverage

As at 30 June 2018, the Group's net gearing ratio was 80.1%. The Group's net current assets (being current assets less current liabilities) decreased by approximately 16% to approximately RMB6,869.6 million as at 30 June 2018 from approximately RMB8,174.5 million as at 31 December 2017. Current ratio (being current assets/current liabilities) decreased from approximately 1.3 times as at 31 December 2017 to approximately 1.2 times as at 30 June 2018.

Foreign currency risk

The functional currency of the Group is RMB. Most transactions are denominated in RMB. As at 30 June 2018, our major non-RMB assets and liabilities are (i) bank deposits and borrowings denominated in Hong Kong dollar and US dollar; and (ii) the senior notes denominated in US dollar. Those amounts are exposed to foreign currency risk. The Group currently does not have foreign currency hedging policy in place, but the management will continuous monitor foreign exchange exposure and will consider to hedge against any significant foreign currency exposure when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

(a) As at 30 June 2018, the Group had contingent liabilities amounting to approximately RMB9,723 million (31 December 2017: approximately RMB9,626 million) in relation to guarantees provided to the domestic banks for the mortgage bank loans granted to the Group's customers. Under the terms of the guarantees, if a purchaser has defaulted on the mortgage payments, the Group will be liable for the payment of outstanding mortgage principals plus accrued interest and the penalties owed by the defaulted purchaser to the bank, and, in such circumstances, the Group will be entitled to take over the legal title and ownership of the relevant property. 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 cancellation of mortgage registration.

(b) The Group provided guarantees to bank loans and other borrowings of joint ventures amounting to RMB1,538 million (31 December 2017: RMB1,898 million) as at 30 June 2018. At the end of the reporting period, the Directors do not consider that any 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 30 June 2018, the Group had 1,710 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. In addition to basic salaries, employees may be granted with share options, discretionary bonus and cash awards based on individual performance.

FUND AND TREASURY POLICIES AND OBJECTIVES

The management team holds meeting with the finance and operation teams in the first week of every month to discuss the cash situation and indebtedness situation. In addition, the Board office circulates monthly capital market reports to the Board members so that the Board can assess equity/debt financing opportunities. At project level, all projects are expected to achieve over 15% to 20% internal rate of return, depending on the location and categories of the projects.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Set out below is a summary of the major acquisition and disposal conducted by the Group during the first half of 2018.

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 (the "Beijing Ai Lihua ETA") whereby Vision Hongye 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. The first instalment of the consideration of RMB225,000,000 was paid in accordance with the terms of the Beijing Ai Lihua ETA. As announced by the Company on 29 March 2018, there has been a delay in completion of the transactions as contemplated under the Beijing Ai Lihua ETA and Vision Hongye initiated a civil complaint against Beijing Ai Lihua, Beijing Fornot and its sole shareholder as guarantor on 12 March 2018. Vision Hongye also applied to the court for asset preservation orders against (i) the equity interest in Beijing Ai Lihua and (ii) a commercial property in Beijing held by the guarantor which were pledged in favour of Vision Hongye. For details, please refer to the announcements of the Company dated 8 January 2018 and 29 March 2018.

2. On 28 June 2018, Modern Green Development Co., Ltd. ("Modern Green") (an indirect wholly-owned subsidiary of the Company), Jingshenzhiye Investment (Beijing) Co., Ltd. ("JSZY") and Jiaxing Dingyan Investment Partnership (Limited Partnership) ("Jiaxing Dingyan") entered into the joint development agreement and the equity transfer agreement (collectively, the "Agreements") whereby Jiaxing Dingyan agreed to pay the amount of RMB363,000,000, out of which (i) RMB5,600,000 for acquiring 56% equity interest in JSZY; (ii) RMB197,400,000 for acquiring shareholder's loan previously provided by Modern Green; and (iii) RMB160,000,000 as premium. Upon completion of the transfer of equity interest in JSZY, the equity holding of Modern Green in JSZY will decrease from 100% to 44% and JSZY will cease to be a subsidiary of the Company. For details, please refer to the announcement of the Company dated 28 June 2018.

PROSPECT

At present, China's real estate industry is in a transition period from volatility by stages to steady development. Under the new market situation, it is more challenging than ever to ensure the effectiveness of policy regulation. The operating situation of the real estate market is mainly affected by the relationship between supply and demand. In order to speed up the basic balance between supply and demand for the market, a series of real estate control policies introduced in the first half of 2018 for continuing to proactively restrict irrational demand on the one hand, and focused on the structural adjustment of medium- and long-term supply on the other. Regulation is presented with a new stage while taking efforts both in the demand and the supply side.

MANAGEMENT DISCUSSION AND ANALYSIS

On the demand side, China will continue to proactively restrict irrational demand and maintain the continuity and stability of policy. The central government firmly insisted on the sticking of the residential attribute of properties with tightening regulation. The government work report of the National People's Congress and the Chinese Political Consultative Conference further stressed the positioning of "the house is used for living, not for speculation". Each city is subject to the implementation of local main responsibilities with precise policies, to focus on ensuring the rational house purchase demand based on classified control, while conducting fine adjustments to the new problems arising in the process of regulation, and gradually leading to a rational market returned.

On the supply side, China will focus on the structural adjustment of medium- and long-term supply. At the national level, the policies center on the expansion of "effective supply" and vigorous promotion of supply-side reform for housing and land. At the local level, large cities have concentrated on the introduction of supply plans for housing and land with related channels for supporting policies, and actively implemented "effective supply". Some first- and second-tier cities have started the construction of a housing supply system that "provides policy-oriented housing supports centered by the government and meets multiple demands centered by the market".

Amidst such a market situation, the overall operation of the Group maintained stable growth in the first half of 2018. The Company recorded significant increase in sales as compared to the corresponding period of last year with more balanced and complete layout of land resources, while holding abundant cash resources, which could help the Group to flexibly grasp excellent merger and acquisition opportunities given the current circumstance of credit crunch and the cash based mainstream.

The Company is still optimistic about the prospects of real estate development, which will maintain an overall scale of approximately RMB18 trillion. However, the Company believes that a further increase will show up in market concentration during 2018, leading to the intensive situation of merger and acquisition, and "great ones eat up little ones" in the industry.

The Company believes that the most important in the future real estate market is the customers besides money and land. We will enhance customer loyalty through the product itself and community operations to meet and explore customer needs to the utmost extent, bringing more profound benefits and brand effect for the Company.

In the second half of 2018, with the convening of the China Political Bureau meeting and the introduction of the Housing Sale Purchase Restriction Order of Shenzhen, we expect that the overall regulation policies will remain unchanged for the real estate industry, strengthen the residential attribute of properties, and prevent the real estate bubble from bursting. From an overall perspective, irrational rise in house prices should be avoided, and the overall real estate supply will continue to increase year-on-year, particularly for self-owned properties, including long-term apartment properties. In addition, with the intensified China's aging of population, the government is increasingly focusing on the growing needs of the elderly, which provides the opportunity to gradually release land for the use of the elderly.

Regardless of the market situation, Modern Land has always spared no effort in the exploration of green technologies. Upholding the core competitiveness of a homeland of "Green technology + comfort & energy-saving + whole life cycle with mobile internet", the Company will proactively respond to the new market environment as the situation changes.

MANAGEMENT DISCUSSION AND ANALYSIS

First, to cope with unknown challenges with sufficient cash on hand, the Company will speed up the sales collection, control costs and maintain a rational financial structure to control the debt scale.

Second, to cope with market challenges with rational land expansion, the Company will deepen its efforts in the inherent areas, seize opportunities and innovate investment models to actively expand the mode of project cooperation.

Besides, to cope with market challenges with increase in the assets for holding, with "Sales + holding operations" come together, we will take the pension industry as a pilot to establish a comprehensive profit model and form an industrial system.

Finally, to cope with market challenges with refined products, with emphasis on community innovation, we will create communities with green technologies, mixed-type and full life cycle communities.

In the future, Modern Land will still adhere to the development strategy of "Original Green & Blossoming Blue" by sticking to the core competitiveness of green technologies to bring original green for homeland ultimately; innovate the business model of full life cycle to bring blossoming blue for homeland, with a view to meet the quality and consumption upgrades and a better life for the current society and customers.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors and chief executives in the shares (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO)), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

INTERESTS IN THE COMPANY (LONG POSITION)

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate % of Interest in the Company
Mr. Zhang Lei	Beneficiary of a trust *(Note 1)*	1,827,293,270	65.75%
	Beneficial owner *(Note 2, 6)*	21,447,140	0.77%
Mr. Chen Yin	Interest in a controlled corporation *(Note 3)*	6,911,520	0.25%
Mr. Fan Qingguo	Interest in a controlled corporation *(Note 4)*	5,982,240	0.22%
Mr. Zhang Peng	Interest in a controlled corporation *(Note 5)*	5,982,240	0.22%
	Beneficial owner *(Note 6)*	16,390,000	0.59%
Mr. Hui Chun Ho, Eric	Beneficial owner *(Note 6)*	187,000	0.01%

Note 1: Such 1,827,293,270 Shares are held by Super Land Holdings Limited as a registered holder. The entire issued share capital of Super Land Holdings Limited is wholly-owned by Fantastic Energy Ltd., the entire issued share capital of which is in turn wholly-owned by TMF (Cayman) Limited as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. Salum Zheng Lee as the settlor and the capital and income beneficiaries thereof include Mr. Salum Zheng Lee, Mr. Zhang Lei and their respective daughters. Mr. Salum Zheng Lee is the younger brother of Mr. Zhang Lei. Therefore, Mr. Zhang Lei is deemed to have the same interest in the Company.

Note 2: 9,327,890 Shares out of the 21,447,140 Shares are beneficially held by Mr. Zhang Lei in his own capacity while the remaining 12,119,250 Shares are held pursuant to share options granted under the Share Option Scheme (as defined below).

Note 3: Mr. Chen Yin holds 100% of the issued share capital of Dragon Shing Technology Ltd., which owns 6,911,520 Shares. Therefore, Mr. Chen Yin is deemed to have the same interest in the Company.

OTHER INFORMATION

Note 4: Mr. Fan Qingguo holds 100% of the issued share capital of Create Success Development Ltd., which owns 5,982,240 Shares. Therefore, Mr. Fan Qingguo is deemed to have the same interest in the Company.

Note 5: Mr. Zhang Peng holds 100% of the issued share capital of Zhou Ming Development Ltd., which owns 5,982,240 Shares. Therefore, Mr. Zhang Peng is deemed to have the same interest in the Company.

Note 6: Such share interest (including Mr. Zhang Lei's interest in 12,119,250 Shares, Mr. Zhang Peng's interest in 12,645,000 Shares and Mr. Hui Chun Ho, Eric's interest in 187,000 Shares) is held pursuant to the share options granted under the Share Option Scheme, details of which are set out on pages 29 in this report.

Save as disclosed in the foregoing, as at 30 June 2018, none of the Directors or chief executives of the Company or their respective close associates had any interests or short positions in any Shares, underlying Shares, or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Furthermore, save as disclosed in the foregoing, during the six months ended 30 June 2018, none of the Directors or chief executives (including their spouses and children under the age of 18) of the Company had any interests in or was granted any right to subscribe in any shares, underlying shares, or debentures of the Company or any of its associated corporations, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Directors or chief executives of the Company, as at 30 June 2018, other than the interests and short positions of the Directors or chief executives of the Company as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme", the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Approximate % of Interest in the Company
Super Land Holdings Limited	Registered holder *(Note 1)*	1,827,293,270	65.75%
Fantastic Energy Ltd.	Interest in a controlled corporation *(Note 1)*	1,827,293,270	65.75%
TMF (Cayman) Limited	Trustee *(Note 1)*	1,827,293,270	65.75%
Mr. Salum Zheng Lee	Settlor of a discretionary trust *(Note 1)*	1,827,293,270	65.75%
Ms. Zhang Degui	Interest of a spouse *(Note 2)*	1,827,293,270	65.75%

OTHER INFORMATION

Note 1: All of the 1,827,293,270 Shares are held by Super Land Holdings Limited as a registered holder. The entire issued share capital of Super Land Holdings Limited is wholly-owned by Fantastic Energy Ltd., the entire issued share capital of which is in turn wholly-owned by TMF (Cayman) Limited as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. Salum Zheng Lee as the settlor and the capital and income beneficiaries thereof include Mr. Salum Zheng Lee, Mr. Zhang Lei and their respective daughters. Mr. Salum Zheng Lee is deemed to be interested in 1,827,293,270 Shares held by the Family Trust.

Note 2: Ms. Zhang Degui is the spouse of Mr. Salum Zheng Lee. Therefore, Ms. Zhang Degui is deemed to be interested in 1,827,293,270 Shares.

Save as disclosed above, as at 30 June 2018, there was no other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 14 June 2013. The purpose of the Share Option Scheme is to motivate the eligible participants to optimise their performance efficiency for the benefit of our Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

In October 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company ("the Shareholders") at an extraordinary general meeting held on 20 October 2015. As a result, the Company may grant share options to eligible participants entitling them to subscribe for a total of up to 208,000,000 Shares under the Share Option Scheme.

In June 2017, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the Shareholders at the annual general meeting held on 29 June 2017. As a result, the Company may grant share options to eligible participants entitling them to subscribe for a total of up to 250,404,400 Shares under the Share Option Scheme.

On 9 October 2017, the Company completed the issue of bonus shares on the basis of one (1) bonus share for every ten (10) then existing Shares of the Company held by the Shareholders registered as such on the register of members of the Company on 26 September 2017 (being record date of bonus issue). The number of bonus shares issued under the bonus issue was 251,320,700. Upon the completion of the bonus issue, the exercise prices of the share options (the "Share Options") granted under the Share Option Scheme adopted by the Company on 14 June 2013 and the number of Shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding Share Options are adjusted. For details, please refer to the announcements dated 22 August, 18 September and 9 October 2017 and the circulate dated 24 August 2017 of the Company.

OTHER INFORMATION

During the period from 1 January 2018 to 30 June 2018, the changes in the share options granted by the Company under the Share Option Scheme are as follows:

Share option movement

		1 January 2018 Opening	Exercised	Lapsed	31 June 2018 Closing
Tranche One Option-4 September 2014					
Exercise price: HK$1.041 (Exercise price prior to 9 October 2017: HK$1.145)					
Zhang Lei		3,539,250	–	–	3,539,250
Zhang Peng		8,355,000	–	–	8,355,000
Employee		6,544,250	(994,000)	–	5,550,250
Tranche One Option-4 September 2014		18,438,500	(994,000)	–	17,444,500
Tranche Two Option-10 July 2015					
Exercise price: HK$1.138 (Exercise price prior to 9 October 2017: HK$1.252)					
Plan A	Zhang Lei	4,290,000	–	–	4,290,000
Plan A	Hui Chun Ho, Eric	187,000	–	–	187,000
Plan A	Employee	25,085,000	(8,190,800)	(1,870,000)	15,024,000
Plan A		29,562,000	(8,190,800)	(1,870,000)	19,501,200
Plan B	Employee	22,275,000	–	(6,050,000)	16,225,000
Plan B		22,275,000	–	(6,050,000)	16,225,000
Tranche Two Option-10 July 2015		51,837,000	(8,190,800)	(7,920,000)	35,726,200
Tranche Three Option-28 September 2016					
Exercise price: HK$1.045 (Exercise price prior to 9 October 2017: HK$1.15)					
Zhang Lei		4,290,000	–	–	4,290,000
Zhang Peng		4,290,000	–	–	4,290,000
Employee		30,880,000	(1,622,500)	(6,160,000)	23,097,500
Tranche Three Option-28 September 2016		39,460,000	(1,622,500)	(6,160,000)	31,677,500
Total		109,735,500	(10,807,300)	(14,080,000)	84,848,000

Note:

For details of the vesting periods and exercise periods of the share options, please refer to Note 23 to the Condensed Interim Financial Statements in page 63 of this report.

OTHER INFORMATION

COMPLIANCE WITH APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirmed that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in the Company's 2017 Annual Report.

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

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board declared payment of an interim dividend for the six months ended 30 June 2018 of HK2.3 cents per Share. The said interim dividend will be paid on or about Friday, 28 September 2018 to the Shareholders whose names appear on the register of members of the Company on Monday, 17 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 13 September 2018 to Monday, 17 September 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim 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, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 12 September 2018.

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 discussed with the management and external auditors the accounting principles and policies adopted by the Group, reviewed the interim results for the six months ended 30 June 2018 and considered that the interim results have been prepared in accordance with the applicable accounting standards and requirements and have made appropriate disclosures accordingly.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance. The Company complied with all code provisions and where appropriate, adopted the recommended best practices in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2018.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to govern securities transactions by directors. Further to the specific enquiries made by the Company to the Directors, all Directors have confirmed their compliance with the Model Code for the six months ended 30 June 2018.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

REVIEW REPORT TO THE BOARD OF DIRECTORS OF MODERN LAND (CHINA) CO., LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 33 to 68 which comprises the consolidated statement of financial position of Modern Land (China) Co., Limited ("the Company") as of 30 June 2018 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

15 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited

		For the six months ended 30 June	
		2018	2017
			(Note)
	Note	***RMB'000***	*RMB'000*
Revenue	3	**4,859,054**	4,294,356
Cost of sales		**(3,911,103)**	(3,406,679)
Gross profit		**947,951**	887,677
Other income, gains and losses	4	**205,226**	290,779
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties	10	**3,016**	18,132
Changes in fair value of investment properties	10	**35,147**	50,632
Selling and distribution expenses		**(195,759)**	(130,010)
Administrative expenses		**(241,945)**	(205,103)
Finance costs	5	**(139,279)**	(95,437)
Share of profits less losses of joint ventures		**48,623**	3,706
Share of profits less losses of associates		**(543)**	3,743
Profit before taxation		**662,437**	824,119
Income tax expense	6	**(301,286)**	(289,425)
Profit for the period	7	**361,151**	534,694

The notes on pages 42 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited (continued)

	Note	For the six months ended 30 June 2018 *RMB'000*	 2017 *(Note)* *RMB'000*
Profit for the period		**361,151**	534,694
Other comprehensive income for the period:			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of owner-occupied properties upon transfer to investment properties, net of tax		–	5,676
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations, net of nil tax		**6,672**	(3,415)
Total comprehensive income for the period		**367,823**	536,955
Profit for the period attributable to:			
Owners of the Company		**291,092**	505,975
Non-controlling interests		**70,059**	28,719
		361,151	534,694
Total comprehensive income attributable to:			
Owners of the Company		**297,764**	508,236
Non-controlling interests		**70,059**	28,719
		367,823	536,955
Earnings per share, in Renminbi ("RMB") cents:			
Basic	9	**10.5**	18.4
Diluted	9	**10.4**	18.4

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 42 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited

	Note	**At 30 June 2018** **RMB'000**	At 31 December 2017 *(Note)* *RMB'000*
Non-current assets			
Investment properties	10	**2,027,000**	1,965,000
Property, plant and equipment	11	**509,237**	483,613
Intangible assets		**1,973**	2,302
Freehold land held for future development		**30,831**	29,732
Interests in associates		**109,191**	106,664
Interests in joint ventures	12	**2,614,740**	2,698,333
Loans to joint ventures	12	**4,385,602**	3,190,116
Equity investments at fair value through other comprehensive income		**60,085**	50,085
Deferred tax assets		**479,173**	421,242
		10,217,832	8,947,087
Current assets			
Inventories		**7,030**	7,263
Properties under development for sale		**21,442,953**	20,173,043
Properties held for sale		**2,066,263**	2,396,366
Contract assets	2(c)(iv)	**32,125**	–
Trade and other receivables, deposits and prepayments	13	**4,104,340**	3,009,880
Amounts due from related parties	24	**643,745**	227,391
Restricted cash		**2,466,622**	2,876,247
Bank balances and cash		**6,790,758**	7,533,713
		37,553,836	36,223,903

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 42 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited (continued)

	Note	**At 30 June 2018** *RMB'000*	At 31 December 2017 *(Note)* *RMB'000*
Current liabilities			
Trade and other payables, deposits received and accrued charges	14	**8,077,829**	16,846,552
Contract liabilities	2(c)(iv)	**12,564,142**	–
Amounts due to related parties	24	**1,999,956**	2,550,226
Taxation payable		**2,022,327**	1,939,709
Bank and other borrowings — due within one year	15	**6,019,995**	5,234,810
Senior notes — due within one year	17	**–**	1,478,140
		30,684,249	28,049,437
Net current assets		**6,869,587**	8,174,466
Total assets less current liabilities		**17,087,419**	17,121,553
Capital and reserves			
Share capital	18	**174,623**	173,932
Reserves		**5,291,896**	5,003,879
Equity attributable to owners of the Company		**5,466,519**	5,177,811
Non-controlling interests		**1,892,164**	1,838,963
Total equity		**7,358,683**	7,016,774
Non-current liabilities			
Bank and other borrowings — due after one year	15	**2,614,350**	5,284,320
Corporate bond	16	**1,029,924**	1,027,672
Long-term payable		**326,890**	334,711
Senior notes — due after one year	17	**5,485,885**	3,215,818
Deferred tax liabilities		**271,687**	242,258
		9,728,736	10,104,779
		17,087,419	17,121,553

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 42 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 *(note a)*	Special reserve RMB'000 *(note b)*	Revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 *(note c)*	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017*	173,932	796,299	330,070	40,060	28,817	467,482	(5,694)	3,346,845	5,177,811	1,838,963	7,016,774
Impact on initial application of IFRS 15 *(note 2)*	–	–	–	–	–	–	–	62,771	62,771	39,286	102,057
Adjusted balance at 1 January 2018	173,932	796,299	330,070	40,060	28,817	467,482	(5,694)	3,409,616	5,240,582	1,878,249	7,118,831
Profit for the period	–	–	–	–	–	–	–	291,092	291,092	70,059	361,151
Exchange differences on translating foreign operations	–	–	–	–	–	–	6,672	–	6,672	–	6,672
Other comprehensive income for the period, net of income tax	–	–	–	–	–	–	6,672	–	6,672	–	6,672
Total comprehensive income for the period	–	–	–	–	–	–	6,672	291,092	297,764	70,059	367,823
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	55,295	55,295
Share-based payment *(note 23)*	–	–	–	–	(1,152)	–	–	–	(1,152)	–	(1,152)
Contribution from a company controlled by a shareholder *(note d)*	–	–	204	–	–	–	–	–	204	–	204
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	19,362	19,362
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(5,650)	(5,650)
Return of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	(120,000)	(120,000)
Issue of shares upon exercise of share options *(note 18)*	691	12,650	–	–	(3,480)	–	–	–	9,861	–	9,861
Appropriations to reserves	–	–	–	–	–	116	–	(116)	–	–	–
Dividend distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,151)	(5,151)
Dividend approved in respect of the previous year *(note 8)*	–	–	–	–	–	–	–	(80,740)	(80,740)	–	(80,740)
At 30 June 2018	174,623	808,949	330,274	40,060	24,185	467,598	978	3,619,852	5,466,519	1,892,164	7,358,683

The notes on pages 42 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited (continued)

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000* *(note a)*	Special reserve *RMB'000* *(note b)*	Revaluation reserve *RMB'000*	Share option reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(note c)*	Foreign currency translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017	156,459	799,559	345,480	34,384	15,095	400,449	2,574	2,894,293	4,648,293	83,173	4,731,466
Profit for the period	–	–	–	–	–	–	–	505,975	505,975	28,719	534,694
Valuation surplus on investment properties transferred from property and equipment, net of deferred tax	–	–	–	5,676	–	–	–	–	5,676	–	5,676
Exchange differences on translating foreign operations	–	–	–	–	–	–	(3,415)	–	(3,415)	–	(3,415)
Other comprehensive income for the period, net of income tax	–	–	–	5,676	–	–	(3,415)	–	2,261	–	2,261
Total comprehensive income for the period	–	–	–	5,676	–	–	(3,415)	505,975	508,236	28,719	536,955
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,512,790	1,512,790
Share-based payment *(note 23)*	–	–	–	–	11,805	–	–	–	11,805	–	11,805
Contribution from a company controlled by a shareholder *(note d)*	–	–	204	–	–	–	–	–	204	–	204
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	27,094	27,094
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(1,784)	(1,784)
Issue of shares upon exercise of share options *(note 18)*	44	729	–	–	(126)	–	–	–	647	–	647
Dividend approved in respect of the previous year *(note 8)*	–	–	–	–	–	–	–	(137,349)	(137,349)	–	(137,349)
At 30 June 2017	156,503	800,288	345,684	40,060	26,774	400,449	(841)	3,262,919	5,031,836	1,649,992	6,681,828

The notes on pages 42 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited (continued)

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000* *(note a)*	Special reserve *RMB'000* *(note b)*	Revaluation reserve *RMB'000*	Share option reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 July 2017	156,503	800,288	345,684	40,060	26,774	400,449	(841)	3,262,919	5,031,836	1,649,992	6,681,828
Exchange differences on translating foreign operations	–	–	–	–	–	–	(4,853)	–	(4,853)	–	(4,853)
Other comprehensive income	–	–	–	–	–	–	(4,853)	–	(4,853)	–	(4,853)
Profit for the period	–	–	–	–	–	–	–	200,024	200,024	91,821	291,845
Total comprehensive income for the period	–	–	–	–	–	–	(4,853)	200,024	195,171	91,821	286,992
Share-based payment	–	–	–	–	2,522	–	–	–	2,522	–	2,522
Bonus issue of shares	16,613	(16,613)	–	–	–	–	–	–	–	–	–
Issue of shares on exercises of share options *(note 18)*	816	12,624	–	–	(479)	–	–	–	12,961	–	12,961
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	217,408	217,408
Contribution from a company controlled by a shareholder *(note b)*	–	–	203	–	–	–	–	–	203	–	203
Acquisition of additional interest in a subsidiary	–	–	(15,817)	–	–	–	–	–	(15,817)	10,817	(5,000)
Appropriations to reserves *(note c)*	–	–	–	–	–	67,033	–	(67,033)	–	–	–
Dividend *(note 8)*	–	–	–	–	–	–	–	(49,065)	(49,065)	–	(49,065)
Dividend distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	(131,075)	(131,075)
At 31 December 2017	173,932	796,299	330,070	40,060	28,817	467,482	(5,694)	3,346,845	5,177,811	1,838,963	7,016,774

The notes on pages 42 to 68 form part of this interim financial report.

Notes:

(a) Pursuant to article 134 of the Company's Articles of Association, the Company is permitted to pay out dividends from share premium account.

(b) Special reserve relates to acquisition of additional interests in subsidiaries, deemed acquisition of a subsidiary, disposals of partial interests in subsidiaries, disposal of partial interests in subsidiaries to a non-controlling shareholder and contribution from a company controlled by a shareholder.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited (continued)

(c) In accordance with the Articles of Association of certain group entities established in the People's Republic of China ("the PRC"), these entities are required to transfer 10% of the profit after taxation, prepared in accordance with PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve reaches 50% of the registered capital of the respective entities. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand existing operations or convert into additional capital of the entities.

(d) Pursuant to the agreement dated 29 November 2010 entered into between Modern Green Development Co., Ltd. 當代節能置業股份有限公司 (formerly known as Beijing Modern Hongyun Real Estate Development Co., Ltd. 北京當代鴻運房地產經營開發有限公司) ("Modern Green Development") and an employee of Modern Green Development, the employee can use the property developed by Beijing Modern City Real Estate Development Co., Ltd. 北京當代城市房地產開發有限公司 ("Beijing Modern City Real Estate"), a company controlled by a shareholder of the Company. The title of the property will be transferred to the employee upon his completion of service with Modern Green Development for 10 years commencing from 30 October 2010. As at 29 November 2010, the market value of the property is RMB4,071,000. The Group recognised this transaction as staff cost and contribution from a company controlled by the shareholder amounted to RMB204,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB204,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 – unaudited

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**1,892,553**	(3,389,384)
Investing activities		
Interest received	**–**	64,851
Capital injection in joint ventures	**(43,900)**	(529,254)
Proceeds from disposals of partial interests in a joint venture	**200,000**	–
Proceeds from disposal of a joint venture	**10,000**	–
Net cash (outflow)/inflow from acquisition of a subsidiary	**(190,000)**	17,487
Net cash inflow from disposal of subsidiaries	**8,000**	–
Loans to joint ventures	**(678,597)**	(519,147)
Repayments from joint ventures	**174,219**	426,704
Decrease in restricted cash	**409,625**	481,002
Other cash used in investing activities	**(105,023)**	(582,549)
Net cash used in investing activities	**(215,676)**	(640,906)
Financing activities		
Interest paid	**(646,088)**	(384,815)
Dividends paid	**(3,108)**	–
Repayments to related parties	**(1,080,954)**	(315,341)
Advances from related parties	**532,434**	2,097,414
Repayments of bank borrowings	**(2,014,208)**	(2,041,411)
New bank borrowings raised	**681,462**	1,321,820
Repayments of other borrowings	**(1,628,059)**	(2,748,550)
New other borrowings raised	**1,071,850**	6,179,065
Proceeds from issue of senior notes and corporate bonds	**2,198,839**	1,673,262
Repayment of senior notes	**(1,475,942)**	(848,378)
Capital contribution from non-controlling interests	**49,695**	1,512,790
Return of capital to non-controlling interests	**(120,000)**	–
Proceeds from issue of shares upon exercise of share options	**9,860**	647
Net cash (used in)/generated from financing activities	**(2,424,219)**	6,446,503
Net (decrease)/increase in cash and cash equivalents	**(747,342)**	2,416,213
Cash and cash equivalents at the beginning of the period, represented by bank balances and cash	**7,533,713**	4,584,391
Effects of exchange rate changes on the balance of cash held in foreign currencies	**4,387**	(4,066)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**6,790,758**	6,996,538

The notes on pages 42 to 68 form part of this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1 BASIS OF PREPARATION

This interim financial report of Modern Land (China) Co., Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 15 August 2018. The interim financial report has also been reviewed by KPMG 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 ("HKICPA"). KPMG's independent review report to the Board of Director is included on page 32.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Overview (Continued)

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses and impacted by IFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in Note 2(b) for IFRS 9 and Note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018, and there is no material cumulative impact for the initial application of IFRS 9. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 15:

	At 31 December 2017 RMB'000	Impact on initial application of IFRS 15 (Note 2(c)) RMB'000	At 1 January 2018 RMB'000
Properties under development for sale	20,173,043	(391,685)	19,781,358
Contract assets	–	32,125	32,125
Total current assets	36,223,903	(359,560)	35,864,343
Trade and other payables, deposits received and accrued charges	(16,846,552)	11,337,686	(5,508,866)
Contract liabilities	–	(10,796,614)	(10,796,614)
Total current liabilities	(28,049,437)	541,072	(27,508,365)
Net current assets	8,174,466	181,512	8,355,978
Total assets less current liabilities	17,121,553	181,512	17,303,065
Reserves	(5,003,879)	(62,771)	(5,066,650)
Total equity attributable to owners of the Company	(5,177,811)	(62,771)	(5,240,582)
Non-controlling interests	(1,838,963)	(39,286)	(1,878,249)
Total equity	(7,016,774)	(102,057)	(7,118,831)
Deferred tax liabilities	(242,258)	(79,455)	(321,713)
Total non-current liabilities	(10,104,779)	(79,455)	(10,184,234)

Further details of these changes are set out in sub-section 2(c) of this note.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9, *Financial instruments*

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.

(i) Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The adoption of IFRS 9 does not have any material impact on the financial position and the financial result of the Group.

(c) 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.

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 IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 15, *Revenue from contracts with customers* (Continued)

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	32,125
Related tax impact	(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

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from sales of property was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 15, *Revenue from contracts with customers* (Continued)

(i) Timing of revenue recognition (Continued)

The timing of revenue recognition for sales of properties is affected as follows:

Currently the Group's property development activities are mainly carried out in the PRC. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment in the PRC, the property sales contracts that require advance payment in full of the total consideration quality for recognising revenue over time. Before the adoption of IFRS 15, revenue from sales of properties under all contracts in the ordinary course of business is recognised when the construction of respective properties have been completed and the significant risks and rewards of ownership of the properties are transferred to the customers, that is when the customers completed the necessary procedures to acknowledge receipts of delivery of properties in accordance with the terms under the respective sales and purchases agreements, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in IFRS 15, for sales of properties with full payment in advance before the construction of respective properties are completed, the management determined that the customers obtain control of the corresponding property development activities upon settlement of the total consideration. This is because under those circumstances, properties are made to a customer's specification as detailed in the terms of the agreements. The adoption of IFRS 15 has no impact on the timing of revenue recognition for sales of properties other than those with full payment in advance.

Therefore, revenue from those contracts that require advance payment in full of the total consideration and the associated costs are recognised over time, which would result in revenue and the associated costs for these agreements being recognised in profit or loss earlier under IFRS 15 than under IAS18.

As a result of this change in accounting policy, the Group has made adjustments to the opening balances at 1 January 2018 which increased retained earnings by RMB38,677,000, increased non-controlling interests by RMB39,286,000, decreased trade and other payables, deposits received and accrued charges by RMB11,337,686,000, increased contract liabilities by RMB10,796,614,000, increased deferred tax liabilities by RMB71,425,000 and decreased properties under development for sale by RMB391,685,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 15, *Revenue from contracts with customers* (Continued)

(ii) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

In assessing whether advance payments include a significant financing component, the Group has considered the difference between the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, *Borrowing costs*, if significant.

(iii) Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under IFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as distribution costs at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts amounting to RMB32,125,000, increased deferred tax liabilities by RMB8,031,000 and increased retained earnings by RMB24,094,000 at 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 15, *Revenue from contracts with customers* (Continued)

(iv) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, the Group's properties under development and properties held for sale were included within "properties under development for sale" or "properties held for sale" until customers complete the necessary procedures to acknowledge receipts of delivery of properties and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

a. "Deposits received and receipt in advance from property sales" amounting to RMB10,796,614,000, which were previously included in trade and other payables, deposits received and accrued charges are now included under contract liabilities; and

b. As explained in (i) above, adjustments to opening balances have been made to increase contract liabilities by RMB10,796,614,000 and decrease trade and other payables, deposits received and accrued charges by RMB10,796,614,000 in respect of the Group's revenue recognised over time.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3 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, (f) immigration services and (g) innovative household technology services. The operating segment has been identified on the basis of internal management reports reviewed by 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 of properties from property investment, hotel operation, project management, real estate agency services, immigration services and innovative household technology 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 organisation 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.

Disaggregation of revenue from contracts with customers by major products or service lines and by timing of revenue recognition is as follows:

	For the six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	**4,742,853**	4,185,674
Real estate agency services	**36,029**	24,990
Property investment	**35,608**	32,007
Hotel operation	**33,489**	31,561
Project management	**4,173**	7,291
Immigration services	**3,844**	6,263
Innovative household technology services	**3,058**	6,570
	4,859,054	4,294,356
Disaggregated by timing of revenue recognition		
Point in time	**4,464,728**	4,294,356
Over time	**394,326**	–
	4,859,054	4,294,356

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see note 2(c)).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

4 OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest income	**58,007**	43,296
Government grants	**378**	888
Re-measurement to fair value of pre-existing interest in acquiree *(note a)*	**–**	51,737
Net exchange (loss)/gain	**(91,429)**	22,632
Gain on disposal of an associate *(note b)*	**–**	147,195
Gain on disposal of interests in joint ventures *(note c)*	**212,746**	–
Gain on disposal of a subsidiary	**20,000**	22,765
Gain on disposal of property, plant and equipment	**17**	1,264
Others	**5,507**	1,002
	205,226	290,779

Notes:

(a) The amount arose from the re-measurement to fair value of the Group's pre-existing interest in the acquirees in acquisition of subsidiaries. During the six months ended 30 June 2017, the Group acquired subsidiaries which were joint ventures of the Group before acquisition. The re-measurement to fair value of the Group's pre-existing interest in these acquirees resulted in a total gain of RMB51,737,000.

(b) During the six months ended 30 June 2017, the Group disposed of the interests in an associate which resulted in a gain of RMB147,195,000.

(c) During the six months ended 30 June 2018, the Group disposed of the interests in two joint ventures which resulted in a gain of RMB212,746,000.

5 FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**(416,064)**	(297,340)
Interest expense on senior notes and corporate bond	**(265,569)**	(300,588)
	(681,633)	(597,928)
Less: Amount capitalised in properties under development for sale	**542,354**	502,491
	(139,279)	(95,437)

Note: The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

6 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**(163,050)**	(198,006)
Land appreciation tax ("LAT")	**(166,738)**	(82,210)
	(329,788)	(280,216)
Deferred tax		
PRC Corporate Income Tax	**28,502**	(9,209)
	28,502	(9,209)
Income tax expense	**(301,286)**	(289,425)

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 at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

Pursuant to the rules and regulations of British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

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 six months ended 30 June 2018 and 2017.

Note: The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

7 PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment recognised in profit or loss	**16,585**	15,495
Operating lease rentals	**12,858**	7,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

8 DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the interim period

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Declared interim dividend of HK2.3 cents per ordinary share (equivalent to approximately RMB2.0 cents (2017: RMB2.0 cents) per ordinary share)	**55,937**	49,065

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

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of HK3.6 cents per share (six months ended 30 June 2017: HK6.3 cents per share)	**80,740**	137,349

(iii) Bonus issue

A resolution on a bonus share issue of 1 bonus share for every 10 then existing shares 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:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**291,092**	505,975

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

9 EARNINGS PER SHARE (CONTINUED)

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Number of shares (basic)		
Issued ordinary shares at 1 January	**2,768,291**	2,503,405
Effect of bonus issue *(note a)*	**–**	250,355
Effect of share options exercised	**8,631**	145
Weighted average number of ordinary shares at 30 June	**2,776,922**	2,753,905
Number of shares (diluted)		
Number of ordinary shares for the purpose of calculating basic earnings per share	**2,776,922**	2,753,905
Effect of dilutive potential ordinary shares:		
— Share options *(note b)*	**20,579**	1,566
Number of ordinary shares for the purpose of calculating diluted earnings per share	**2,797,501**	2,755,471

Notes:

(a) The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2017 has been retrospectively adjusted by 250,355,000 shares for the bonus issue completed during the year ended 31 December 2017 (see Note 18(b)).

(b) The computation of the diluted earnings per share for the six months ended 30 June 2018 and 2017 has taken into consideration the weighted average number of 20,579,000 and 1,566,000 shares deemed to be issued at nil consideration as if all outstanding share options had been exercised.

10 INVESTMENT PROPERTIES

	Total
	RMB'000
Fair value	
At 1 January 2018	1,965,000
Addition	8,853
Transfer from properties under development for sale and properties held for sale	18,000
Net change in fair value recognised in profit or loss	35,147
At 30 June 2018	2,027,000

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

10 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are all situated in the PRC. The lease term of land on which the investment properties are situated range from 40 to 50 years. The fair values of the Group's investment properties at the respective dates of transfer and at 30 June 2018 and 31 December 2017 have been arrived at on the basis of valuations carried out on those dates by Cushman & Wakefield Limited, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. For the completed investment properties, the valuations were arrived at with adoption of investment approach by capitalisation of the rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties. There has been no change from the valuation technique used in the prior year for the completed investment properties. For the investment properties under development, the valuations were arrived at using the residual method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

During the six months ended 30 June 2018, the amount transferred from properties held for sale and properties under development for sale upon change in use included the cost of the properties held for sale and properties under development for sale amounted to RMB14,984,000 with fair value gain of approximately RMB3,016,000 (six months ended 30 June 2017: RMB33,868,000 with fair value gain of approximately RMB18,132,000) based on valuation performed at the relevant dates of transfer.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, additions to property, plant and equipment amounted to RMB23,733,000 (six months ended 30 June 2017: RMB8,076,000), consisting of buildings, motor vehicles and electronic equipment and furniture.

The Group has entered into agreements with eligible employees in connection with properties developed by the Group (the "Scheme"). Under the Scheme, the eligible employees can use the properties while remain employed by the Group for a service period ranging from 1.5 to 15 years, the title of the properties will be transferred to the eligible employees upon completion of the service period as stated under the Scheme. As at 30 June 2018, the carrying amount of leasehold land and buildings which are being occupied by the eligible employees under the Scheme amounted to RMB13,358,000 (31 December 2017: RMB14,730,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

12 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Cost of investment in joint ventures	**2,499,725**	2,678,210
Share of post-acquisition gain and other comprehensive income	**115,015**	20,123
	2,614,740	2,698,333
Loans to joint ventures	**4,412,765**	3,241,816
Less: share of post-acquisition losses that are in excess of cost of investments	**(27,163)**	(51,700)
	4,385,602	3,190,116

Loans to joint ventures are unsecured, and expected to be recovered after one year.

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly represent rental receivables and receivable from sale of properties. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement date.

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Trade receivables, net of allowance	**623,393**	167,157
Other receivables, net of allowance	**1,839,771**	1,234,943
Guarantee deposits for housing provident fund loans provided to customers *(note)*	**27,823**	33,796
	2,490,987	1,435,896
Prepayments to suppliers of construction materials	**121,450**	151,053
Deposits paid for acquisition of a subsidiary	**225,000**	40,000
Deposits paid for acquisition of land use rights	**376,148**	428,859
Prepaid LAT and business tax	**890,755**	954,072
	4,104,340	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Less than 1 year	**568,394**	134,729
1–2 years	**54,999**	32,428
	623,393	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 receivables from properties sold, the Group holds the title of the property units as collateral over those balances.

14 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Trade payables	**1,664,420**	1,534,024
Accrued expenditure on construction	**453,345**	562,754
Amount due to non-controlling interests	**2,725,049**	2,306,511
Accrued interest	**105,030**	80,557
Accrued payroll	**1,294**	31,858
Dividend payable	**84,431**	1,648
Other payables	**2,731,928**	1,343,128
Financial liabilities measured at amortised cost	**7,765,497**	5,860,480
Deposits received and receipt in advance from property sales *(note)*	**–**	10,796,614
Other tax payables	**312,332**	189,458
	8,077,829	16,846,552

Note: As a result of the adoption of IFRS 15, deposits received and receipt in advance from property sales of RMB12,564,142,000 are included in contract liabilities (see Note 2(c)).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

14 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES (CONTINUED)

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Less than 1 year	1,349,299	1,037,273
1–2 years	304,863	327,314
2–3 years	10,258	169,437
	1,664,420	1,534,024

15 BANK AND OTHER BORROWINGS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank borrowings, secured	5,574,345	6,276,130
Other borrowings, secured	3,060,000	3,290,000
Other loans, unsecured	–	953,000
	8,634,345	10,519,130

The borrowings are repayable:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within one year or on demand	6,019,995	5,234,810
More than one year, but not exceeding two years	1,144,850	3,344,440
More than two years, but not exceeding five years	1,380,000	1,849,880
More than five years	89,500	90,000
	8,634,345	10,519,130
Less: Amount due within one year shown under current liabilities	(6,019,995)	(5,234,810)
Amount due after one year	2,614,350	5,284,320
Analysis of borrowings by currency		
— Denominated in RMB	7,273,740	8,194,320
— Denominated in US$	319,260	1,168,870
— Denominated in HK$	1,041,345	1,155,940
	8,634,345	10,519,130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

15 BANK AND OTHER BORROWINGS (CONTINUED)

As at 30 June 2018, the borrowings with carrying amount of RMB2,895,605,000 (31 December 2017: RMB3,006,810,000) carry interest at variable rates based on the interest rates quoted by the People's Bank of China, the effective interest rate ranges from 2.0% to 8.1% (31 December 2017: 1.6% to 6.9%) per annum and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rate ranged from 4.8% to 10% (31 December 2017: from 4.8% to 10.0%) per annum at 30 June 2018, and exposed the Group to fair value interest rate risk.

16 CORPORATE BOND

On 24 April 2016, the Company issued Corporate bond to the public with aggregate nominal value of RMB1,000,000,000 at 97.81% of the principal amount, which carry fixed interest of 6.4% per annum (interest payable annually in arrears) and will be fully repayable by 20 April 2021.

17 SENIOR NOTES

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
2017 USD Notes I *(note (a))*	**3,206,973**	3,215,818
2017 USD Private Notes	**–**	648,217
2017 USD Notes II	**–**	829,923
2018 USD Notes I *(note (b))*	**2,278,912**	–
Carrying amount at the end of the period/year	**5,485,885**	4,693,958
Less: current portion of senior notes	**–**	(1,478,140)
Amount due after one year	**5,485,885**	3,215,818

Notes:

(a) 2017 USD Notes I

On 6 January 2017, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US$150,000,000 (approximately RMB1,014,210,000) at 98.193% of the principal amount plus accrued interest from (and including) 20 October 2016 to (but excluding) 6 January 2017, which carry fixed interest at a rate of 6.875% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 20 October 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

17 SENIOR NOTES (CONTINUED)

Notes: (continued)

(a) 2017 USD Notes I *(continued)*

The 2017 USD Notes I are listed on the Singapore Stock Exchange, are senior obligations of Modern Land (China) Co., Limited, and guaranteed by certain of the Company's existing subsidiaries other than those established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of assets serving as security. At any time prior to 20 October 2019, the Company may at its option redeem the 2017 USD Notes I, in whole but not in part, at a price equal to 100% of the principal amount of the 2017 USD Notes I plus the applicable premium (which is defined as to the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time prior to 20 October 2019, the Company may redeem up to 35% of the principal amount of the 2017 USD Notes I at a redemption price of 106.875% of the principal amount of the 2017 USD Notes I, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2017 USD Notes I originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

In the opinion of the Directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

The above senior notes are jointly guaranteed by certain of the Company's existing subsidiaries other than those established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of assets serving as security.

(b) 2017 USD Private Notes

On 5 March 2018, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US$350,000,000 (approximately RMB 2,372,755,000) (the "2018 USD Notes"), at 100% of the principal amount of the 2018 USD Notes, which carry fixed interest at a rate of 7.95% per annum (interest payable semi-annually in arrears) and will be fully repayable at par on 5 March 2021.

The above senior notes are jointly guaranteed by certain of the Company's existing subsidiaries other than those established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of assets serving as security.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

18 SHARE CAPITAL

	Number of shares *'000*	Amount *USD'000*	Equivalent to *RMB'000*
Ordinary shares of US$0.01 each			
Authorised:			
At 31 December 2017 and 30 June 2018	8,000,000	80,000	524,014
Issued and fully paid:			
At 1 January 2017	2,503,405	25,034	156,459
Exercise of share options *(note (a))*	640	6	44
At 30 June 2017 and 1 July 2017	2,504,045	25,040	156,503
Issue of shares			
Bonus issue of shares *(note(b))*	251,321	2,503	16,613
Exercise of share options	12,925	131	816
At 31 December 2017 and 1 January 2018	2,768,291	27,674	173,932
Issued and fully paid:			
At 1 January 2018	2,768,291	27,674	173,932
Exercise of share options *(note (c))*	10,808	108	691
At 30 June 2018	2,779,099	27,782	174,623

Notes:

(a) During the six months ended 30 June 2017, share options were exercised to subscribe for 577,500 and 62,000 ordinary shares of the Company at HK$1.145 and at HK$1.252, respectively (equivalent to approximately RMB1.003 and RMB1.091, respectively) per share, with the aggregate amount of HK$739,000 (equivalent to approximately RMB647,000).

(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 six months ended 30 June 2018, share options were exercised to subscribe for 994,000, 1,622,500 and 8,190,800 ordinary shares of the Company at HK$1.041, HK$1.045 and at HK$1.138, respectively (equivalent to approximately RMB0.852, RMB0.855 and RMB0.931, respectively) per share, with the aggregate amount of HK$13,177,000 (equivalent to approximately RMB9,861,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

19 PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group and mortgage loans granted to buyers of sold properties at the end of the reporting period:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Investment properties	**274,110**	274,110
Properties under development for sale	**6,777,427**	10,112,937
Properties held for sale	**364,990**	380,000
Property, plant and equipment	**–**	–
Equity interests in a subsidiary	**381,182**	754,225
Bank deposits	**1,347,040**	1,684,215
Guarantee deposits for housing provident fund loans provided to customers	**78,486**	33,796
	9,223,235	13,239,283

The following assets were pledged to secure certain banking and other facilities granted to an associate and joint ventures at the end of reporting period:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Equity interests in joint ventures	**–**	76,192

20 CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Contracted but not provided for in the consolidated financial statements:		
— Development properties under development	**5,409,839**	5,105,179
— Acquisition of land use rights	**5,850**	1,844,829
— Capital contribution to a joint venture	**–**	570,000
	5,415,689	7,520,008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

21 CONTINGENT LIABILITIES

(a) The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the date of grant of the relevant mortgage loans and ends when the buyer obtained the individual property ownership certificate. In the opinion of the Directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts as at 30 June 2018 and 31 December 2017 respectively has been recognised as the default risk is considered low.

The amounts of the outstanding guarantees at the end of the reporting period are as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Mortgage guarantees	**9,723,801**	9,625,761

(b) The Group provided guarantees to bank loans and other borrowings of a joint venture amounted to RMB1,538,000,000 as at 30 June 2018 (31 December 2017: RMB1,898,000,000). At the end of the reporting period, the Directors do not consider it probable that claims will be made against the Group under these guarantees. The Group has not recognized any deferred income in respect of these guarantees.

22 OPERATING LEASE COMMITMENTS

The Group as a lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within one year	**63,384**	59,600
In the second to fifth year inclusive	**176,218**	160,034
After five years	**106,138**	108,305
	345,740	327,939

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

23 SHARE-BASED PAYMENT TRANSACTIONS

On 4 September 2014, the Company granted an aggregate of 25,700,000 options to two directors and six employees to subscribe for an aggregate of 25,700,000 shares in the Company, representing approximately 1.61% of the shares issued by the Company as at the date of grant.

On 10 July 2015, the Company granted an aggregate of 60,100,000 options to two directors and fifteen employees to subscribe for an aggregate of 60,100,000 shares in the Company, representing approximately 3.41% of the shares issued by the Company as at the date of grant ("Plan A").

On 10 July 2015, the Company granted an aggregate of 45,500,000 options to twelve employees to subscribe for an aggregate of 45,500,000 shares in the Company, representing approximately 2.59% of the shares issued by the Company as at the date of grant ("Plan B").

On 28 September 2016, the Company granted an aggregate of 43,000,000 options to two directors and twenty-six employees to subscribe for an aggregate of 43,000,000 shares in the Company, representing approximately 1.91% of the shares issued by the Company as at the date of grant.

The details of the options granted are as follows:

	Number of options	Vesting period	Contractual life of options
Shares options granted to directors			
On 4 September 2014	15,290,000	25% from the date of grant to 3 September 2015	1 year
		25% from the date of grant to 3 September 2016	5 years
		25% from the date of grant to 3 September 2017	5 years
		25% from the date of grant to 3 September 2018	5 years
On 10 July 2015 Plan A	4,840,000	33% from the date of grant to 10 July 2016	3 years
		67% from the date of grant to 10 July 2017	3 years
On 28 September 2016	8,580,000	25% from the date of grant to 28 September 2017	5 years
		25% from the date of grant to 28 September 2018	5 years
		25% from the date of grant to 28 September 2019	5 years
		25% from the date of grant to 28 September 2020	5 years

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

23 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

	Number of options	Vesting period	Contractual life of options
Shares options granted to employees			
On 4 September 2014	12,980,000	25% from the date of grant to 3 September 2015	2 years
		25% from the date of grant to 3 September 2016	5 years
		25% from the date of grant to 3 September 2017	5 years
		25% from the date of grant to 3 September 2018	5 years
On 10 July 2015 Plan A	61,270,000	33% from the date of grant to 10 July 2016	3 years
		67% from the date of grant to 10 July 2017	3 years
On 10 July 2015 Plan B	50,050,000	25% from the date of grant to 10 July 2016	1.5 years
		25% from the date of grant to 31 December 2016	4 years
		25% from the date of grant to 30 June 2017	4 years
		25% from the date of grant to 31 December 2017	4 years
On 28 September 2016	38,720,000	25% from the date of grant to 28 September 2017	5 years
		25% from the date of grant to 28 September 2018	5 years
		25% from the date of grant to 28 September 2019	5 years
		25% from the date of grant to 28 September 2020	5 years
Total share options	191,730,000		

The exercise of the share options by the eligible employees is conditional upon the fulfilment of certain financial indicators as set out by the Company.

The Group reversed and recognised total expense of RMB1,152,000 and RMB11,805,000 during the six months ended 30 June 2018 and the six months ended 30 June 2017, respectively in relation to share options granted by the Company.

The number of options which lapsed in accordance with the terms of the scheme during the financial period is 14,080,000.

24 RELATED PARTY BALANCES AND TRANSACTIONS

(a) Balances with related parties

(i) Amounts due from related parties

The amounts due from related parties at the end of the reporting period are as follows:

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Amount due from a company controlled by Mr. Zhang Lei, executive director of the Company	**12,602**	29,223
Amount due from joint ventures and their subsidiaries	**616,753**	162,101
Total non-trade balances *(note i)*	**629,355**	191,324
Amount due from companies controlled by Mr. Zhang Lei	**2,134**	1,784
Amount due from an associate	**–**	4,478
Amount due from joint ventures	**12,256**	29,805
Total trade balances *(note ii)*	**14,390**	36,067
Amount due from related parties	**643,745**	227,391
Loans to joint ventures	**4,385,602**	3,190,116

Notes:

(i) Balances at 30 June 2018 and 31 December 2017 are of non-trade nature, unsecured, interest free and repayable on demand.

(ii) Trade receivables from related parties at 30 June 2018 and 31 December 2017 are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due from related parties of trade nature based on invoice date which approximated the revenue recognition date, at the end of each reporting period:

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Less than 1 year	**14,390**	20,464
1-2 years	**–**	15,603
	14,390	36,067

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

24 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(a) Balances with related parties (continued)

(ii) Amounts due to related parties

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Amount due to a company controlled by Mr. Zhang Lei	**26,619**	–
Amount due to joint ventures	**1,967,594**	2,542,734
Total non-trade balances *(note i)*	**1,994,213**	2,542,734
Amount due to companies controlled by Mr. Zhang Lei	**5,743**	7,492
Total trade balance *(note ii)*	**5,743**	7,492
Amount due to related parties	**1,999,956**	2,550,226

Notes:

(i) Balances at 30 June 2018 and 31 December 2017 are of non-trade nature, unsecured, interest free and repayable on demand.

(ii) Trade payables to related parties are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due to related parties of trade nature based on invoice date at the end of each reporting period:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Less than 1 year	**5,743**	7,492

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

24 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

Nature of related party	Nature of transaction	For the six months ended 30 June 2018 RMB'000	2017 RMB'000
Companies controlled by Mr. Zhang Lei	Rental income	**2,983**	1,097
Companies controlled by Mr. Zhang Lei	Income from provision of technical know-how	**1,013**	–
Companies controlled by Mr. Zhang Lei	Property management services expenses	**33,584**	31,020
Associate	Income from provision of real estate agency service	**–**	3,519
Associate	Income from provision of technical know-how	**–**	7,746
Associate	Interest income	**–**	2,173
Joint venture	Income from provision of technical know-how	**293**	959
Joint venture	Interest income	**6,179**	12,185
Joint venture	Management service income	**2,615**	6,547
Joint venture	Income from provision of real estate agency service	**2,051**	2,933

(c) Transactions with key management

	For the six months ended 30 June 2018 RMB'000	2017 RMB'000
Key management compensation		
Basic salaries and allowance	**3,378**	2,183
Retirement benefit contribution	**102**	51
Share-based payment	**439**	1,614
	3,919	3,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE PERIOD ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Directors of the Company do not anticipate that the application of these new and revised IFRSs will have significant impact on the Group's consolidated financial statements.

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當代置業

當代置業（中國）有限公司 MODERN LAND (CHINA) CO.,LIMITED
香港中環花園道三號冠君大廈805-6室
Suites 805-6, Champion Tower, 3 Garden Road, Central, Hong Kong

當代節能置業股份有限公司 MODERN GREEN DEVELOPMENT CO.,LTD.
中國北京市東城區香河園路1號萬國城10號樓4層當代節能中心（郵編：100028）
Modern Green Center, 4F, Building 10, Wanguocheng, No. 1 Xiangheyuan Road, Dongcheng District, Beijing, China, 100028
Tel: +86 10 84407008　Fax: +86 10 84407771

www.modernland.hk