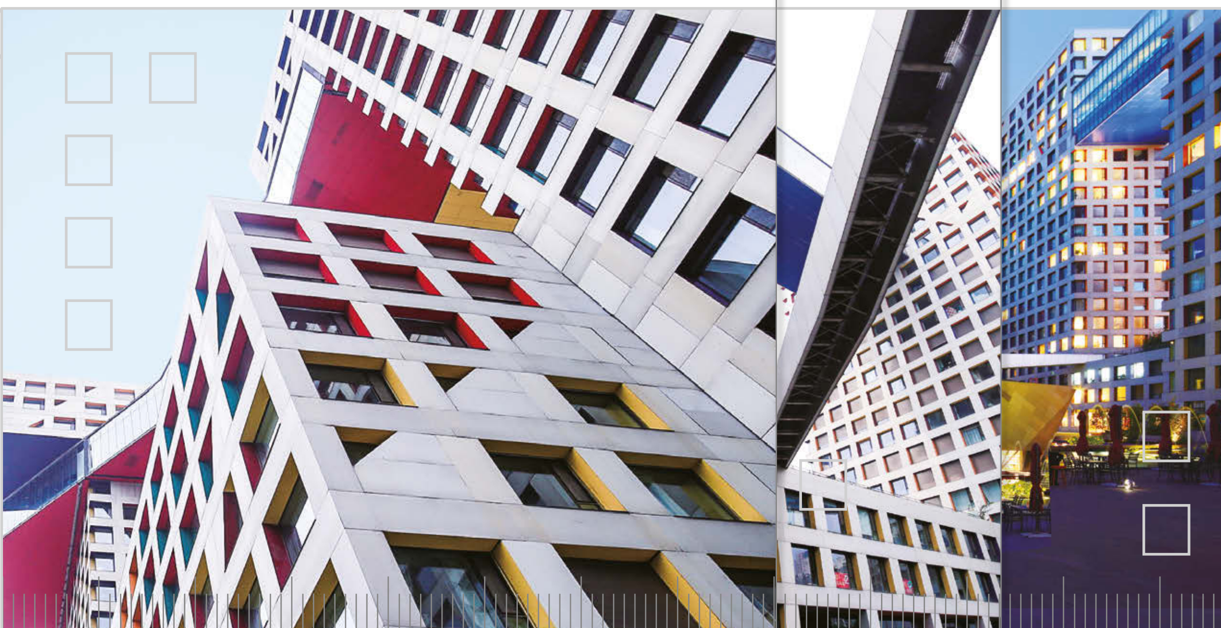
當代置業（中國）有限公司
MODERN LAND (CHINA) CO., LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code:1107



ANNUAL REPORT 2018

科 技 建 築 品 位 生 活

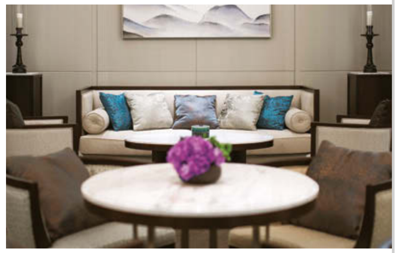
M O M Λ F i n e L i v i n g

OVERVIEW

Modern Land (China) Co. Limited has successfully established “MOMΛ” as the iconic brand of green technology real estate operators in China. MOMΛconsists of four text graphics “M” “O” “M” “Λ”. Two “M” symbolise 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”.

INSISTING ON THE CORE COMPETITIVENESS OF GREEN TECHNOLOGY

Modern Land (China) Co. Limited has established its core competitiveness by focusing on "Green Technology + Comfort + Energy-saving + Mobile Interconnecting Whole-life Cycle Communities" and "Heating & Cooling Unique Solution + Air Quality Unique Solution + Energy Consumption & Operation Cost Reduction Unique Solution".



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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

COMPANY SECRETARY

Mr. Lam Tsz Kin

AUDITOR

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

LEGAL ADVISER

Loong & Yeung

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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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

OVERVIEW

Modern Land (China) Co., Limited (hereinafter referred to as the "Company" or "Modern Land", 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") from 12 July 2013 with Class 1 qualification in real estate development in the People's Republic of China (the "PRC" or "China").The Company was rated as one of top 100 China real estate enterprises for five consecutive years, 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 in 2018, becoming the first mainland real estate stock company winning such honour.

The Company was established on 11 January 2000 and 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 itself to a homeland of "Green Technology + Comfort & Energy-saving + Mobile Interconnecting Whole-life Cycle Communities", successfully establishing "MOMΛ" as the iconic brand of green technology real estate operators in China. MOMΛ consists of four text graphics "M" "O" "M" "Λ". Two "M" symbolise 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".

INSISTING ON THE CORE COMPETITIVENESS OF GREEN TECHNOLOGY

The Company has established its core competitiveness by focusing on "Green Technology + Comfort + Energy-saving + Mobile Interconnecting Whole-life Cycle Communities" and "Heating & Cooling Unique Solution + Air Quality Unique Solution + Energy Consumption & Operation Cost Reduction Unique Solution".

The Company has its own research, development and design department and has developed a number of technical architecture systems such as geothermal pump system, ceiling radiation cooling and heating system, exterior temperature preservation system, high-performance exterior window system, overall fresh air displacement ventilation and noise reduction system, which outfit MOMΛ products with fine characteristics. While creating a high comfort level, with the indoor temperature around 20-26°C and humidity around 30%-70%, which fits the definition of "the most comfortable environment" within ISO7730, its energy consumption is estimated to be only 1/3 of the energy consumption level of normal residential buildings in China. In persistent use of such technology, a slew of energy and cost will be saved for creating a pleasant ecosystem for the society.

STRENGTHENING STANDARD PRODUCT CAPABILITY

Through extensive project experience over the past nineteen years, Modern Land has gradually developed products that cater to the needs of various customer groups, and has created replicable product modes which are classified into four standard product lines for different customer groups, i.e. Wan Guo Cheng MOMΛ, Shang Pin Ge MOMΛ, Man Tang Yue MOMΛ and Modern City MOMΛ.

The Company has established a robust standard development mode of product line, and classified its residential property products by development pace and economic indicator based on product positioning, forming three types of standard product lines including (i) Class I: projects generating both cash flow and profits, such as Shang Pin Ge MOMΛ, Modern City MOMΛ standard product lines and Senior Garden MOMC standard pension product line operated by International Regional Company; (ii) Class II: projects generating cash flow, such as Man Tang Yue MOMΛ standard product line; and (iii) Class III: projects generating profits, such as Wan Guo Cheng MOMΛ standard product line.

At present, the Company has successfully developed over a hundred green technology quality projects. On the domestic front, the Company proactively explored markets in the four regions, namely Northern China, Eastern China, Central China and Southern China. As to the overseas markets, the Company focused on the North America region.

In 2018, 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, successfully launching the first MOMΛ geriatric care community in China, namely Modern Shi Guang Li MOMΛ (當代•時光裡MOMΛ).

BUILDING STRONG BRAND-NAME INFLUENCE

In 2018, Modern Wan Guo Fu MOMΛ (Nanjing), Swan Lake MOMΛ (Hefei), Modern Zhongrui Wan Guo Fu (Wuhan) and Modern Wan Guo Fu MOMΛ (Foshan) were awarded Three Star Green Building Label — Design, while three projects were awarded Two Star Green Building Label — Design. Eight major projects were awarded the title of "Green Residences". Modern Wan Guo Cheng MOMΛ (Tongzhou) received the Green Technology Residential Project Award for the Year (年度綠色科技人居項目獎). In addition, the Company was ranked among 2018 Best 100 of China Real Estate Developers (2018房企百強) and Best 5 of Steady Running of Real Estate Developers (穩健經營5強) by China Real Estate Association in a consecutive way, and was awarded the title of 2018 Top 100 China Real Estate Enterprises – TOP 10 Growth Enterprise, TOP 10 Financing Capability (2018中國房地產百強企業、成長性TOP10、融資能力TOP10) and China Specialized Real Estate Company with Excellence in Operation (中國特色地產運營優秀企業) by China Index Academy. The Company received the AAA rated credit enterprise awarded by the China Market Credit. The Company was ranked third in 2018 China Listed Real Estate Enterprise Green Credit Index (2018中國上市房企綠色信用指數第三名), and was accredited as China Model Green Property Developers in Operation (ranking No.1) for the third time.

In 2018, the "MOMΛ Building & Arts Museum" became the first museum project awarded AH international certification across the globe, and Modern MOMΛ (Beijing) was the first being awarded "WELL Building Three-Star Certification" for residential projects.

At present, Modern Land holds and has applied over 180 patents, and has won more than 100 domestic and foreign green building awards, including one LEED-ND Certification granted by the United States Green Building Council and three Three-star (as the highest rating in the country) Green Building Certification — Operation of Residential Projects. Modern MOMΛ (Beijing) 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; 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

RESULTS

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

2018 REVIEW

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

In 2018, changes in the central government policies demonstrated the shift from tight control to more relaxed regulatory policies in three phases, including reiterating the policy of "Houses are for living but not for speculation" at The National People's Congress and The Chinese Political Consultative Conference (the "Two Sessions") in March,

signaling the determination to "resolutely curb the rise in housing prices" at The PolitBuro meeting at the end of July and issuing the requirement of "stabilizing land prices, housing prices and expectations" by the Ministry of Housing and Urban-Rural Development in August. At local level, changes in the policies can be categorized into two phases: for the first three quarters, the local governments were determined to stick to the regulatory policies without any intention of relaxing any policies introduced, including the continuous implementation of the "four tightening measures" (namely restrictions on purchasing, pricing, re-selling and lending), regulation of the property market and increase in the mortgage rate, etc., while there were signals indicating the loosening of the regulatory policy in the fourth quarter, with some cities partially uplifting restrictions on pricing and many cities lowering the increase in mortgage rate.

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

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

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

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

Promoting business expansion with prudent operation strategy

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

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

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

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

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

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

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

Focusing on product development to promote its green brand

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

In 2018, the Company achieved its cost control target through several means including upgrading 360 information technology modules and developing 6 cost data. The Company ranked first in China Model Green Property Developers in Operation and was successfully accredited 9 technology patents, in total accumulated 91 core green patents. Wan Guo Cheng MOMΛ (Tongzhou) is the first museum project which passed AH international certification across the globe. Modern MOMΛ project is currently the only domestic project being awarded Three Star Green Building Certification – Operation, the first domestic project being awarded Three-Star WELL Building Certification – Operation, and the only project being awarded both Three-Star WELL Building Certification – Operation and Three Star Green Building Certification – Operation. The Company further upgraded its product portfolio by launching the Whole-life Cycle Modern City MOMΛ product line, with Modern MOMΛ (Guizhou) being the first released.

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

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

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

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

OUTLOOK IN 2019

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

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

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

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

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

To enhance our green technology strengths for steady growth in results

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

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

To expand financing channels for stable capital supply

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

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

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

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

To explore brand value for stable full life cycle operation

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

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

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

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

Zhang Lei
Chairman

11 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In 2018, the regulation policy was gradually relaxed by shifting from "Houses are for living but not for speculation" to "resolutely curbing the rise in housing prices" to "stabilizing land prices, housing prices and expectations", demonstrating that positive effect of the long-term regulation mechanism has emerged. In 2019, the authority to regulate the real estate market will gradually be delegated to the local governments, emphasizing the strategy of "differential policies for different cities" and requiring each city to assume the responsibility in regulating the property market. In addition, measures will be taken to improve the market system and security system for housing, with an aim to further enhance the long-term mechanism for promoting stable development of the real estate market. Under the policy guidance, the Group will adhere to the strategy of entire industry value chain development by completing the three upgrades under the real estate development, i.e. transforming from mixed functions, Whole-life Cycle and green technology to urban planning, urban lifestyle and urban environment, with an aim to strengthen its core competitiveness and achieve stable and sustainable development in this market segment.

Revenue from sale of properties

RMB**9,043.5**million

1,001,739sq.m.

Total gross floor area

1,615units

Car parking spaces

BUSINESS REVIEW

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

SALE OF PROPERTIES

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

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

* *After deducting sales tax*

Project name	2018 Revenue RMB'000	2018 Total GFA or units sq.m. or unit	2018 ASP RMB/sq.m. or unit	2017 Revenue RMB'000	2017 Total GFA or units sq.m. or unit	2017 ASP RMB/sq.m. or unit
Modern Chun Feng Hu Shang MOMΛ (Wuxi)	**259,717**	**27,440**	**9,465**	342,601	40,237	8,515
Dongdaihe • Bai Jin Hai MOMΛ (Dongdaihe)	**271,082**	**40,051**	**6,768**	364,608	62,799	5,806
Guanggu Man Ting Chun MOMΛ (Wuhan)	**9,149**	**548**	**16,695**	533,360	62,014	8,601
Modern Zhongrui Wan Guo Fu (Wuhan)	**50,586**	**1,787**	**28,308**	–	–	–
Hanyang Modern Wan Guo Cheng (Wuhan)	**974,462**	**67,806**	**14,371**	–	–	–
Kaifu Man Ting Chun MOMΛ (Changsha)	**2,096**	**191**	**10,974**	21,271	2,650	8,027
Man Tang Yue MOMΛ (Huizhou)	**936,782**	**86,616**	**10,815**	–	–	–
Man Ting Chun MOMΛ (Jiujiang) *(Note)*	**4,025**	**538**	**7,481**	307,629	57,329	5,366
Man Ting Chun MOMΛ (Nanchang)	**–**	**–**	**–**	2,799	402	6,963
Man Ting Chun MOMΛ (Xiantao)	**904,944**	**238,993**	**3,786**	348,947	113,987	3,061
Man Ting Chun Modern City MOMΛ (Xiantao)	**4,433**	**864**	**5,131**	–	–	–
Man Ting Chun MOMΛ (Zhangjiakou)	**13,207**	**1,938**	**6,815**	–	–	–
Modern Binjiang MOMΛ (Changsha)	**267,610**	**14,292**	**18,724**	270,237	25,504	10,596
Modern International MOMΛ (Nanchang)	**8,932**	**792**	**11,278**	25,657	1,778	14,430
Modern Jinjiang Wan Guo Cheng MOMΛ (Fujian)	**10,083**	**879**	**11,471**	–	–	–
Modern Land • CIFI Villa (Beijing)	**90,693**	**3,493**	**25,964**	195,348	19,396	10,072
Jingzhou Modern Man Tang Yue MOMΛ (Hubei)	**162,950**	**30,005**	**5,431**	–	–	–
Modern Hefei MOMΛ (Hubei)	**64,016**	**2,897**	**22,097**	1,143,077	62,269	18,357
Modern MOMΛ Plaza (Taiyuan)	**3,647**	**370**	**9,857**	–	–	–
Modern MOMΛ New City (Nanchang)	**20,296**	**1,950**	**10,408**	14,241	2,048	6,955
Modern MOMΛ Yan Hu Cheng (Taiyuan)	**611,436**	**88,426**	**6,915**	–	–	–
Modern Shang Pin Wan MOMΛ (Foshan)	**11,409**	**676**	**16,877**	–	–	–
Modern Shang Pin Xue Fu (Huzhou)	**14,205**	**1,448**	**9,810**	–	–	–
Modern Wan Guo Fu (Hefei)	**38,628**	**1,765**	**21,886**	–	–	–
Modern Wan Guo Fu MOMΛ (Foshan)	**1,035,342**	**49,171**	**21,056**	–	–	–
Modern Wan Guo Fu MOMΛ (Nanjing)	**10,302**	**252**	**40,881**	–	–	–
Modern Wan Guo Fu MOMΛ (Shanghai)	**169,928**	**2,840**	**59,834**	3,141,173	83,821	37,475
Modern Wan Guo Fu MOMΛ (Suzhou)	**19,937**	**700**	**28,481**	1,328,240	53,500	24,827
Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan)	**11,851**	**1,799**	**6,588**	–	–	–
MOMΛ Modern Plaza (Changsha)	**339,568**	**34,348**	**9,886**	74,868	10,940	6,844
Shangdi MOMΛ (Beijing)	**–**	**–**	**–**	2,297	85	27,024
Shao Quan Hu City of Future (Hefei)	**1,610,264**	**224,958**	**7,158**	–	–	–
Shishan Modern MOMΛ (Suzhou)	**639,623**	**27,652**	**23,131**	–	–	–
Wan Guo Cheng MOMΛ (Taiyuan)	**(6,215)**	**(394)**	**15,774**	(5,151)	(311)	16,563
Yangluo Man Ting Chun MOMΛ (Wuhan)	**278,736**	**46,648**	**5,975**	–	–	–
Sub-total	**8,843,724**	**1,001,739**	**8,828**	8,111,202	598,448	13,554
Car parking spaces	**199,780**	**1,615 units**	**123,703/unit**	171,739	1,840 units	93,336/unit
Total	**9,043,504**			8,282,941		

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

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted Sales

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

Table 2: Breakdown of contracted sales of the Group

* *Before deducting sales tax*

	2018				2017		
Project name	Attributable interest to the Group (%)	Contracted sales RMB'000	GFA (in sq.m.) or units	ASP RMB/sq.m. or unit	Contracted sales RMB'000	GFA (in sq.m.) or units	ASP RMB/sq.m. or unit
Modern Huangshi Man Tang Yue MOMΛ (Hubei)	51.00%	315,817	38,944	8,110	–	–	–
Man Ting Chun MOMΛ (Jiujiang)	100.00%	12,195	989	12,331	86,905	9,740	8,923
Modern Furong Wan Guo Cheng MOMΛ (Changsha)	51.00%	1,004,938	92,180	10,902	1,302,452	164,507	7,917
Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan)	70.00%	919,762	115,035	7,995	–	–	–
Modern Binjiang MOMΛ (Changsha)	100.00%	281,297	14,417	19,511	247,383	21,826	11,334
MOMΛ Modern Plaza (Changsha)	100.00%	331,236	32,078	10,326	63,941	7,266	8,801
Kaifu Man Ting Chun MOMΛ (Changsha)	100.00%	–	–	–	3,525	644	5,472
Modern Zhongrui Wan Guo Fu (Wuhan)	51.00%	205,007	6,503	31,525	924,803	29,682	31,157
Hanyang Modern Wan Guo Cheng (Wuhan)	75.00%	1,089,362	69,400	15,697	1,358,657	90,316	15,043
Guanggu Man Ting Chun MOMΛ (Wuhan)	100.00%	2,252	102	22,078	75,688	16,358	4,627
Yangluo Man Ting Chun MOMΛ (Wuhan)	16.00%	944,676	104,174	9,068	960,297	150,052	6,400
Man Ting Chun MOMΛ (Xiantao)	100.00%	571,664	101,219	5,648	932,019	216,997	4,295
Man Ting Chun Modern City MOMΛ (Xiantao)	82.00%	491,110	94,394	5,203	–	–	–
Binjiang Man Ting Chun MOMΛ (Tianmen)	60.00%	138,282	29,822	4,637	–	–	–
Jingzhou Modern Man Tang Yue MOMΛ (Hubei)	30.00%	470,269	77,823	6,043	–	–	–
North Star-Modern • Guanggu Green Home (Wuhan)	45.00%	49,775	2,787	17,860	811,846	70,949	11,443
Modern Gaoling Shang Pin Wan MOMΛ (Shaanxi)	60.00%	2,571,103	302,084	8,511	–	–	–
Modern Jiabao Park • YUE MOMΛ (Shaanxi)	51.02%	1,233,958	116,535	10,589	–	–	–
Man Tang Yue MOMΛ (Huizhou)	100.00%	1,296,768	109,292	11,865	–	–	–
Modern Jinjiang Wan Guo Cheng MOMΛ (Fujian)	60.00%	2,465,631	235,655	10,463	1,549,672	151,374	10,237
Modern Hong Shan Fu (Fujian)	75.00%	53,570	7,042	7,607	–	–	–
Modern Wan Guo Fu MOMΛ (Foshan)	51.00%	654,122	29,043	22,523	1,328,052	62,676	21,189
Modern Shang Pin Wan MOMΛ (Foshan)	100.00%	3,518	391	8,997	454,617	26,086	17,428
Man Ting Chun MOMΛ (Zhangjiakou)	35.00%	618,106	81,269	7,606	–	–	–
Dongdaihe • Bai Jin Hai MOMΛ(Dongdaihe)	100.00%	583,633	71,808	8,128	584,976	85,206	6,865
Modern MOMΛ Yan Hu Cheng (Taiyuan)	50.00%	41,425	4,267	9,708	1,524,194	189,310	8,051
Modern MOMΛ Plaza (Taiyuan)	51.00%	1,144,827	102,878	11,128	–	–	–
Modern Jinzhong Shang Pin Xue Fu (Shanxi)	49.00%	981,902	115,533	8,499	–	–	–
Shao Quan Hu City of Future (Hefei)	100.00%	302,506	18,392	16,448	1,288,528	145,227	8,873
Modern Wan Guo Fu (Hefei)	30.60%	1,740,291	78,346	22,213	3,003,030	126,815	23,680
Modern MOMΛ (Hefei)	100.00%	28,968	1,627	17,805	129,794	6,263	20,725
Fuyang Modern City MOMΛ (Anhui)	74.00%	1,854,987	293,553	6,319	–	–	–
Shishan Modern MOMΛ (Suzhou)	20.00%	218,261	12,449	17,532	27,763	3,195	8,689
Xiangcheng Wan Guo Shu (Suzhou)	50.00%	130,294	6,045	21,554	672,010	29,613	22,693
Modern Suzhou Fu MOMΛ	50.00%	238,952	7,264	32,895	352,789	10,681	33,030
Modern Chun Feng Hu Shang MOMΛ (Wuxi)	100.00%	71,935	4,425	16,256	804,457	84,981	9,466
Modern Wan Guo Fu MOMΛ (Suzhou)	100.00%	24,244	818	29,638	18,922	1,230	15,381
Modern Wan Guo Fu MOMΛ (Nanjing)	51.00%	1,229,164	27,954	43,971	–	–	–
Wuqing Sunshine MOMΛ (Tianjin)	70.00%	496,749	38,238	12,991	–	–	–
Hongsheng Man Ting Chun MOMΛ (Shaanxi)	0.00%	–	–	–	295,173	35,861	8,231
Modern Wan Guo Fu MOMΛ (Shanghai)	100.00%	6,000	86	69,767	115,733	4,938	23,439
Modern Jiaxing Man Tang Yue MOMΛ	51.00%	602,563	51,557	11,687	–	–	–
Modern Shang Pin Xue Fu (Huzhou)	65.24%	806,269	79,281	10,170	–	–	–
Modern Shang Pin Wan (Huzhou)	69.15%	493,890	35,804	13,794	–	–	–
Modern Tian Yu (Huzhou)	40.00%	361,118	36,190	9,978	–	–	–
Man Ting Chun MOMΛ (Nanchang)	100.00%	1,608	113	14,230	4,432	312	14,200
Modern MOMΛ New City (Nanchang)	100.00%	7,601	764	9,949	15,312	1,594	9,605
Modern International MOMΛ (Nanchang)	100.00%	–	–	–	18,548	1,525	12,161
Modern Tongzhou Wan Guo Fu MOMΛ	51.00%	2,557,524	37,377	68,425	2,763,270	40,494	68,240
Modern Xingyi Shang Pin Wan (Guizhou)	60.00%	608,819	145,247	4,192	–	–	–
Modern MOMΛ City of Future (Guizhou)	62.20%	1,436,878	204,478	7,027	–	–	–
Modern North Star • Yue MOMΛ (Beijing)	50.00%	10,234	562	18,210	–	–	–
Subtotal		31,705,060	3,036,234	10,442	21,718,788	1,785,718	12,162
Car parking spaces		451,619	2,954	152,884	467,232	4,510	103,599
Total		32,156,679			22,186,020		

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

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

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

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

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

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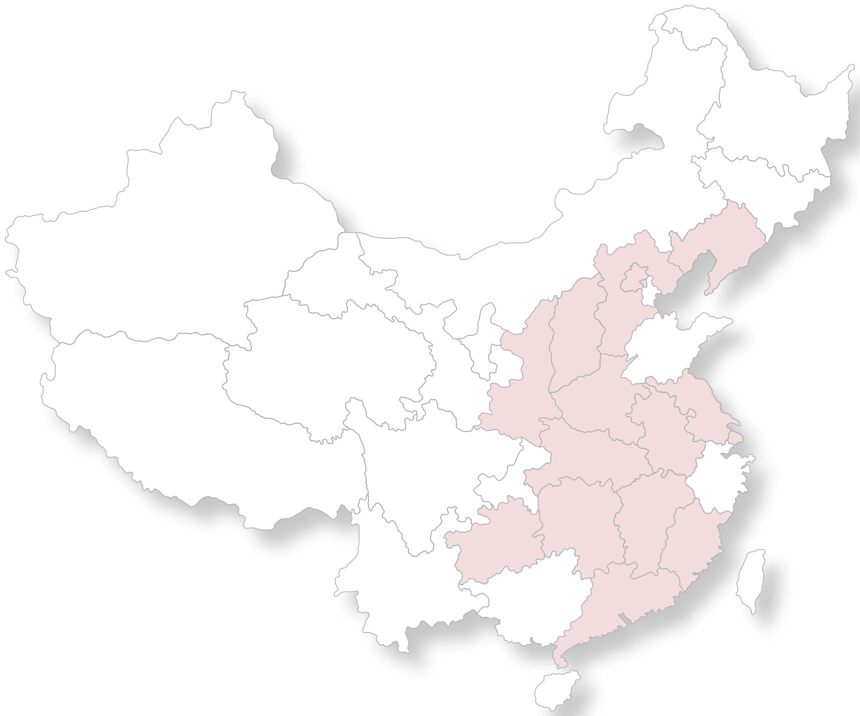

Note: The projects of real estate agency services and land bank of the Group, its joint ventures and associates are located in Beijing, Zhangjiakou, Shanghai, Nanjing, Suzhou, Hefei, Wuxi, Taiyuan, Changsha, Wuhan, Huangshi, Jingzhou, Nanchang, Dongdaihe, Quanzhou, Huizhou, Jiujiang, Xiantao, Foshan,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

Land Bank

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

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

Table 3: Land bank held by the Group

Land bank in China

Project name	Attributable interest to the Group (%)	As at 31 December 2018 Total GFA (Note (1)) (sq.m.)	Aggregated GFA sold but undelivered with sales contracts (sq.m.)
Modern MOMΛ (Beijing)	100%	17,907	–
MOMΛ Forest Forever (Beijing)	100%	7,985	–
Shangdi MOMΛ (Beijing)	100%	11,163	–
Modern Land • CIFI Villa (Beijing)	50%	5,207	4,214
Modern North Star • YUE MOMΛ (Beijing)	50%	5,731	–
Modern Yunjing MOMΛ (Bejing)	51%	163,593	–
Modern Tongzhou Wan Guo Fu MOMΛ	51%	220,733	77,871
Modern Xishan Shang Pin Wan MOMΛ (Beijing)	51%	130,030	–
Wuqing Sunshine MOMΛ (Tianjin)	70%	43,123	38,356
Man Ting Chun MOMΛ (Zhangjiakou)	35%	340,841	81,269
Yuanzhu MOMΛ (Zhangjiakou)	48.45%	121,909	–
Modern Wan Guo Fu MOMΛ (Shanghai)	100%	17,704	–
Modern Wan Guo Fu MOMΛ (Foshan)	51%	131,761	98,322
Modern Shang Pin Wan MOMΛ (Foshan)	100%	29,222	26,477
Lishui Shang Pin Wan MOMΛ(Foshan)	100%	37,776	–
Man Tang Yue MOMΛ (Huizhou)	100%	123,084	22,676
Modern Jiaxing Man Tang Yue MOMΛ	51%	55,027	51,565
Modern Shang Pin Xue Fu (Huzhou)	65.24%	223,850	79,281
Modern Shang Pin Wan (Huzhou)	69.15%	71,447	35,804
Modern Tian Yu (Huzhou)	40%	42,883	36,317
Modern Wan Guo Fu MOMΛ (Suzhou)	100%	2,458	–
Modern Suzhou Fu MOMΛ	50%	24,078	17,945
Xiangcheng Wan Guo Shu (Suzhou)	50%	18,962	9,948
Shishan Modern MOMΛ (Suzhou)	20%	52,650	21,788
Zhongxiang Wan Guo Cheng MOMΛ (Suzhou)	80%	154,294	–
Modern Chun Feng Hu Shang MOMΛ (Wuxi)	100%	17,835	5,370
Modern Great Lakes Shang Pin MOMΛ (Suzhou)	80%	57,578	–
Modern Wan Guo Fu MOMΛ (Nanjing)	51%	54,486	27,954
Wan Guo Cheng MOMΛ (Taiyuan)	100%	49,078	–
Modern MOMΛ Yan Hu Cheng (Taiyuan)	50%	109,631	101,303
Modern MOMΛ Plaza (Taiyuan)	51%	140,788	102,878
Modern City (Taiyuan)	51%	486,971	–
Modern Jinzhong Shang Pin Xue Fu (Shanxi)	49%	355,388	115,533
Modern Gaoling Shang Pin Wan MOMΛ (Shaanxi)	60%	637,559	302,084
Modern Jiabao Park • YUE MOMΛ (Shaanxi)	51.02%	202,970	116,535

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Project name	Attributable interest to the Group *(%)*	Total GFA *(Note (1))* *(sq.m.)*	Aggregated GFA sold but undelivered with sales contracts *(sq.m.)*
	As at 31 December 2018		
Kaifu Man Ting Chun MOMΛ (Changsha)	100%	41,989	–
Modern Binjiang MOMΛ (Changsha)	100%	13,649	–
MOMΛ Modern Plaza (Changsha)	100%	37,507	18,668
Modern Furong Wan Guo Cheng MOMΛ(Changsha)	51%	122,044	83,697
Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan)	70%	164,595	115,035
Hanyang Man Ting Chun MOMΛ (Wuhan)	99.02%	8,056	–
Guanggu Man Ting Chun MOMΛ (Wuhan)	100%	21,459	–
North Star-Modern • Guanggu Green Home (Wuhan)	45%	9,781	3,022
Modern Zhongrui Wan Guo Fu (Wuhan)	51%	39,810	36,290
Hanyang Modern Wan Guo Cheng (Wuhan)	75%	121,276	118,479
Yangluo Man Ting Chun MOMΛ (Wuhan)	16%	217,017	203,102
Jingzhou Modern Man Tang Yue MOMΛ (Hubei)	30%	74,444	48,794
Modern Huangshi Man Tang Yue MOMΛ (Hubei) (Note (2))	51%	162,865	38,944
Xiaogan Modern Shi Guang Li MOMΛ (Hubei)	52.50%	68,979	–
Shishou Xian Yang Fu MOMΛ (Hubei)	30%	164,700	–
Man Ting Chun MOMΛ(Xiantao)	100%	248,899	148,256
Man Ting Chun Modern City MOMΛ (Xiantao)	82%	300,138	94,394
Binjiang Man Ting Chun MOMΛ (Tianmen)	60%	131,697	29,822
Modern MOMΛ (Hefei)	100%	7,492	–
Shao Quan Hu City of Future (Hefei)	100%	174,129	152,666
Modern Wan Guo Fu (Hefei)	30.60%	258,402	205,424
Modern Jiuhuashan Lotus Small Town (Anhui)	51%	48,477	–
Fuyang Modern City MOMΛ (Anhui)	74%	357,186	293,553
Modern Jinjiang Wan Guo Cheng MOMΛ (Fujian)	60%	426,305	387,029
Modern Hong Shan Fu (Fujian)	75%	19,800	7,042
Modern Yu Quan Fu (Fujian)	51%	88,257	–
Man Ting Chun MOMΛ (Nanchang)	100%	7,769	–
Modern MOMΛ New City (Nanchang)	100%	11,305	–
Modern International MOMΛ (Nanchang)	100%	22,080	1,482
Fuzhou Modern City MOMΛ (Jiangxi)	51%	264,145	–
Man Ting Chun MOMΛ (Jiujiang)	100%	25,917	–
Modern Xingyi Shang Pin Wan (Guizhou)	60%	174,542	145,247
Modern MOMΛ City of Future (Guizhou)	62.20%	263,055	204,478
Dongdaihe • Bai Jin Hai MOMΛ(Dongdaihe)	100%	217,351	98,500
Dongguan Zhuang Project (Guangzhou)	38.25%	284,596	–
Total		8,765,415	3,807,414

Notes:

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

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

Land Acquisitions

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Major Projects

Project	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA (sq.m.)	As at 31 December 2018 Total GFA delivered (sq.m.)	Total GFA less GFA delivered (sq.m.)	Total GFA with lease under 5 years (sq.m.)	Total GFA with lease over 5 years (sq.m.)	Expected/ Actual construction commencement date	Expected/ Actual construction completion date	Major usage	Status	Address
Modern MOMA (Beijing)	60,004	157,577	148,274	9,303	4,972	4,232	2005.11	2010.11	Residential, commercial, car parks	Completed	1 Xiangheyuan Street, Dongcheng District, Beijing
Wan Guo Cheng MOMA (Beijing)	47,662	283,854	275,250	8,604	8,604	–	2001.09	2007.04	Residential, commercial, car parks	Completed	1 Xiangheyuan Street, Dongcheng District, Beijing
MOMA Forest Forever (Beijing)	183,161	100,141	92,156	7,985	3,324	–	2006.04	2012.12	Residential, commercial, car parks	Completed	Huosi Road, Gaoliying Town, Shunyi District, Beijing
Shangdi MOMA (Beijing)	266,865	229,667	218,504	11,163	2,721	–	2007.08	2011.04	Residential, commercial, car parks	Completed	1 Anningzhuang West Road, Haidian District, Beijing
Modern Caiyu Man Ting Chun MOMA (Beijing)	61,306	152,400	152,400	–	–	–	2014.06	2015.11	Residential, commercial, car parks	Completed	Caiyu Street, Caiyu Town, Daxing, Beijing
Modern Land • CIFI Villa (Beijing)	75,435	158,213	153,006	5,207	–	–	2014.12	2017.02	Residential, commercial, car parks	Completed	Intersection point of Pinggu Main Street and Tiyuzhongxin West Road, Pinggu District, Beijing
Modern North Star • YUE MOMA (Beijing)	52,842	131,346	125,615	5,731	–	–	2015.06	2017.06	Residential, commercial, car parks	Completed	Southwestern Side of Wolong Roundabout, Shunyi District (intersection point of Shunsha Road and Shunbai Road), Beijing
Modern Yun Jing MOMA (Beijing)	49,477	163,593	–	163,593	–	–	2017.05	2019.03	Residential, commercial, car parks	Under construction	29th Street, Shunyi New Town, Liqiao Town, Shunyi District, Beijing
Modern Tongzhou Wan Guo Fu MOMA	35,998	220,733	–	220,733	–	–	2017.04	2020.06	Residential, commercial, car parks	Under construction	Eastern Side of Yuqiao West Road, Beijing
Modern Xishan Shang Pin Wan MOMA (Beijing)	78,773	130,030	–	130,030	–	–	2018.04	2020.09	Residential, commercial, car parks	Under construction	Bichunyuan, Yangfang Estate, Yangfang Town, Changping District, Beijing
Wuqin Modern Shi Guang Li MOMA (Tianjin)	36,408	43,123	–	43,123	–	–	2017.06	2019.06	Residential, commercial, car parks	Under construction	Intersection point of Xiazhuzhuang Jia Dao and Wenhui Road, Wuqing District, Tianjin
Man Ting Chun MOMA (Zhangjiakou)	170,592	340,841	–	340,841	–	–	2018.01	2021.04	Residential, commercial, car parks	Under construction	Shalingzi Town, Xuanhua District, Zhangjiakou City
Yuanzhu MOMA (Zhangjiakou)	61,365	121,909	–	121,909	–	–	2018.11	2021.08	Residential, commercial, car parks	Under construction	Yuepeng Longcheng Residential District, 52 Shengli North Road, Qiaodong District, Zhangjiakou City
Modern Wan Guo Fu MOMA (Shanghai)	46,201	127,474	109,770	17,704	–	–	2015.05	2017.06	Residential, commercial, car parks	Completed	Cangyuan Road, Minhang District, Shanghai
Modern Wan Guo Fu MOMA (Foshan)	48,208	190,833	59,072	131,761	–	–	2016.07	2018.08	Residential, commercial, car parks	Under construction	B District, Financial High Tech Service Area, Nanhai District, Foshan City, Guangdong Province
Modern Shang Pin Wan MOMA (Foshan)	9,741	29,222	–	29,222	–	–	2017.03	2017.06	Residential, commercial, car parks	Under construction	Riverside North Road, Heshun, Lishui Town, Nanhai District

Project	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA (sq.m.)	As at 31 December 2018 Total GFA delivered (sq.m.)	Total GFA less GFA delivered (sq.m.)	Total GFA with lease under 5 years (sq.m.)	Total GFA with lease over 5 years (sq.m.)	Expected/ Actual construction commencement date	Expected/ Actual construction completion date	Major usage	Status	Address
Lishui Shang Pin Wan MOMΛ (Foshan)	16,424	37,776	–	37,776	–	–	2019.03	2021.03	Residential, commercial, car parks	Not yet commenced	Hutougang, Shang Street, Ganjiao Village, Lishui Town, Nanhai District
Man Tang Yue MOMΛ (Huizhou)	27,624	209,700	86,616	123,084	–	–	2016.12	2019.11	Residential, commercial, car parks	Under construction	Room 201, 3 Anhui Avenue, Aotou, Daya Bay, Huizhou City, Guangdong Province
Modern Jiaxing Man Tang Yue MOMΛ	30,570	55,027	–	55,027	–	–	2018.05	2020.04	Residential, commercial, car parks	Under construction	South side of Yashan Road and West side of Huangshan Road, Jiaxing Port, Jiaxing District
Modern Shang Pin Xue Fu (Huzhou)	98,056	223,850	–	223,850	–	–	2018.06	2020.06	Residential, commercial, car parks	Under construction	Lizhi Town, Wuxing District, Huzhou City
Modern Shang Pin Wan (Hushang)	37,029	71,447	–	71,447	–	–	2018.08	2019.12	Residential, commercial, car parks	Under construction	Lizhi Town, Wuxing District, Huzhou City
Modern Tian Yu (Huzhou)	26,802	42,883	–	42,883	–	–	2018.07	2019.12	Residential, commercial, car parks	Under construction	Lizhi Town, Wuxing District, Huzhou City
Modern Wan Guo Fu MOMΛ (Suzhou)	27,322	72,730	70,272	2,458	–	–	2015.12	2017.12	Residential, commercial, car parks	Completed	Southeast Corner of the Intersection Point of Suzhan Road and Jiangqian Road, Gusu District, Suzhou City, Jiangsu Province
Modern Suzhou Fu MOMΛ	14,928	24,078	–	24,078	–	–	2016.10	2019.08	Residential, commercial, car parks	Under construction	Jingde Road South and Changxu Road East, Gusu District, Suzhou City, Jiangsu Province
Xiangcheng Wan Guo Shu MOMΛ (Suzhou)	26,643	58,373	39,411	18,962	–	–	2016.09	2018.10	Residential, commercial, car parks	Under construction	Intersection Point of Chengyang Road and Taiyuan Road, Xiangcheng Economic Development Zone, Suzhou City, Jiangsu Province
Shishan Modern MOMΛ (Suzhou)	15,419	80,511	27,861	52,650	–	–	2016.09	2019.08	Residential, commercial, car parks	Under construction	Intersection Point of Zhuyuan Road and Jinfeng Road, Gaoxin District, Suzhou City, Jiangsu Province
Zhongxiang Wan Guo Cheng MOMΛ (Suzhou)	26,136	154,294	–	154,294	–	–	2019.04	2021.04	Residential, commercial, car parks	Not yet commenced	666 Xiangcheng Avenue, Xiangcheng District, Suzhou City, Jiangsu Province
Modern Chun Feng Hu Shang MOMΛ (Wuxi)	92,610	101,871	84,036	17,835	–	–	2017.04	2018.12	Residential, commercial	Under construction	Ehu Town, Xishan District, Wu Xi City, Jiangsu Province
Modern Da Hu Shang Pin MOMΛ (Suzhou)	38,385	57,578	–	57,578	–	–	2018.12	2020.12	Residential	Under construction	South side of Hunshui Road, Xinbaisheng Road East, Pingwang Town, Wujiang District, Suzhou City
Modern Wan Guo Cheng MOMΛ (Nanjing)	20,532	54,486	–	54,486	–	–	2016.11	2018.07	Residential, commercial, car parks	Under construction	Estuary of Sancha River, Gulou District, Nanjing City, Jiangsu Province
Wan Guo Cheng MOMΛ (Taiyuan)	124,496	584,641	535,563	49,078	3,579.16	14,907	2009.12	2016.01	Residential, commercial, car parks	Completed	16 Changfeng West Street, Taiyuan City, Shanxi Province

MANAGEMENT DISCUSSION AND ANALYSIS

Project	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA (sq.m.)	As at 31 December 2018 Total GFA delivered (sq.m.)	Total GFA less GFA delivered (sq.m.)	Total GFA with lease under 5 years (sq.m.)	Total GFA with lease over 5 years (sq.m.)	Expected/ Actual construction commencement date	Expected/ Actual construction completion date	Major usage	Status	Address
Modern MOMΛ Yan Hu Cheng (Taiyuan)	49,576	201,600	91,969	109,631	–	–	2016.12	2018.09	Residential, commercial, car parks	Under construction	Intersection Point of South Middle Ring Road and West Middle Ring Road, Jinyuan District, Taiyuan City, Shanxi Province
Modern MOMΛ Plaza (Taiyuan)	36,013	140,788	–	140,788	–	–	2017.12	2020.09	commercial, car parks	Under construction	Northeast Corner of the Intersection Point of Linnan Middle Ring Street and West Middle Ring Road, Jinyuan District, Taiyuan City, Shanxi Province
Modern City (Taiyuan)	134,260	486,971	–	486,971	–	–	2018.06	2022.06	Residential, commercial, car parks	Under construction	Northwest Corner of the Intersection Point of South Middle Ring Road and Xinjinci Road, Taiyuan City, Shanxi Province
Modern Jinzhong Shang Pin Xue Fu (Shanxi)	142,155	355,388	–	355,388	–	–	2018.09	2021.05	Residential, commercial, car parks	Under construction	Huancheng East Road, Wenhua Street, Yuci district, Jinzhong City
Modern Guoling Shang Pin Wan MOMΛ (Shaanxi)	280,003	637,559	–	637,559	–	–	2018.07	2022.03	Residential, commercial, car parks	Under construction	Jingwei Eight Road, Jinghe Industrial Park, Gaoling District, Xi'an City, Shaaxin Province
Modern Jiabao Park YUE MOMΛ (Shaanxi)	110,597	202,970	–	202,970	–	–	2018.11	2021.12	Residential, commercial, car parks	Under construction	North of Hongguang Road, South of Xihu Railroad, East of Resettlement Site for Urbanisation at Shijia Village, Weiyang District, Xi'an City, Shaanxi Province
Kaifu Man Ting Chun MOMΛ (Changsha)	338,794	1,078,751	1,036,762	41,989	17,681	9,373	2007.07	2015.11	Residential, commercial, car parks	Completed	199 Fuyuan West Road, Kaifu District, Changsha City, Hunan Province
Modern Binjiang MOMΛ (Changsha)	48,241	229,374	215,725	13,649	–	–	2014.10	2016.09	Residential, commercial, car parks	Completed	Intersection point of Hanguang Road and Guanshaling Road, Yuelu District, Changsha City, Hunan Province
MOMΛ Modern Plaza (Changsha)	79,374	341,778	304,271	37,507	–	–	2014.07	2016.01	Residential, commercial, car parks	Completed	Intersection point of Kaiyuan Road and Huangxing Main Road, Changsha County, Hunan Province
Modern Furong Wan Guo Cheng MOMΛ(Changsha)	156,285	545,752	423,708	122,044	–	–	2015.01	2019.08	Residential, commercial, car parks	Under construction	Northwest Corner of the Intersection Point of Dongyuan Avenue and Shuangyang Road, Liuyang River, Furong District, Changsha City
Modern Zhuzhou Shang Pin Wan MOMΛ (Hunan)	74,964	164,595	–	164,595	–	–	2017.12	2020.04	Residential, commercial, car parks	Under construction	Binhe Road, Tianyuan District, Zhuzhou City, Hunan Province

Project	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA (sq.m.)	As at 31 December 2018 Total GFA delivered (sq.m.)	Total GFA less GFA delivered (sq.m.)	Total GFA with lease under 5 years (sq.m.)	Total GFA with lease over 5 years (sq.m.)	Expected/ Actual construction commencement date	Expected/ Actual construction completion date	Major usage	Status	Address
Hanyang Man Ting Chun MOMΛ (Wuhan)	42,314	120,473	112,417	8,056	–	–	2014.08	2015.12	Residential, commercial, car parks	Completed	Intersection point of Houguanwu Main Road and Fengshusi Road, Wuhan Economic Development Zone, Hubei Province
Guanggu Man Ting Chun MOMΛ (Wuhan)	94,050	283,100	261,641	21,459	–	–	2014.07	2017.12	Residential, commercial, car parks	Completed	Guanggusi Road, Donghu Development Zone, Wuhan City, Hubei Province
North Star-Modern • Guanggu Green Home (Wuhan)	140,817	315,203	305,422	9,781	–	–	2015.05	2018.06	Residential, commercial, car parks	Completed	East of Guanggusan Road and South of Gaoxiner Road, Gaoxin District, Wuhan City, Hubei Province
Modern Zhongrui Wan Guo Fu (Wuhan)	13,270	39,810	–	39,810	–	–	2016.10	2019.1	Residential, commercial, car parks	Under construction	Fuxing Estate Road, Jianghan District, Wuhan City
Hanyang Modern Wan Guo Cheng (Wuhan)	45,200	159,944	38,667	121,276	–	–	2017.03	2020.02	Residential, commercial, car parks	Under construction	Intersection Point of the Third Ring Road and Hanyang Avenue, Hanyang District, Wuhan City
Yangluo Man Ting Chun MOMΛ (Wuhan)	76,394	268,141	51,125	217,017	–	–	2017.07	2020.03	Residential, commercial, car parks	Under construction	Zhucheng Street, Xinzhou District, Wuhan City
Jingzhou Modern Man Tang Yue MOMΛ (Hubei)	43,453	103,473	29,029	74,444	–	–	2017.11	2019.09	Residential, commercial, car parks	Under construction	Intersection Point of Planning Road and West Ring Road, Jingzhou City, Hubei Province
Modern Huangshi Man Tang Yue MOMΛ (Hubei)	41,807	162,865	–	162,865	–	–	2018.07	2020.12	Residential, commercial, car parks	Not yet commenced	Next to the Wanda Plaza, Huahu Avenue, Huangshigang District, Huangshi City, Hubei Province
Xiaogan Modern Shi Guang Li MOMΛ (Hubei)	28,741	68,979	–	68,979	–	–	2018.12	2020.12	Residential	Under construction	548 Xiaowu Avenue, Xiaonan District
Shishou Xian Yang Fu MOMΛ (Hubei)	65,886	164,700	–	164,700	–	–	2019.04	2022.01	Residential	Not yet commenced	81 Xianyanghu Road, Shishou County, Jinzhou City
Man Ting Chun MOMΛ(Xiantao)	226,095	869,663	620,764	248,899	2,846.7	4,188	2014.11	2019.12	Residential, commercial, car parks	Under construction	88 Huangjin Main Road (West), Ganhe Bangshichu, Xiantao City, Hubei Province
Man Ting Chun Modern City MOMΛ (Xiantao)	79,035	300,138	–	300,138	–	–	2018.04	2021.11	Residential, commercial, car parks	Under construction	South side of Huangjin Main Road, Ganhe Banshichu, Xiantao City
Binjiang Man Ting Chun MOMΛ (Tianmen)	35,999	131,697	–	131,697	–	–	2018.06	2021.04	Residential, commercial, car parks	Under construction	Tianmen Industrial Park, Tianmen City
Modern MOMΛ (Hefei)	56,262	189,073	181,581	7,492	–	–	2015.02	2017.12	Residential, commercial, car parks	Under construction	Intersection point of Huaining Road and Xiuning Road (riverside of Kuang River), Hefei Municipal District, Anhui Province
Shao Quan Hu City of Future (Hefei)	139,189	460,037	285,908	174,129	–	–	2016.06	2019.12	Residential, commercial, car parks	Under construction	Southwest Corner of the Intersection Point of East Street and Wenzhong Road, Xinzhan District, Hefei City, Anhui Province

MANAGEMENT DISCUSSION AND ANALYSIS

Project	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA (sq.m.)	As at 31 December 2018 Total GFA delivered (sq.m.)	Total GFA less GFA delivered (sq.m.)	Total GFA with lease under 5 years (sq.m.)	Total GFA with lease over 5 years (sq.m.)	Expected/ Actual construction commencement date	Expected/ Actual construction completion date	Major usage	Status	Address
Modern Wan Guo Fu (Hefei)	111,170	258,402	–	258,402	–	–	2017.03	2021.05	Residential, commercial, car parks	Under construction	Intersection Point of Qimen Road and Dongzhi Road, Municipal District, Hefei City, Anhui Province
Modern Jiuhuashan Lotus Small Town (Anhui)	92,513	48,477	–	48,477	–	–	2018.07	2020.12	Commercial	Under construction	East of Jiuwu Road, Jiuhua Shan Scenic Area
Fuyang Modern City MOMΛ (Anhui)	162,321	357,186	–	357,186	–	–	2018.11	2022.07	Residential, commercial, car parks	Under construction	North Side of Jingba Road, East Side of Jingwu Road, Economic and Technological Development Zone, Fuyang
Modern Jinjiang Wan Guo Cheng MOMΛ (Fujian)	110,597	426,305	–	426,305	–	–	2017.07	2021.01	Residential, commercial, car parks	Under construction	Intersection Point of Quanan North Road and Fengchi Road, Chidian Town, Jinjiang, Quanzhou City, Fujian Province
Modern Hong Shan Fu (Fujian)	9,429	19,800	–	19,800	–	–	2018.07	2019.12	Residential, commercial, car parks	Under construction	Hongshan Town, Shishi County, Quanzhou City, Fujian Province
Modern Yu Quan Fu (Fujian)	40,117	88,257	–	88,257	–	–	2019.05	2021.12	Commercial	Not yet commenced	Hot Spring Conference Centre, Gui'an Village, Pandu Township, Lianjiang County, Fuzhou City, Fujian Province
Man Ting Chun MOMΛ (Nanchang)	116,349	251,833	244,064	7,769	–	1,406	2010.04	2013.12	Residential, commercial, car parks	Completed	Chengdongyi Road, Qingshanhu District, Nanchang City, Jiangxi Province
Modern MOMΛ New City (Nanchang)	31,201	90,432	79,127	11,305	1,383	–	2014.03	2015.11	Residential, commercial, car parks	Completed	Gongye Main Road, Xinjian County, Nanchang City, Jiangxi Province
Modern International MOMΛ (Nanchang)	70,000	207,084	185,004	22,080	879	–	2014.04	2016.03	Residential, commercial, car parks	Completed	Changzhen West Road, Xinjian County, Nanchang City, Jianxi Province
Fuzhou Modern City MOMΛ (Jiangxi)	124,886	264,145	–	264,145	–	–	2019.01	2022.11	Residential, commercial, car parks	Not yet commenced	East Side of Dafu Industrial Main Road and South Side of Zhanqian South Road, Donxiang District
Man Ting Chun MOMΛ (Jiujiang)	173,130	493,390	467,473	25,917	2,838	12,119	2011.01	2017.09	Residential, commercial, car parks	Completed	Lufeng West Road, Xunyang District, Jiujiang City, Jiangxi Province
Modern Xingyi Shang Pin Wan (Guizhou)	79,160	174,542	–	174,542	–	–	2018.06	2020.07	Residential, commercial, car parks	Under construction	Yongkang Community, Xiawutun Street, Yiwu City
Modern MOMΛ City of Future (Guizhou)	347,246	263,055	–	263,055	–	–	2018.08	2022.12	Residential, commercial, car parks	Under construction	Huaxi District, Guiyang City, Guizhou Province
Dongdaihe • Bai Jin Hai MOMΛ (Dongdaihe)	185,564	346,675	129,324	217,351	–	–	2015.05	2018.01	Residential, commercial, car parks	Under construction	Baijin Haian, Binhai Highway, Dongdaihe New District, Liaoning Province
Dongguan Zhuang Project (Guangzhou)	96,503	284,596	–	284,596	–	–	2018.12	2021.09	Residential, commercial, car parks	Not yet commenced	Dongguang Zhuang Road, Tian He District, Guangzhou City
Total	6,235,974	16,007,202	7,241,787	8,765,415	48,827	46,225					

FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

Other Income, Gains and Loss

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

Cost of Sales

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

Change in Fair Value

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expense

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

Profit for the Year

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

Profit for the Year Attributable to Owners of the Company

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

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

Borrowings and pledge of the Group's assets

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

Breakdown of borrowings

By type of borrowings and maturity

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

By currency denomination

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

Leverage

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

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

Foreign Currency Risk

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

Contingent Liabilities

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

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

Employees and Compensation Policy

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

Compliance with Relevant Laws and Regulations

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

FUND AND TREASURY POLICIES AND OBJECTIVES

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

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL OF ASSETS

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

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

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

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

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

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

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

SENIOR NOTES

Issuance of Green Senior Notes

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

EVENTS AFTER THE REPORTING PERIOD

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

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

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS REPORT

Since its listing, the Company has made continuous efforts to explore skills in communicating with the capital market. The management of the Company also attaches great importance to the valuable advice and suggestions provided by investors, analysts, financial media and other stakeholders to the Company. Through continuous improvement of the information disclosure mechanism, we are committed to establishing efficient and transparent corporate governance and communicating with the shareholders of the Company (the "Shareholder(s)") in a timely manner, so as to create maximum value for the Shareholders. During the year under review, with the significant progress achieved in our effort to improve investor relationship, Modern Land was awarded the "Highest Growth Potential Enterprises (最具成長性公司)" in the Golden Lion Award (金獅獎) for Hong Kong-listed companies.

During the year under review, the Company organised two large-scale investor reverse roadshows, participated in more than 10 investor summits held by investment banks and securities firms and organised over 100 meetings with investors. Our investors came from Hong Kong, Shenzhen, Shanghai, Beijing, Singapore and other places. The management believed that frequent communication with investors will allow them to have a more in-depth understanding of the Company's strategic development.

SHARE PERFORMANCE

2018	Highest	Lowest
The Company's share price per share (HK$)	1.94	0.89

Share Performance in 2018 (2 January 2018 to 31 December 2018)

As at 31 December 2018, the Company had a total of 2,789,919,400 shares (the "Share(s)") and the market price per Share was HK$0.96. Based on the closing price as at 31 December 2018, the market capitalisation of the Company amounted to approximately HK$2.678 billion.

INVESTOR RELATIONS EVENTS

During the year under review, the management of the Company stepped up efforts to create opportunities for meetings and communication with the investors, achieving significant increase in the frequency and quality of communication, so as to ensure timely, accurate and transparent information disclosure.

Key investor relations events of the Company in 2018

Date	Event	Location
8 - 9 January	2018 UBS Greater China Investors' Annual Meeting	Shanghai
12 January	The 11th Hong Kong Connect Asian Investors' Summit 2018	Shenzhen
18 January	2018 Essence International Annual Investment Strategy Symposium	Shenzhen
23 January	Business Exchange Seminar jointly organised by Hong Kong Institute of Investors and The Hong Kong Society of Financial Analysts	Hong Kong
8 February	"China Green Bond Market 2017 Report Presentation" organised by Climate Bonds Initiative	Hong Kong
27 February	Investors Conference Call for Green Bonds Issued	Hong Kong
12 March	"Green Finance Certification Scheme" Launching Ceremony cum Seminar of Hong Kong Quality Assurance Agency	Hong Kong
19 March	China Green Bonds Investor Forum of CBI	London
23 March	2017 Annual Result Announcement Conference	Hong Kong
18 April	Northern Europe Investor Reverse Roadshow organised by SEB	Hong Kong
20 April	2018 Gelonghui Real Estate Summit	Shenzhen
17 May	HKQAA Symposium on "Towards Sustainable Economy: Divergent Thinking in Business Strategies"	Hong Kong
23 May	Investor Reverse Roadshow	Shanghai
23 - 24 May	Guotai Junan International 2018 Investment Forum	Shenzhen
12 June	HSBC Asia Credit Conference	Hong Kong
22 June	Canadian developers MacDonald Real Estate Group and Great Gulf's visit to the Company	Beijing
	Zhixin Caijing–Investors Meeting	Shenzhen
26 June	2018 HSBC Sustainable Financing Forum	Beijing
29 June	BOCI's Foshan Project Debt Investors Reverse Roadshow	Foshan
9 - 12 October	Reverse Roadshow for Analysts and Media	Beijing
21 November	FT Climate Finance Asia Summit	Hong Kong
3 December	Climate Bonds Taxonomy Workshop	Hong Kong

The investor relations department will continue to enhance the quality of communication with investors and maintain corporate transparency. To ensure easy access to the Company's updated information, all of our published information including announcements, interim and annual reports, press release and monthly corporate newsletters, are posted on the Company's website www.modernland.hk in a timely manner. Interested parties can also make enquiries by contacting the investor relations department (email: ir.list@modernland.hk).

ANNUAL REPORT ON OFFSHORE GREEN BONDS

The Company has published "Modern Land Green Bond Framework" ("Framework") in August 2016. Under this Framework, Modern Land plans to in full or in part finance/refinance eligible green assets, consistent with Company's philosophy of being a leading Whole-life Cycle community developer with "Green Technology + Comfort & Energy-saving + Mobile Interconnecting Whole-life Cycle Communities". Modern Land engaged CICERO (The Centre for International Climate and Environmental Research) for an independent Second Confirming that the Framework is in compliant with the Green Bond Principles recommended by ICMA (International Capital Market Association).

Modern Land issued its debut US$350 million Green Bond in October 2016 and later upsized the issuance to US$500 million in December 2016. This highly successful transaction represents the first overseas Green Bond issuance by a Chinese property developer and the first Chinese Green High Yield bond issuance in the international capital market.

Modern Land subsequently issued its second US$130 million Green Bond in July 2017 and another highly successful US$350 million issuance in March 2018. The latest transaction also received a score of E1/84 from S&P and a Green Finance Pre-issuance Stage Certification from HKQAA (The Hong Kong Quality Assurance Agency). The Company issued US$150 million Green Bond in January 2019 and later upsized the issuance to US$350 million in February 2019. On the day of the additional issuance, the Company recorded nearly five times of subscriptions, and the final issue price was narrowed by 62.5 basis points from the initial guidance price. The ongoing Green Bond issuances from Modern Land are testimony to the Company's focus and leadership in green real estate, and demonstration of its commitment in helping tackle climate change.

Proceeds of each Green Bond will be recorded in a register until being earmarked to eligible green assets. As of 31 December 2017, Modern Land has fully allocated the proceeds from green bond issuances.

Green bonds issued by Modern Land

Issuer:	Modern Land (China) Co., Limited		
Issue Date:	20 October 2016	5 March 2018	2 January 2019
Currency:	US$	US$	US$
Term:	3 years	3 years	1.5 years
Size of Issue:	500 million	350 million	350 million
Maturity:	20 October 2019	5 March 2021	2 July 2020
Coupon:	6.875%	7.95%	15.5%
ISIN:	XS1494003624	XS1775946285	XS1926064541

FUND ALLOCATION REPORT (AS AT 31 DECEMBER 2018)

Types of eligible green projects and breakdown of fund allocation:

Project Classification	Project Name	Project Green Label	Project Cost (US$)	Allocated Amount (US$)
			US$1 = RMB6.8632	
New Development	Man Ting Chun MOM∧ (Nanchang) – Phase I Residential	Three Star Green Building Label – Design	62,338,778	62,338,778
New Development	Modern Wan Guo Cheng MOM∧ (Beijing) – North Residential	Three Star Green Building Label – Operation	257,016,042	257,016,042
New Development	Man Ting Chun MOM∧ (Jiujiang) – Building No. 5	Three Star Green Building Label – Design	12,257,649	12,257,649
New Development	Shangdi MOM∧ (Beijing)	Two Star Green Building Label – Operation	68,273,488	68,273,488
New Development	Modern Park MOM∧ (Hefei)	Three Star Green Building Label – Design	165,217,289	165,217,289
New Development	Wan Guo Cheng MOM∧ (Changsha) – Phase III	Two Star Green Building Label – Operation	152,290,477	152,290,477
New Development	Wan Guo Cheng MOM∧ (Taiyuan)	Two Star Green Building Label – Design	152,086,723	132,606,277
Total			**869,480,446**	**850,000,000**

SELECTED CASES

Project Name **Modern Man Ting Chun MOM∧ (Jiujiang) – Building No. 5**

Details Three Star Green Building Label – Design

Energy-saving Technology

- Geothermal pump system
- Ceiling cooling and heating system
- External walling system
- Recovery and processing of waste water and use of reclaimed water
- Collection and use of rain water
- Exterior window system
- Displacement ventilation system
- Acoustic insulation
- Intelligent system

ANNUAL REPORT ON OFFSHORE GREEN BONDS

Project Name **Modern Park MOMΛ (Hefei)**

Details Three Star Green Building Label – Design

Energy-saving Technology

- Geothermal pump system
- Ceiling cooling and heating system
- External walling system
- Collection and use of rain water
- Exterior shading system
- Exterior window system
- Same floor drainage system
- Displacement ventilation system
- Acoustic insulation
- Intelligent system

Project Name **Shangdi MOMΛ (Beijing)**

Details Two Star Green Building Label – Operation

Energy-saving Technology

- Geothermal pump system
- Ceiling cooling and heating system
- External walling system
- Collection and use of rain water
- Exterior shading system
- Exterior window system
- Same floor drainage system
- Displacement ventilation system
- Acoustic insulation
- Intelligent system

Project Name **Man Ting Chun MOMΛ (Nanchang)**

Details

Energy-saving Technology

- Water source heat pump system
- Ceiling cooling and heating system
- Intelligent system
- Centralized collection of rain water on the roof
- Centralized daily hot water

CORPORATE GOVERNANCE REPORT

The Board is committed to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company's business.

The Company has complied with the provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during this reporting period. In 2018, in order to fully implement the requirements of the Stock Exchange's Guidelines on Environmental, Social and Governance Reporting, the Environmental, Social and Governance Report with good quality was finished well on time, which further enhanced the good reputation of the Company in the capital market. The Company's Environmental, Social and Governance Report for the year 2018 will be published on the websites of the Company and the Stock Exchange respectively.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company had complied with the code provisions as set out in the CG Code for the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed that they complied with the required standards set out in the Model Code during the year under review. The shareholdings of the Directors, chief executive and substantial Shareholders of the Company are detailed in the Directors' Report of this report.

BOARD OF DIRECTORS

As at 31 December 2018, the Board comprises ten Directors, which is chaired by Mr. Zhang Lei, consists of three executive Directors, three non-executive Directors and four independent non-executive Directors. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of the Group and the issuance of independent opinion. Brief biographies of the existing Directors are included in the "Profiles of Directors and Senior Management" section of this report.

The Directors during the year and up to the date of this report were:

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

All executive Directors and non-executive Directors have entered into service contracts with the Company for a specific term of three years. Under the articles of association of the Company (the "Articles of Association"), the Board is empowered to appoint any person as a Director to fill the casual vacancy or as an additional Director. The Board considers a candidate's experience, skill, knowledge, competency and ability to fulfil duty of care, diligence and fiduciary duty and/or recommendation by the nomination committee of the Company (the "Nomination Committee") (if any).

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors (representing not less than one-third of the Board), one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the four independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years.

Each independent non-executive Directors confirmed that he has no any cross directorship or significant links with other Directors through involvements in other companies or bodies and has not held 7th or more listed company directorship.

During the year, none of the independent non-executive Directors has served the Company for more than 9 years.

Pursuant to the Articles of Association, (i) any Director appointed as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election; and (ii) at least one-third or, if the number is not a multiple of three, the nearest to one-third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. Accordingly, Mr. Chen Anhua, Mr. Chen Zhiwei, Mr. Cui Jian and Mr. Zhong Bin will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on 18 June 2019 (the "2019 AGM"). All other Directors will continue in office.

All Directors have given sufficient time and attention to the affairs of the Group and, in particular, the non-executive and independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Shareholders and the Group. The participation of the independent non-executive Directors in the Board and Board committee meetings also provides independent judgement on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have timely access to information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Minutes of Board meetings and Board committees meetings are kept by the company secretary of the Company (the "Company Secretary") and are opened for inspection at any reasonable time on reasonable notice by any Director. Minutes of Board meetings and Board committees meetings are recorded in sufficient details for the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. Draft and final versions of minutes are sent to all Directors for their comment and record respectively within a reasonable time after the meetings are held. All Directors are entitled to have access to Board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. Queries raised by the Directors are given a prompt and full response by the Board.

The Board members have no financial, business, family or other material/relevant relationship with each other. Such balanced Board composition is formed to ensure strong independence across the Board.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior officers in respect of legal actions against the Directors and senior officers.

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Zhang Lei, the Chairman, the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control and risk management and internal control systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to executive Directors and the management of the Group.

BOARD MEETINGS AND GENERAL MEETING

The Board holds meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. In addition, the Board holds general meetings to maintain an on-going dialogue with the Shareholders. For the period from 1 January 2018 to 31 December 2018, the Board held 6 Board meetings and 1 general meeting.

The attendance of each Director at various Board, Board committee and general meetings from 1 January 2018 to 31 December 2018 is set out in the following table:

	Meetings Attended/Held				
	Board Meeting	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**General Meeting**
Executive Directors					
Mr. Zhang Lei	6/6	N/A	1/1	1/1	1/1
Mr. Zhang Peng	6/6	N/A	N/A	N/A	1/1
Mr. Chen Yin	6/6	N/A	N/A	N/A	1/1
Non-Executive Directors					
Mr. Fan Qingguo	6/6	N/A	N/A	N/A	0/1
Mr. Chen Zhiwei	5/6	N/A	N/A	N/A	1/1
Mr. Chen Anhua	6/6	N/A	N/A	N/A	0/1
Independent Non-Executive Directors					
Mr. Qin Youguo	6/6	2/2	1/1	N/A	1/1
Mr. Cui Jian	6/6	2/2	1/1	1/1	1/1
Mr. Hui Chun Ho, Eric	5/6	2/2	N/A	1/1	1/1
Mr. Zhong Bin	4/6	2/2	N/A	1/1	0/1

Notice of at least 14 days for regular Board meetings and sufficient notice of reasonable days for ad hoc Board meetings (if any) were given to all Directors so as to ensure that (i) each of them had an opportunity to attend the meetings; (ii) each of them had an opportunity to include matters on the agenda; and (iii) the agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at the meetings to deal with such issues.

Full Board or Board committee documents will be sent to all Directors or committee members at least three days (or number of days which should be reasonable and adequate) before the intended date of a Board meeting or Board committee meeting.

Management of the Company (the "Management") has supplied the Board and its committees with adequate information and explanations so as to enable it to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to attend the Board or board committee meetings where appropriate.

All Directors are also entitled to have access to timely information such as monthly updates in relation to the Company's businesses and have separate and independent access to senior Management.

DIRECTORS' TRAINING

During the year, all Directors were provided with monthly newsletters on the Group's business, operations and financial matters as well as regular updates on applicable legal and regulatory requirements. These updates aim at enhancing the Directors' knowledge and skills and assisting them to comply with good corporate governance practices.

In addition, every newly appointed Director will receive an instruction and directors' training on the first occasion of his or her appointment, so as to ensure that he or she has a proper understanding of the operations and business of the Company, his or her responsibilities under the laws and regulations and especially the governance policies of the Company.

In 2018, the Directors have participated in various training and continuous professional development activities and the summary of which is as follows:

	Types of training
Executive Directors	
Mr. Zhang Lei	A,B
Mr. Zhang Peng	A,B
Mr. Chen Yin	A,B
Non-Executive Directors	
Mr. Fan Qingguo	A,B
Mr. Chen Zhiwei	A,B
Mr. Chen Anhua	A,B
Independent Non-Executive Directors	
Mr. Qin Youguo	A,B
Mr. Cui Jian	A,B
Mr. Hui Chun Ho, Eric	A,B
Mr. Zhong Bin	A,B

A: attending relevant seminars and/or conferences and/or forums; delivering speeches at relevant seminars and/or conferences and/or forums

B: reading newspapers, journals and articles

CHAIRMAN AND PRESIDENT

The Chairman and the President are currently two separate positions held by Mr. Zhang Lei and Mr. Zhang Peng respectively with clear distinction in responsibilities.

Mr. Zhang Lei, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, so as to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

One of the important roles of the Chairman is to provide leadership for the Board. The Chairman is responsible for ensuring that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed in a timely manner. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting. He takes into account, where appropriate, any matters proposed by other Directors for inclusion on the agenda. The Chairman may delegate this responsibility to a designated Director or the Company Secretary. The Chairman also takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman encourages the Directors with different views to voice their concerns, allows sufficient time for discussion of issues and ensures that Board decisions fairly reflect Board consensus. The Chairman holds a meeting with the non-executive Directors and independent non-executive Directors without the executive Directors present at least annually.

Mr. Zhang Peng, being the President, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision C.1.1 of the CG Code, the Management provided such explanation and information to the Board as will enable the Board to make an informal assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2018, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgements and estimates that are prudent and reasonable.

The Group has announced its interim results in a timely manner within two months after the end of the relevant financial periods, as set out in the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain appropriate and effective risk management and internal control systems in order to safeguard the interest of the Group and the Shareholders, review and monitor the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's risk management and internal control systems comprise, among others, the relevant financial, operational and compliance controls and risk management procedures, a well-established organisational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

The internal audit department of the Company supported the Board and the audit committee of the Company (the "Audit Committee") in reviewing the effectiveness of risk management and internal control systems, performed its functions during the year following an annual audit plan and submitted their reports of their findings to the Board and the Audit Committee at the meetings. The Audit Committee provides independent review on effectiveness of the risk management and internal control systems of the Group and gives their recommendation to the Board. The Board is responsible for reviewing the internal audit report and approving policies and procedures designed by the Management.

The Group also engaged an external consultant specialising in identifying and evaluation of significant risks of our business operations. The external consultant is independent from the Company and its connected persons and the Board is of the view that their involvement could enhance the objectivity and transparency of evaluation process. In conjunction with the internal audit department and senior Management of the Company, the external consultant conducts an annual assessment on risk management and internal control systems of the Group together with suggestion and solutions and submits to the Audit Committee and the Board for their consideration.

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures during the financial year ended 31 December 2018 by way of discussions with the Management of the Group, members of the Audit Committee and the external independent auditor. The Board considered major investigation findings of the external consultant on risk management and internal control matters and management's response to these findings.

The Board is of the view that the existing risk management and internal control systems are adequate and effective. The Board also reviewed the resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training schemes and budget and was satisfied with their adequacy.

The Board also assessed the effectiveness of the Group's internal audit function and external audit process, and satisfied itself, through the work of its Audit Committee, that the internal audit function is adequately resourced and is effective at providing assurance to the Board on the relevant risks faced by the Company, and that the external audit process is effective.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" in this report.

DIVIDEND POLICY

The Board has adopted the "Dividend Policy" on 15 January 2019 in recommending dividends, to allow the Shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth, which provides that subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group.

The proposed dividend payout shall be based on the Company's capacity to pay from accumulated and future earnings, liquidity position and future commitments at the time of declaration of dividend with reference to the Group's actual and expected financial performance, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios, any restrictions on payment of dividends that may be imposed by the Group's lenders, general economic conditions, business cycle of the Group's business, dividends received from the Company's subsidiaries and associates, the Shareholders' and investors' expectation and industry's norm and any other factors that the Board deems relevant. The Board may from time to time pay to the Shareholders such interim dividends as appear to the Directors to be justified by the profits of the Group.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three board committees (the "Board Committees"), namely the Audit Committee, the remuneration committee (the "Remuneration Committee") and the Nomination Committee (the "Nomination Committee"), to oversee the relevant aspects of the Company's affairs. The three Board committees are provided with sufficient resources to discharge their duties. Each Board committee has a written term of reference, which is available on the websites of the Company and the Stock Exchange respectively.

AUDIT COMMITTEE

Composition

In order to comply with the CG Code, the Board adopted the revised terms of reference of the Audit Committee on 15 January 2019. As at 31 December 2018, the Audit Committee comprised four independent non-executive Directors, namely Mr. Hui Chun Ho, Eric (the chairman of the Audit Committee), Mr. Cui Jian, Mr. Qin Youguo and Mr. Zhong Bin. None of them is a member of the former or existing external auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. The Audit Committee is also authorised to obtain external legal or other independent professional advice if it considers necessary.

Major responsibilities

The principal functions of the Audit Committee include:

- to make recommendations to the Board on the appointment, re-appointment and removal of external auditors, to approve the remuneration and terms of engagement of the external auditor, and to handle any questions of resignation or dismissal of that auditor;
- to review and monitor the independence and objectivity of the external auditors and effectiveness of the audit process in accordance with applicable standards, and to discuss the nature and scope of the audit and related reporting responsibilities with the external auditor before the audit commences;

- to monitor integrity of the Company's financial statements and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

- to oversee the Company's financial reporting system, risk management and internal control systems; and

- to discuss with the Management about the system of internal control and ensure that Management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training schemes and budget.

The Audit Committee also performs corporate governance procedures of the Company, including:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management of the Company;

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and

- to review the Company's compliance with the code provisions and disclosure in the Corporate Governance Report of the Company.

The Audit Committee held two meetings in 2018 and conducted the following activities:

(i) reviewed the Group's annual results for 2017 and interim results for 2018;

(ii) reviewed the audit plans and findings of the external auditor;

(iii) reviewed the internal control, risk management and financial matters pursuant to its terms of reference; and

(iv) made recommendation to the Board on the re-appointment of the external auditor and its remuneration.

The Audit Committee will also meet with the external auditor annually in the absence of the Management to discuss matters relating to any issues arising from audit and any other matters the auditor may wish to raise.

The Company has satisfied the relevant provision of CG code in having at least one of the independent non-executive Director with appropriate professional qualification or accounting or related financial management expertise. Mr. Hui Chun Ho, Eric has the appropriate professional accounting experience and served as a chairman of the Audit Committee during the year.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the external auditor's remuneration in respect of audit services provided to the Group amounted to approximately RMB6.01 million. During the year, the non-audit service fee paid to external independent auditor amounted to RMB0.18 million.

NOMINATION COMMITTEE

Composition

In order to comply with the CG Code, the Board adopted the revised terms of reference of the Nomination Committee on 15 January 2019. As at 31 December 2018, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Cui Jian (the chairman of the Nomination Committee), Mr. Hui Chun Ho, Eric and Mr. Zhong Bin, and an executive Director Mr. Zhang Lei.

Major responsibilities

The primary duties of the Nomination Committee include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least once a year and making recommendations to the Board regarding any proposed changes to the Board for conforming to the strategy of the Company;
- identifying and nominating qualified individuals to act as Directors and making recommendations to the Board regarding such matters having due regard to the "Board Diversity Policy" and the "Nomination Policy" of the Company;
- to identify and recommend suitably qualified senior management candidates to the Board, as a supplement to any related vacant positions;
- to review the "Board Diversity Policy" as appropriate and make recommendations on any required changes to the Board for consideration and approval, and monitor its implementation so as to ensure its effectiveness, and make disclosure of its summary and the progress of its implementation in the corporate governance report;
- in performing duties, to consider the "Board Diversity Policy" with due regard for the benefits of diversity on the Board;
- to review the "Nomination Policy" for directors and to make disclosure of the summary of the same in annual report of the Company annually;

- where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

  (i) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;

  (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board;

  (iii) the perspectives, skills and experience that the individual can bring to the Board; and

  (iv) how the individual contributes to diversity of the Board;

- assessing the independence of the independent non-executive Directors; and

- making recommendations to the Board regarding the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman and the President.

The chairman of the Nomination Committee shall attend the annual general meeting of the Company to answer the questions raised by the Shareholders on Director's nomination and other nomination policy matters.

The Nomination Committee shall meet at least once a year (or in accordance with the regulations of regulatory authorities applicable to the Company from time to time) at the time as required to discharge its duties. The meeting shall be convened and chaired by the chairman. For the year ended 31 December 2018, one meeting of the Nomination Committee was held to assess the independence of independent non-executive Directors and structure of the Board, review the re-appointment of Directors at the annual general meeting and review the renewal of director's service contract, etc.

NOMINATION POLICY

The Board has adopted the "Nomination Policy" on 15 January 2019 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

BOARD DIVERSITY POLICY

The Board has adopted the revised "Board Diversity Policy" on 15 January 2019 in relation to the nomination and appointment of new Directors, which provides that the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The above measurements were also reviewed and adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee was established on 14 June 2013 with written terms of reference as suggested under the code provisions in the CG Code. The Remuneration Committee comprised two independent non-executive Directors, namely Mr. Qin Youguo (the chairman of the Remuneration Committee) and Mr. Cui Jian, and an executive Director, Mr. Zhang Lei, during the year ended 31 December 2018.

Major Responsibilities

The primary duties of the Remuneration Committee include (but not limited to):

- making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior Management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- making recommendations to the Board on the remuneration package of executive Directors and senior Management; and
- considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. The Directors' remuneration is reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary. For the year ended 31 December 2018, the Remuneration Committee held one meeting and conducted the following activities:

(i) reviewed the remuneration policy of the Group and Directors' remunerations;

(ii) reviewed and approved the remuneration package of individual executive Directors, non-executive Directors and senior Management; and

(iii) reviewed the revised terms of reference of the Remuneration Committee.

FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two Directors for the year ended 31 December 2018 (2017: 2 Directors). The emoluments of the remaining three highest paid individuals for the year ended 31 December 2018 (2017: remaining 3 highest paid individuals) are as follows:

	2018 **RMB'000**	2017 RMB'000
Employees		
– Basic salaries and allowances	**3,811**	4,154
– Bonus	**1,681**	2,737
– Share-based payment	**409**	1,178
– Retirement benefit contributions	**153**	152
	6,054	8,221

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

COMPANY SECRETARY

For the year ended 31 December 2018, in compliance with Rule 3.28 of Listing Rules, the Company Secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The Company Secretary is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. Details of the Company Secretary are set out in the section headed "Profiles of Directors and Senior Management" of this report.

For the year ended 31 December 2018, the Company Secretary had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

There were no significant changes in the constitutional documents of the Company during the year ended 31 December 2018.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published at the Company's website (www.modernland.hk).

ANNUAL GENERAL MEETING

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external independent auditor is also present at the annual general meetings. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting is delivered to all Shareholders at least twenty (20) clear business days prior to the date of the meeting, setting out details of each proposed resolution and other information. Voting results are posted on the websites of the Company and of the Stock Exchange respectively.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND TO PUT FORWARD PROPOSALS THEREAT

The following procedures for the Shareholders to convene an extraordinary general meeting are prepared in accordance with Article 58 of the Articles of Association:

(1) One or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(2) The written requisition must state the objects of the meeting, and must be signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

(3) The requisition shall be made in writing to the Board or the Company Secretary via mail to the Company's principal place of business in Hong Kong at Suites 805-6, Champion Tower, 3 Garden Road, Central, Hong Kong.

(4) The extraordinary general meeting shall be held within two months after the deposit of the requisition.

(5) If the Directors fail to proceed to convene the extraordinary general meeting within twenty-one (21) days of the deposit of such requisition, such Shareholder(s) may do so in the same manner, and all reasonable expenses incurred by the Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Shareholder(s) by the Company.

PROPOSALS FOR PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

Subject to applicable laws and regulations, including the Companies Law of the Cayman Islands, the Listing Rules and the Articles of Association as amended from time to time, the Company may from time to time in a general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

A Shareholder may propose any person (the "Person") for election as a Director by lodging the following documents at the Company's principal place of business in Hong Kong at Suites 805-6, Champion Tower, 3 Garden Road, Central, Hong Kong:

(1) a notice in writing signed by the Shareholder concerned of his/her/its intention to propose the Person as a Director with full particulars of the Person including his/her full name and biographical details as required under Rule 13.51(2) of the Listing Rules; and

(2) a notice in writing signed by the Person of his/her willingness to be elected as a Director.

Such notices shall be lodged at least seven (7) days prior to the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) days in length.

PROCEDURES FOR RAISING ENQUIRIES

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy:

(1) Shareholders may direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited.

(2) Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Modern Land (China) Co., Limited
Suites 805-6, Champion Tower
3 Garden Road, Central, Hong Kong
Fax: (852) 2187 3619
Email: ir.list@modernland.hk

(3) Shareholders may also make enquiries with the Board at general meetings of the Company.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Lei (張雷先生), aged 56, is an executive Director and the founder of the Group and the Chairman of the Board. He is responsible for strategic planning, board management and overall management of the Group. Mr. Zhang is a director of Modern Green Development Co., Ltd ("Modern Green Development") and New Power (Beijing) Architectural Technology Co., Ltd. ("Beijing New Power"), both being indirect wholly-owned subsidiaries of the Company. He is also a director of certain subsidiaries and project companies of the Group in China, Hong Kong and North America.

Mr. Zhang has over 18 years of experience in the real estate business in the PRC. From July 1985 to February 1995, he worked as a department manager in the aspect of talents information management and exchange at China International Talent Exchange Center (中國國際人才交流中心), which is a State-owned enterprise. From February 1995 to July 2000, he worked for his controlled entity, Zhongji Real Estate Development Co., Ltd. (中際房地產開發有限公司), as the general manager. Mr. Zhang founded our Group in 2000. In January 2005, Mr. Zhang received an Executive Master of Business Administration degree from Tsinghua University (清華大學).

Mr. Zhang Peng (張鵬先生), aged 43, is an executive Director and Executive President. He graduated from Beifang University of Nationalities (北方民族大學) in 1997 with a bachelor's degree in Law. Mr. Zhang is a director and president of Modern Green Development and a director of Beijing New Power. He is also a director and supervisor of certain subsidiaries and project companies of the Group. Mr Zhang is a director of First Estate (Beijing) Co., Ltd., First Moma Renju Environmental Technology (Beijing) Company Limited and First Moma Sports Cultural Development (Beijing) Company Limited. First Estate (Beijing) Co., Ltd. has been quoted on the National Equities Exchange and Quotations System since 18 May 2016. First Moma Renju Environmental Technology (Beijing) Company Limited and First Moma Sports Cultural Development (Beijing) Company Limited have been quoted on the National Equities Exchange and Quotations System since 17 August 2017 and 6 March 2018 respectively.

Mr. Zhang joined the Company in November 2001. He was the chief human resources officer, vice president and chief operating officer of Modern Green Development, a subsidiary of the Company. Mr. Zhang is familiar with real estate project management and property development based on green technologies. He is also a representative of the National People's Congress of Beijing Dongcheng, the vice chairman of China Real Estate Chamber of Commerce (全聯房地產商會) and the chairman of Refined Decoration Branch of China Real Estate Chamber of Commerce.

Mr. Chen Yin (陳音先生), aged 63, is an executive Director and the chief technology officer and general engineer of the Group. Mr. Chen is responsible for R&D and project management in our Group. He is also a director of Modern Green Development and Beijing New Power.

Mr. Chen graduated from Beijing University of Civil Engineering and Architecture (北京建築工程學院) in July 1982 with a bachelor's degree in Heat Energy Engineering. In January 2007, Mr. Chen received a master's degree in Business Administration from Renmin University of China (中國人民大學).

From 1982 to 1987, Mr. Chen taught in Beijing University of Civil Engineering and Architecture (北京建築工程學院). From July 1987 to May 2001, Mr. Chen worked for Sinotrans Limited (中國外運集團) as a deputy general manager of Sinotrans Real Estate Development Company, where he was mainly responsible for management of infrastructure projects and development of real estate projects. Meanwhile, Mr. Chen served as a member of the expert committee at the Center for Housing Industrialisation of the Ministry of Housing and Urban-Rural Development, a member of China Green Building Council at Chinese Society for Urban Studies and a member of the expert committee on Real Estate Technology Policy of China Property Association. Mr. Chen joined us in May 2001. Mr. Chen Yin is a well-known expert in the architectural energy-saving field. He is a member of the Committee on Green Architectures of Architectural Society of China and Renewable Energy Resource Society of China. Mr. Chen has over 28 years of experience in the real estate business in the PRC.

NON-EXECUTIVE DIRECTORS

Mr. Fan Qingguo (范慶國先生), aged 47, is a non-executive Director. He graduated from Renmin University of China (中國人民大學) in July 1998 with a graduation certificate in Accounting. In January 1999, he received a bachelor's degree in Accounting from Renmin University of China (中國人民大學). In June 2006, he graduated from Renmin University of China (中國人民大學) with a graduate degree in Finance.

Mr. Fan joined the Company since our inception in December 2000. He served as an executive Director and the chief financial officer of the Company, and was re-designated as a non-executive Director in August 2014. Before joining the Company, he worked for Beijing Huayuan Property Company (北京華遠房地產公司), Beijing Fazheng Group (北京法政集團) and Beijing KFC Limited Company (北京肯德基有限公司) as an accountant, respectively. Mr. Fan has over 18 years of experience in the real estate business in the PRC.

Mr. Chen Zhiwei (陳志偉先生), aged 34, is a non-executive Director and was appointed to our Board on 30 December 2016. He graduated from Tsinghua University (清華大學) with a bachelor's degree in Economics in 2004. He then graduated from the National University of Singapore with a master's degree in Science (Estate Management) in 2009.

Mr. Chen has over 10 years of investment and research experience in finance industry. He joined Cinda HK in 2010 and is currently the investment director and managing director of its investment business department, responsible for managing Cinda HK's investment and financing businesses. Prior to joining Cinda HK, Mr. Chen was the executive assistant to the chairman of TIG Group in Singapore between 2007 and 2010, responsible for TIG Group's private equity investment business in the Greater China region. Between 2005 and 2007, Mr. Chen was a research scholar at the National University of Singapore.

Mr. Chen Anhua (陳安華先生), aged 51, is a non-executive Director and was appointed to our Board on 27 January 2017. Mr. Chen is currently a non-executive director of CNQC International Holdings Limited (stock code: 1240). He graduated from Fudan University (復旦大學) with a bachelor's degree in Economics, Central South University (中南大學) with a master's degree in Business Administration and the post-experience certificate in Engineering Business Management by the University of Warwick in England. Mr. Chen has over 20 years' extensive experience in areas of commercial banking, asset management and investment.

Prior to joining Changsha office ("GW Changsha Office") of China Great Wall Asset Management Co., Limited ("China Great Wall"), he worked in the Agricultural Bank of China in Hunan branch and GW Changsha Office as section head of loan department, the sub-branch deputy chief manager and senior/senior deputy manager of different departments. From 2015 to 2016, he served in the Asset Operation Department of the head office of China Great Wall. Since November 2016, Mr. Chen serves as the deputy general manager of China Great Wall AMC (International) Holdings Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qin Youguo (秦佑國先生), aged 75, is an independent non-executive Director and was appointed to our Board on 14 June 2013. He has been appointed as an independent non-executive director to provide independent advice since March 2008. Mr. Qin is currently a professor of the School of Architecture at Tsinghua University (清華大學). Mr. Qin graduated from Tsinghua University with bachelor's degree in Architecture in July 1967, and completed his postgraduate study in Building Science at Tsinghua University and received a master's degree in Engineering in April 1981, and thereafter taught in Tsinghua University. Mr. Qin was the vice-dean of the School of Architecture, Tsinghua University from March 1990 to November 1997, and was the dean of School of Architecture, Tsinghua University from December 1997 to December 2004. He was a visiting scholar at Harvard University from September 1996 to March 1997.

Mr. Qin has won several awards, including the Second Prize for Technology Improvement (科技進步獎二等獎) issued by The Chinese People's Liberation Army Headquarters of the Central Staff (中國人民解放軍總參謀部) in 1990, the First Prize for Outstanding Design (優秀設計一等獎) issued by Ministry of Education of the PRC (中華人民共和國教育部) in 1995, the First Prize for Outstanding Design (優秀設計一等獎) issued by PLA General Armament Department of the PRC (中國人民解放軍總裝備部) in 2000, the Gold Prize of Technology for High-end Residential Building (精瑞住宅科學技術獎金獎) issued by China Real Estate Chamber of Commerce (全國工商聯住宅產業商會) in 2004, the First Prize for Technology (科技獎一等獎) issued by Beijing municipal government (北京市政府) in 2005, Outstanding Contributor of Green Buildings (綠色建築傑出貢獻人物) by International House Association (國際住宅協會) in 2007. He was awarded with a special subsidy by the State Council for his contributions in the tertiary education of the PRC.

Mr. Cui Jian (崔健先生), aged 48, is an independent non-executive Director and was appointed to our Board on 14 June 2013. Mr. Cui is currently the chairman of Beijing Zhixing Chuangxin Investment Management Co., Ltd. (北京知行創新投資有限公司). From January 2008 to December 2011, Mr. Cui worked as the general manager of Navi Capital (Beijing) Co., Ltd. (領航藍海投資諮詢(北京)有限公司). Before that, Mr. Cui worked for China Mobile Communications Corporation (中國移動通信集團公司) as the director in the Products and Marketing Department from March 1997 to December 2007 and China International Telecommunication Construction Corporation (中國通信建設總公司) as an engineer from July 1992 to March 1997. In December 2002, Mr. Cui obtained the senior engineer qualification certificate from China Mobile Communications Corporation (中國移動通信集團公司). Mr. Cui received his bachelor's degree in Communications Engineering from Changchun Institute of Posts and Telecommunications (長春郵電學院) in July 1992. In April 2001, he received his master's degree in International Management from The Australian National University. He also received an Executive Master of Business Administration degree from Peking University (北京大學) in July 2006.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hui Chun Ho, Eric (許俊浩先生), aged 44, is an independent non-executive Director and was appointed to our Board on 14 June 2013. In addition, Mr. Hui is currently the financial controller and company secretary of Hong Kong Finance Group Limited (stock code: 1273) and an independent non-executive director of ECI Technology Holdings Limited (stock code: 8013). Before joining the above companies, Mr. Hui worked for an international accounting firm and hold several senior positions in other listed companies in Hong Kong. Mr. Hui is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and an associate member of The Taxation Institute of Hong Kong. In 1998, Mr. Hui received his bachelor's degree in Accounting from The Hong Kong Polytechnic University and was awarded a master's degree in Business Administration with distinction by The University of Manchester, United Kingdom in 2013. Mr. Hui has extensive professional experience in auditing, financial accounting and reporting, company secretarial matters and corporate finance.

Mr. Zhong Bin (鍾彬先生), aged 47, is an independent non-executive Director and was appointed to our Board on 27 January 2017. He graduated from Sichuan University (四川大學) in 1993. He is currently an independent non-executive Director of Sansheng Holdings (Group) Co. Ltd. (stock code: 2183). Mr. Zhong was the secretary general of China Real Estate Chamber of Commerce (全聯房地產商會, formerly known as 全國工商聯房地產商會) ("CRECC") as well as the joint secretary general of the financial working committee of CRECC and participated in a series of innovative real estate financial projects led by CRECC and accumulated extensive practical experience in that field. The said real estate financial projects include the establishment of green property fund, travel industry fund and pension industry fund. Mr. Zhong also participated in the initial preparation of Elite International Investment Fund, which was jointly set up by members of CRECC. As a renowned expert in both real estate development and financial services in China, Mr. Zhong is frequently invited as senior lecturer and invited by financial institutions to conduct professional trainings in respect of real estate financial services. He was invited for lecturing at top universities in China including but not limited Xiamen University (廈門大學), Guanghua School of Management of the Peking University (北京大學光華管理學院), Zhejiang University (浙江大學) and Southwestern University of Finance and Economics (西南財經大學).

Since April 2013, Mr. Zhong has been an independent director of Yunnan Metropolitan Real Estate Development Company Limited, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600239).

SENIOR MANAGEMENT

Mr. Wang Qiang (王強先生), aged 46, joined the Group in March 2002. He worked successively as the vice president of the financial planning centre of Modern Green Development, the general manager and the director of information operation centre of Hubei Wanxing Real Estate Co., Ltd. Mr. Wang is currently the vice president of the Group and is responsible for the Company's financial capital lines and the Group's specialised process of financial plans and operations. Mr. Wang graduated from Tianjin University of Commerce (天津商學院) and obtained a diploma in Accounting in July 1996. He has 14-year experience in the real estate business in the PRC.

Mr. Lam Tsz Kin (藍梓健先生), aged 38, Mr. Lam was the managing director of DVY Investments Limited, a real estate development and investment company in the U.K.. In 2014 and 2015, Mr. Lam was the company secretary of Sino-Ocean Land Holdings Limited (Stock code: 3377) ("Sino-Ocean Land") and was also the deputy general manager of Sino-Ocean Land (Hong Kong) Limited. During his service in Sino-Ocean Land, he also acted as the director and chief financial officer of Sino-Prosperity Real Estate Fund, together with his position as the financial controller of Gemini Investments (Holdings) Limited.

Mr. Lam obtained Executive Master of Business Administration from Tianjin University and was also the guest lecturer of HKU SPACE Institute for China Business School during 2014 and 2015. Mr. Lam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a charter-holder of CFA Institute and a Financial Risk Manager of Global Association of Risk Professional.

DIRECTORS' REPORT

The Board presents the annual report together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in real estate development, property development, hotel operation, project management, real estate agency services and other services.

SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2018 are set out in note 42 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and operating results for the year from principal activities is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results and financial position for the year ended 31 December 2018 are set out in the consolidated statement of profit and loss and other comprehensive income and the consolidated statement of financial position on pages 97 to 101.

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the investment properties and property, plant and equipment of the Group during the year under review are set out in notes 13 and 14 respectively to the consolidated financial statements. The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of RMB132,222,000, which has been charged directly to the consolidated statement of profit or loss and other comprehensive income.

SENIOR NOTES

Issuance of Green Senior Notes

On 27 February 2018, the Company and certain subsidiaries of the Company entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, BOCOM International Securities Limited, BOSC International Company Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, UBS AG Hong Kong Branch, VTB Capital plc and Zhongtai International Securities Limited in connection with the Company's issuance of senior notes due 2021 with principal amount of USD350 million at a coupon rate of 7.95% per annum. For details, please refer to the announcements of the Company dated 27 February 2018, 28 February 2018 and 7 March 2018 respectively.

On 20 December 2018, the Company and certain subsidiaries of the Company entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Morgan Stanley & Co. International plc, Deutsche Bank AG, Hong Kong Branch, Southwest Securities (HK) Brokerage Limited and Haitong International Securities Company Limited in connection with the Company's issuance of senior notes due 2020 with principal amount of USD150 million at a coupon rate of 15.5% per annum. For details, please refer to the announcements of the Company dated 20 December 2018 and 21 December 2018 respectively.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2018 are set out in note 41 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, purchases from the Group's five largest suppliers (excluding purchases of land) accounted for less than 25% of the Group's total purchases. Sales to the Group's five largest customers accounted for less than 25% of the Group's total turnover.

Save as disclosed in the consolidated financial statements, to the best knowledge of the Directors, none of the Directors, their close associates or any Shareholder owning more than 5% of the number of issued shares of the Company, has any interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

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

In accordance with the Articles of Association, Mr. Chen Anhua, Mr. Chen Zhiwei, Mr. Cui Jian and Mr. Zhong Bin will retire from office by rotation at the 2019 AGM and, being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company considers the independent non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out in the "Profiles of Directors and Senior Management" section of this report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Zhang Lei and Mr. Chen Yin entered into a service contract with the Company, pursuant to which each of them agreed to act as an executive Director for a term of three years with effect from 14 June 2016. Mr. Zhang Peng entered into a service contract with the Company to act as an executive Director for a term of three years with effect from 27 January 2017. Mr. Fan Qingguo entered into a service contract with the Company, pursuant to which he agreed to act as a non-executive Director for a term of three years with effect from 26 August 2017. Mr. Chen Zhiwei entered into a service contract with the Company, pursuant to which he agreed to act as a non-executive Director for a term of three years with effect from 30 December 2016. Each of Mr. Chen Anhua and Mr. Zhong Bin entered into a service contract and a letter of appointment with the Company, pursuant to which each of them agreed to act as a non-executive Director and an independent non-executive Director respectively for a term of three years with effect from 27 January 2017. Each of Mr. Qin Youguo, Mr. Cui Jian and Mr. Hui Chun Ho, Eric entered into a letter of appointment with the Company, pursuant to which each of them agreed to act as an independent non-executive Director for a term of three years with effect from 14 June 2016.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save for the relevant transactions as disclosed in note 38 to the consolidated financial statements and the connected transactions and continuing connected transactions set out in this report, none of the Directors or any entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting during the year ended 31 December 2018, nor any contract of significance had been entered into during the year ended 31 December 2018 between the Company or any of its subsidiaries and the controlling Shareholders or any of their subsidiaries.

MANAGEMENT CONTRACT

No contracts for the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the year ended 31 December 2018.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in note 10 to the consolidated financial statements.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executives in 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")), 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 Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code, were as follows or as disclosed under the section headed "Share Option Scheme" below:

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	65.50%
	Beneficial owner *(Notes 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	0.21%
Mr. Zhang Peng	Interest in a controlled corporation *(Note 5)*	5,982,240	0.21%
	Beneficial owner *(Note 6)*	17,302,000	0.62%

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.

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 and Mr. Zhang Peng's interest in 12,645,000 Shares) is held pursuant to the share options granted under the Share Option Scheme, details of which are set out on pages 73 to 77 in this report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 14 June 2013. A summary of the principal terms and conditions of the Share Option Scheme is set out as follows:

The purpose of the Share Option Scheme is to motivate the eligible participants to optimise their performance efficiency for the benefit of the 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 the Group.

The participants of the Share Option Scheme include:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers and agents of the Company or any of its subsidiaries.

Pursuant to the Share Option Scheme, the Company may grant share options to eligible participants entitling them to subscribe for up to 278,991,940 Shares, representing 10% of the total number of issued shares as at the date on which the resolution regarding the refreshment of the scheme mandate limit under the Share Option Scheme was passed at the annual general meeting held on 19 June 2018, being 2,789,919,400 Shares. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the eligible participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), and the information as required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such eligible participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which our Board proposes to grant the options to such eligible participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such eligible participant an offer document in such form as the Board may from time to time determine.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The minimum period, if any, for which an option must be held before it may be exercised will be determined by the Board in its absolute discretion. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

If the participant granted with the option is a Director, chief executive or substantial Shareholder of the Company or any of their associates, such grant shall be subject to the approval of independent non-executive Directors (other than the independent non-executive Directors granted with options). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years up to 13 June 2023.

During the year from 1 January 2018 to 31 December 2018, the changes in the share options granted by the Company under the Share Option Scheme are as follows:

Share options movement

From 1 January 2018 to 31 December 2018

		1 January 2018 Opening	Exercised	Lapsed	31 December 2018 Closing
Tranche One Options-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
Employees		6,544,250	(994,000)	–	5,550,250
Tranche One Options– 4 September 2014		18,438,500	(994,000)	–	17,444,500
Tranche Two Options-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	Employees	25,085,000	(17,999,600)	(7,085,400)	–
Plan A		29,562,000	(18,186,600)	(11,375,400)	–
Plan B	Employees	22,275,000	(825,000)	(6,050,000)	15,400,000
Plan B		22,275,000	(825,000)	(6,050,000)	15,400,000
Tranche Two Options– 10 July 2015		51,837,000	(19,011,600)	(17,425,400)	15,400,000

		1 January 2018 Opening	Exercised	Lapsed	31 December 2018 Closing
Tranche Three Options-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
Employees		31,100,000	(1,622,500)	(7,810,000)	21,667,500
Tranche Three Options–28 September 2016		39,680,000	(1,622,500)	(7,810,000)	30,247,500
Total		**109,955,500**	**(21,628,100)**	**(25,235,400)**	**63,092,000**
Summary:					
Directors					
Zhang Lei	Tranche One Options-4 September 2014	3,539,250	–	–	3,539,250
	Tranche Two Options-10 July 2015	4,290,000	–	(4,290,000)	–
	Tranche Three Options-28 September 2016	4,290,000	–	–	4,290,000
		12,119,250	–	(4,290,000)	7,829,250
Zhang Peng	Tranche One Options-4 September 2014	8,355,000	–	–	8,355,000
	Tranche Three Options-28 September 2016	4,290,000	–	–	4,290,000
		12,645,000	–	–	12,645,000
Hui Chun Ho, Eric	Tranche Two Options-10 July 2015	187,000	(187,000)	–	–
Directors sub-total		24,951,250	(187,000)	(4,290,000)	20,474,250
Employees					
	Tranche One Options-4 September 2014	6,544,250	(994,000)	–	5,550,250
	Tranche Two Options-10 July 2015	47,360,000	(18,824,600)	(13,135,400)	15,400,000
	Tranche Three Options-28 September 2016	31,100,000	(1,622,500)	(7,810,000)	21,667,500
Employees sub-total		85,004,250	(21,441,100)	(20,945,400)	42,617,750
Total		**109,955,500**	**(21,628,100)**	**(25,235,400)**	**63,092,000**

For details of the vesting periods and exercise periods of the share options, please refer to note 37 to the consolidated financial statements.

The exercise periods of the share options may be determined by the Company at the time of the grant, and the share options shall be valid no more than 10 years from the relevant date of the grant. As at 31 December 2018, share options to subscribe for 63,092,000 Shares remained outstanding. The additional information on the Share Option Scheme is set out in note 37 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executives of the Company, as at 31 December 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 or Debentures" and "Share Option Scheme" above, 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	65.50%
Fantastic Energy Ltd.	Interest in a controlled corporation *(Note 1)*	1,827,293,270	65.50%
TMF (Cayman) Limited	Trustee *(Note 1)*	1,827,293,270	65.50%
Mr. Salum Zheng Lee	Settlor of a discretionary trust *(Note 1)*	1,827,293,270	65.50%
Ms. Zhang Degui	Interest of a spouse *(Note 2)*	1,827,293,270	65.50%
China Cinda (HK) Asset Management Co., Limited	Registered holder *(Note 3)*	267,885,500	9.60%
China Cinda (HK) Holdings Company Limited	Interest in a controlled corporation *(Note 3)*	267,885,500	9.60%
China Cinda Asset Management Co., Ltd.	Interest in a controlled corporation *(Note 3)*	267,885,500	9.60%
China Great Wall AMC (International) Holdings Company Limited	Registered holder *(Note 4)*	190,159,200	6.82%
China Great Wall Asset Management Co. Ltd.	Interest in a controlled corporation *(Note 4)*	190,159,200	6.82%

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.

Note 3: China Cinda (HK) Asset Management Co., Limited is wholly-owned by China Cinda (HK) Holdings Company Limited, which in turn is wholly-owned by China Cinda Asset Management Co., Ltd. Accordingly, each of China Cinda Asset Management Co., Ltd. and China Cinda (HK) Holdings Company Limited is deemed to be interested in an aggregate of 267,885,500 Shares held by China Cinda (HK) Asset Management Co., Limited.

Note 4: China Great Wall AMC (International) Holdings Company Limited is wholly-owned by China Great Wall Asset Management Co. Ltd. Accordingly, China Great Wall Asset Management Co. Ltd. is deemed to be interested in an aggregate of 190,159,200 Shares held by China Great Wall AMC (International) Holdings Company Limited.

Save as disclosed above, as at 31 December 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.

COMPLIANCE WITH NON-COMPETITION DEED

Each of Mr. Zhang Lei and Mr. Salum Zheng Lee, the ultimate controlling Shareholders, has confirmed that save for the Modern Building Business Hotel project, none of them is engaged in, or is interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the Group's businesses. To protect the Group from any potential competition, the controlling Shareholders entered into an irrevocable non-competition deed (the "Non-competition Deed") in favour of the Company on 14 June 2013, pursuant to which each of them has, among other matters, irrevocably and unconditionally undertaken with the Company on a joint and several basis that at any time during the Relevant Period (Note 1), each of them shall, and shall procure that his/its respective associates (other than the Group) shall:

(i) save for Other Business (Note 2), not, directly or indirectly, participate in, carry on, invest in or be engaged in any business including without limitation any property development business in the PRC and the U.S. which will or may compete with the business currently and from time to time engaged by the Group (the "Restricted Business");

(ii) not solicit any existing or then existing employee of the Group for employment by them or their respective associates (excluding the Group);

(iii) not, without our consent, make use of any information pertaining to the business of the Group which may have come to their knowledge in their capacity as the controlling Shareholders and/or Directors for the purpose of competing with the Restricted Business; and

(iv) in respect of unsolicited enquiries or business opportunities coming to their knowledge, unconditionally use reasonable endeavors to procure that such potential customers appoint or contact directly with any member of the Group.

In order to properly manage any potential or actual conflict of interests between the Group and our controlling Shareholders in relation to the compliance and enforcement of the Non-competition Deed, the Company has adopted the following corporate governance measures:

(i) the independent non-executive Directors will review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-competition Deed by the controlling Shareholders; and

(ii) the Company will disclose in the corporate governance report of the annual report, the Group's compliance measures and enforcement measures relating to the Non-competition Deed.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the controlling Shareholders and their respective associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Deed provided by each of Mr. Zhang Lei and Mr. Salum Zheng Lee, each of them confirmed that during the period from 1 January to 31 December 2018, all relevant terms of the Non-competition Deed have been fully complied with in all material respects.

The independent non-executive Directors, upon their review, confirmed that effective compliance with and enforcement of terms of the Non-competition Deed had been conducted by the controlling Shareholders in 2018.

Note 1: "Relevant Period" means the period commencing from 12 July 2013 and shall expire upon the earliest date of occurrence of the events below:

(a) the date on which Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land Holdings Limited, Fantastic Energy Ltd. and TMF (Cayman) Limited (individually or taken as a whole) cease to be controlling Shareholders for the purpose of the Listing Rules; and

(b) the date on which the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;

Note 2: "Other Business" refers to:

(a) any direct or indirect investment of Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land Holdings Limited, Fantastic Energy Ltd. and TMF (Cayman) Limited and/or their respective associates (excluding the Group) in any member of the Group;

(b) any direct or indirect investment of Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land Holdings Limited, Fantastic Energy Ltd. and TMF (Cayman) Limited and/or their respective associates (excluding our Group) in shares of a publicly listed company (other than any member of our Group) whereby

(i) the aggregate interests held by him/it and/or his/its associates shall not exceed 5% of the entire issued share capital of that company;

(ii) none of him/it and/or his/its associates (individually or taken as a whole) will be the single largest shareholder or equity holder of that company; and

(iii) none of him/it and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries; and

(c) the Modern Building Business Hotel project.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as at 31 December 2018, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions

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

2. On 5 November 2018, Jiujiang Modern Green as the vendor and Jiangxi First Estate as the purchaser entered into the Sale and Purchase Agreements pursuant to which Jiangxi First Estate agreed to acquire and Jiujiang Modern Green agreed to sell the properties totaling approximately 1,038 sq.m. located at Jiujiang City, Jiangxi Province, the PRC at the total consideration of RMB11,735,667.77. For details, please refer to the announcement of the Company dated 5 November 2018.

Note: Mutually agreed by all parties, the Transaction was cancelled based on the termination agreement signed by Modern Land No., 7, Modern Commercial and Kunyuan International on 4 March 2019. For details, please refer to the announcement of the Company dated 4 March 2019.

Continuing connected transactions

(i) Property Management Services

During the year ended 31 December 2018, certain subsidiaries of First Moma Asset Management (Beijing) Co., Ltd. ("First Moma Asset", together with its subsidiaries, the "First Moma Asset Group") had provided property management services to the Group. First Moma Asset is indirectly owned as to more than 30% by Mr. Zhang Lei, the Chairman, an executive Director and a controlling Shareholder, hence a connected person of the Company. Transactions between First Moma Asset Group and the Group constitute continuing connected transactions of the Company.

On 13 May 2015, First Moma Asset Group and the Company entered into a master agreement for the provision of property management services to the Group commenced on 1 January 2015 and ended on 31 December 2017 (the "Previous Master Property Management Agreement"). On 8 August 2017, the same parties entered into a renewed master agreement for the provision of property management services to the Group commenced on 8 August 2017 and ending on 31 December 2019 (the "Master Property Management Agreement") whilst the Previous Master Property Management Agreement was terminated.

It is envisaged that from time to time and as required, members of the Group will enter into individual property management services agreements with members of First Moma Asset Group which will set out specific terms and conditions such as the type of management service required, service fee and service period. The management fees will be determined by the parties having regard to the area of the properties served, fair market prices, historical management fees and costs of management services as required under the individual property management services agreement to be entered into between members of the Group and members of First Moma Asset Group.

It is expected that the aggregate annual property management fees payable by the Group to First Moma Asset Group in relation to the Master Property Management Agreement for each of the three years ending 31 December 2017, 2018 and 2019 will not exceed RMB150 million respectively. The annual caps for the three years ending 31 December 2017, 2018 and 2019 were determined by the Directors with reference to the historical management fees under the Previous Master Property Management Agreement and a number of factors including: the fair market price, the costs associated with the expected area of the projects to be completed, including the property management fees payable by us in respect of the clubhouses, office districts, sales offices and vacant car parks and properties, costs of labour for the provision of cleaning, maintenance and security services, costs for setting up show flats, costs of heating, fresh air displacement ventilation fees, costs incurred as a result of reduced small owners' property management fees, costs of installation and maintenance services of elevators, costs of operation and provision of catering services for staff. In addition to the management of properties of completed projects, property management services provided by the connected parties include, among others, the setting up and management of sales offices and the management and maintenance of vacant properties prior to sale in respect of the projects which are under development.

The aggregate amounts of the property management fees paid by the Group was approximately RMB142.72 million for the year ended 31 December 2018, which did not exceed the annual cap for the year ended 31 December 2018 for this transaction.

(ii) Lease of Properties

The Company entered into the following leases (the "Leases") relating to the leasing of the properties to certain connected persons of the Company:

Lease of certain portion of 3rd floor, Block 8, Wan Guo Cheng MOMΛ, Beijing

First Estate Service (Beijing) Co., Ltd. ("Beijing First Estate") is owned indirectly by Mr. Zhang Lei and hence a connected person of the Company. Modern Green Development entered into a tenancy agreement with Beijing First Estate on 28 March 2013, pursuant to which Beijing Green Development agreed to let the property at 3rd floor, Block 8, Wan Guo Cheng MOMΛ, Beijing, the PRC with a leased area of approximately 458 sq. m. to Beijing First Estate for a term of three years commencing from 28 March 2013 to 27 March 2016 at a rental of RMB66,722 per month. The parties to the tenancy agreement have renewed the tenancy agreement on a yearly basis starting from 28 March 2016 at a rental of RMB66,722 per month.

Lease of Shop Nos. 106-109, 1/F., Complex Building at iMOMA, Anningzhuang West Road, Qinghe, Haidian District, Beijing

Beijing Moma Preschool Education Technology Operations Co., Ltd. ("Beijing Moma Preschool") is owned indirectly by Mr. Zhang Lei and hence a connected person of the Company. Modern Real Estate entered into a tenancy agreement with Beijing Moma Preschool on 12 April 2011 (the "iMOMA Preschool Lease Agreement"), pursuant to which Modern Real Estate agreed to let the property at Shop Nos. 106-109, 1/F., Complex Building at iMOMA, Anningzhuang West Road, Qinghe, Haidian District, Beijing, the PRC with a leased area of approximately 580 sq.m. to Beijing Moma Preschool for a term of five years commenced from 1 April 2011 to 31 March 2016 at a rental of RMB21,177 per month with a three-month rent free period from 1 April 2011 to 30 June 2011. The parties to the tenancy agreement have renewed the tenancy agreement for a term of three years from 1 April 2016 to 31 March 2019 at a rental of RMB31,765 per month. The property is used for the operation of a preschool.

Lease to First Moma Asset Group

On 13 May 2015, First Moma Asset and the Company entered into a master agreement for the leasing of certain properties of the Group to members of the First Moma Asset Group commenced on 1 January 2015 and ended on 31 December 2017 (the "Previous Master Lease Agreement"). On 8 August 2017, the same parties entered into a renewed master agreement for the leasing of certain properties of the Group to members of the First Moma Asset Group commenced on 8 August 2017 and ending on 31 December 2019 (the "Master Lease Agreement") whilst the Previous Master Lease Agreement was terminated.

It is envisaged that, from time to time and as required, members of the Group will enter into individual lease agreements with members of the First Moma Asset Group, which will set out specific terms and conditions such as relevant property, rental fees and rental period.

It is expected that the aggregate annual rental fees payable to the Group under the Master Lease Agreement for each of the three years ending 31 December 2017, 2018 and 2019 will not exceed RMB3 million respectively, which have been determined by reference to rental fees of comparable properties in the locality as well as similar locations, the prevailing market rates and expected growth of rental fee in the PRC property market.

The aggregate rental fee received by the Group was approximately RMB1.25 million for the year ended 31 December 2018, which did not exceed the annual cap for the year ended 31 December 2018 for this transaction.

(iii) Contracting Services

During the year ended 31 December 2018, First Moma Renju Construction Engineering (Beijing) Co., Ltd. ("First Moma Renju Construction") and certain subsidiaries of First Moma Renju Environmental Technology (together with its subsidiaries, the "First Moma Renju Group") had provided contracting services to the Group. First Moma Renju Construction is wholly-owned by First Moma Renju Environmental Technology, which is indirectly owned as to more than 30% by Mr. Zhang Lei, hence each of First Moma Renju Construction and First Moma Renju Environmental Technology is a connected person of the Company. Transactions between First Moma Renju Group and the Group constitute continuing connected transactions of the Company.

On 8 August 2017, First Moma Renju Construction and the Company entered into a master agreement for the provision of contracting services to the Group commenced on 8 August 2017 and ending on 31 December 2019 (the "Master Contracting Services Agreement").

It is envisaged that from time to time and as required, members of the Group will enter into individual contracting services agreements with members of First Moma Renju Group which will set out specific terms and conditions such as particulars of the service, service fee, payment terms and method, quality standard and service period. The service fees will be determined by the parties having regard to the type of the properties developed by the Group, fair market prices, materials costs, labor costs and reasonable profit of the contracting services as required under the individual contracting services agreement to be entered into between members of the Group and members of First Moma Renju Group.

It is expected that the aggregate annual contracting services fees payable by the Group to First Moma Renju Group in relation to the Master Contracting Services Agreement for the three years ending 31 December 2017, 2018 and 2019 will not exceed RMB15 million, RMB20 million and RMB20 million, respectively. The annual caps for the three years ending 31 December 2017, 2018 and 2019 were determined by the Directors with reference to the estimated scale of the properties to be completed by the Group, the prevailing market rate for provision of similar contracting services, the expected demand of the haze clearing instruments, the estimated installation fee for each haze clearing instrument and the estimated costs of materials and labor.

The aggregate amounts of the contracting services fees paid by the Group was RMB4.75 million for the year ended 31 December 2018, which did not exceed the annual cap for the year ended 31 December 2018 for this transaction.

(iv) *Energy-saving Advisory*

During the year ended 31 December 2018, First Moma Renju Group had provided green construction energy-saving technology advisory services to the Group.

On 8 August 2017, First Moma Renju Environmental Technology and the Company entered into a master agreement for the provision of green construction energy-saving technology advisory services to the Group commenced on 8 August 2017 and ending on 31 December 2019 (the "Master Energy-saving Advisory Agreement").

It is envisaged that from time to time and as required, members of the Group will enter into individual energy-saving advisory services agreements with members of First Moma Renju Group which will set out specific terms and conditions such as particulars of the service, service fee, payment terms and method, quality standard and service period. The service fees will be determined by the parties having regard to the type of the properties developed by the Group, the strategic prices corresponding to the prevailing market prices of similar services and actual area that the energy-saving advisory service is applied as required under the individual energy-saving advisory services agreement to be entered into between members of the Group and members of First Moma Renju Group.

It is expected that the aggregate annual advisory services fees payable by the Group to First Moma Renju Group in relation to the Master Energy-saving Advisory Agreement for the three years ending 31 December 2017, 2018 and 2019 will not exceed RMB15 million, RMB20 million and RMB20 million, respectively. The annual caps for the three years ending 31 December 2017, 2018 and 2019 were determined by the Directors with reference to the estimated scale of the area that the advisory services will be applied and the strategic prices corresponding to the prevailing market rate for provision of similar advisory services.

The aggregate amounts of the advisory services fees paid by the Group was approximately RMB7.90 million for the year ended 31 December 2018, which did not exceed the annual cap for the year ended 31 December 2018 for this transaction.

Annual review and confirmation in pursuance of Rules 14A.55 and 14A.56 of the Listing Rules

The independent non-executive Directors have reviewed and confirmed in pursuance of Rule 14A.55 of the Listing Rules that the continuing connected transactions of the Group during the year were carried out (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms at which the transactions are either on an arm's length basis or on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

To comply with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to confirm the followings in respect of the continuing connected transactions set out above:

(i) nothing has come to the attention of the auditor that causes them to believe that the continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the auditor that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to the attention of the auditor that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the auditor that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Others

The continuing connected transactions disclosed above also constitute related party transactions under the International Financial Reporting Standards. A summary of significant related party transactions carried out during the year is disclosed in note 38 to the consolidated financial statements.

The Board confirms that the Company has complied with the requirements of the Listing Rules in relation to the disclosure of the aforementioned connected transactions or continuing connected transactions.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries and its jointly controlled entities has purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands.

RETIREMENT BENEFIT SCHEME

The Group had joined a mandatory provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from the funds of the Group in funds and are managed by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make corresponding contributions at the rates specified by the MPF Scheme. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

UPDATED INFORMATION OF DIRECTORS DISCLOSED PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

After all reasonable inquiries, the Board is not aware of any information discloseable under Rule 13.51B(1) of the Listing Rules since the date of the Company's annual report for 2017.

BANK AND OTHER BORROWINGS, SENIOR NOTES AND CORPORATE BOND

Particulars of bank and other borrowings, senior notes and corporate bond of the Group as at 31 December 2018 are set out in notes 27, 28 and 29 to the consolidated financial statements respectively.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and the Management Discussion and Analysis section respectively from pages 8 to 15 and pages 18 to 40 of this report.

The future development of the Group's business is discussed throughout this report including the Chairman's Statement from pages 8 to 15 of this report and the Management Discussion and Analysis section from pages 18 to 40 of this report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in this report in the Environmental, Social and Governance Report and the Management Discussion and Analysis section. This discussion forms part of this Directors' Report.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has maintained appropriate Directors' liability insurance coverage for the Directors during the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. All Directors confirmed that they complied with the required standards set out in the Model Code during the year under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the year.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the internal controls and consolidated financial statements of the Group. The members of the Audit Committee are satisfied with the Company's internal control procedures and the consolidated financial statements for the year ended 31 December 2018.

AUDITOR

KPMG will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the 2019 AGM.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 43 to the consolidated financial statements.

On behalf of the Board
Zhang Lei
Chairman

11 March 2019

** The English names are for identification purposes only.*

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Modern Land (China) Co., Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Modern Land (China) Co., Limited ("the Company") and its subsidiaries ("the Group") set out on pages 97 to 219, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties

Refer to Note 13 to the consolidated financial statements and the accounting policies on page 131.

The Key Audit Matter	How the matter was addressed in our audit
The Group held investment properties with a total carrying amount of RMB2,129 million as at 31 December 2018, which accounted for 4.0% of the Group's total assets as at that date. The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss and other comprehensive income represented 9.4% of the Group's profit before taxation for the year ended 31 December 2018. The investment properties principally comprise retail properties mainly located in tier 1 and tier 2 cities in Mainland China. The fair values of investment properties as at 31 December 2018 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates.	Our audit procedures to assess the valuation of investment properties included: • evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity; • meeting the external property valuer to assess the approach to the valuations and the conclusions reached, inspecting management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer; • assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer;

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties

Refer to Note 13 to the consolidated financial statements and the accounting policies on page 131.

The Key Audit Matter	How the matter was addressed in our audit
We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the net changes in fair value of investment properties to the Group's profit before taxation and because determining the fair values of investment properties involves a significant degree of judgement and could be subject to management bias.	• involving our internal valuation specialists to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted, challenging the assumptions adopted, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the same location and condition, by comparing these against market available data and government produced market statistics, and considering the possibility of management bias in the selection of assumptions adopted; • comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and • considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

Assessing the net realisable value of properties under development for sale and properties held for sale	
Refer to Notes 19 and 20 to the consolidated financial statements and the accounting policies on page 134.	
The Key Audit Matter	**How the matter was addressed in our audit**
The carrying value of properties under development for sale and properties held for sale totalled RMB26,078 million as at 31 December 2018, which accounted for 48.6% of the Group's total assets as at that date. Properties under development for sale and properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 1 and tier 2 cities in Mainland China, and are stated at the lower of cost and net realisable value. The assessment of the net realisable value of properties under development for sale and properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions.	Our audit procedures to assess the net realisable value of properties under development for sale and properties held for sale included: • evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project; • conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to market available data about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;

INDEPENDENT AUDITOR'S REPORT

Assessing the net realisable value of properties under development for sale and properties held for sale

Refer to Notes 19 and 20 to the consolidated financial statements and the accounting policies on page 134.

The Key Audit Matter	How the matter was addressed in our audit
Current property market cooling measures imposed by the local governments in certain cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities. We identified assessing the net realisable value of properties under development for sale and properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value require a significant degree of management judgement and could be subject to error or management bias.	• assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods and by comparing forecast selling prices as at 31 December 2018 with actual prices achieved subsequent to the end of the reporting period; • challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of a similar type and size and in a similar location; and • evaluating the sensitivity analyses performed by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
11 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Revenue	5	**9,337,650**	8,506,328
Cost of sales		**(7,167,052)**	(6,716,111)
Gross profit		**2,170,598**	1,790,217
Other income, gains and losses	6	**206,814**	652,518
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties	13	**65,150**	27,883
Changes in fair value of investment properties, net	13	**67,072**	74,307
Selling and distribution expenses		**(432,719)**	(300,682)
Administrative expenses		**(574,141)**	(479,220)
Finance costs	7	**(257,845)**	(393,189)
Share of gains/(losses) of joint ventures	16	**161,809**	(7,021)
Share of losses of associates	15	**(1,833)**	(6,898)
Profit before taxation		**1,404,905**	1,357,915
Income tax expense	8	**(742,644)**	(531,376)
Profit for the year	9	**662,261**	826,539

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Other comprehensive income for the year:			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of owner-occupied properties upon transfer to investment properties		–	5,676
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of nil tax		**19,480**	(8,268)
Total comprehensive income for the year		**681,741**	823,947
Profit for the year attributable to:			
Owners of the Company		**524,791**	705,999
Non-controlling interests		**137,470**	120,540
		662,261	826,539
Total comprehensive income attributable to:			
Owners of the Company		**544,271**	703,407
Non-controlling interests		**137,470**	120,540
		681,741	823,947
Earnings per share, in Renminbi cents:			
Basic	12	**18.9**	25.6
Diluted	12	**18.8**	25.6

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 3(b).

The notes on pages 109 to 219 form part of these financial statements. Details of dividends payable to owners of the Company attributable to the profit for the year are set out in Note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current assets			
Investment properties	13	**2,128,610**	1,965,000
Property, plant and equipment	14	**472,477**	483,613
Intangible assets		**2,436**	2,302
Freehold land held for future development		**31,980**	29,732
Interests in associates	15	**112,984**	106,664
Interests in joint ventures	16	**2,430,885**	2,698,333
Loans to joint ventures	16	**5,455,094**	3,190,116
Other non-current financial assets	17	**60,085**	50,085
Deferred tax assets	18	**751,306**	421,242
		11,445,857	8,947,087
Current assets			
Inventories and other contract costs		**64,924**	7,263
Properties under development for sale	19	**23,764,203**	20,173,043
Properties held for sale	20	**2,314,191**	2,396,366
Trade and other receivables, deposits and prepayments	22	**5,969,034**	3,009,880
Amounts due from related parties	38(a)	**353,541**	227,391
Restricted cash	23	**2,983,945**	2,876,247
Bank balances and cash	24	**6,733,265**	7,533,713
		42,183,103	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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Current liabilities			
Trade and other payables, deposits received and accrued charges	25	**9,094,513**	16,846,552
Contract liabilities	21	**16,918,562**	–
Amounts due to related parties	38(b)	**1,564,072**	2,550,226
Taxation payable	26	**2,285,403**	1,939,709
Bank and other borrowings – due within one year	27	**5,550,716**	5,234,810
Senior notes – due within one year	28	**3,286,031**	1,478,140
		38,699,297	28,049,437
Net current assets		**3,483,806**	8,174,466
Total assets less current liabilities		**14,929,663**	17,121,553
Capital and reserves			
Share capital	31	**175,341**	173,932
Reserves		**5,498,341**	5,003,879
Equity attributable to owners of the Company		**5,673,682**	5,177,811
Non-controlling interests		**1,908,277**	1,838,963
Total equity		**7,581,959**	7,016,774

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 – (Expressed in Renminbi)

	Note	**2018** **RMB'000**	2017 *(Note)* RMB'000
Non-current liabilities			
Bank and other borrowings – due after one year	27	**3,731,390**	5,284,320
Senior notes – due after one year	28	**2,327,846**	3,215,818
Corporate bond	29	**1,032,175**	1,027,672
Long term payables	30	**–**	334,711
Deferred tax liabilities	18	**256,293**	242,258
		7,347,704	10,104,779
		14,929,663	17,121,553

Approved and authorised for issue by the board of directors on 11 March 2019.

Zhang Lei
Director

Zhang Peng
Director

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 – (Expressed in Renminbi)

	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 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 3)	-	-	-	-	-	-	-	62,771	62,771	39,286	102,057
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**
Exchange differences on translating foreign operations	-	-	-	-	-	-	19,480	-	19,480	-	19,480
Other comprehensive income	-	-	-	-	-	-	19,480	-	19,480	-	19,480
Profit for the year	-	-	-	-	-	-	-	524,791	524,791	137,470	662,261
Total comprehensive income for the year	-	-	-	-	-	-	19,480	524,791	544,271	137,470	681,741
Share-based payment	-	-	-	-	(7,417)	-	-	4,011	(3,406)	-	(3,406)
Issue of shares on exercises of share options (Note 31(c))	1,409	24,057	-	-	(5,203)	-	-	-	20,263	-	20,263
Contribution from a company controlled by a shareholder (note b)	-	-	407	-	-	-	-	-	407	-	407
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	19,362	19,362
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(5,650)	(5,650)
Acquisition of additional interest in a subsidiary	-	-	12,589	-	-	-	-	-	12,589	(200,589)	(188,000)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	147,435	147,435
Appropriations to reserves (note c)	-	-	-	-	-	117,572	-	(117,572)	-	-	-
Dividend (Note 11)	-	-	-	-	-	-	-	(141,024)	(141,024)	-	(141,024)
Dividend distribution to non-controlling interest	-	-	-	-	-	-	-	-	-	(68,000)	(68,000)
At 31 December 2018	**175,341**	**820,356**	**343,066**	**40,060**	**16,197**	**585,054**	**13,786**	**3,679,822**	**5,673,682**	**1,908,277**	**7,581,959**

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 – (Expressed in Renminbi)

	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 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
Gain on revaluation of owner-occupied properties	–	–	–	5,676	–	–	–	–	5,676	–	5,676
Exchange differences on translating foreign operations	–	–	–	–	–	–	(8,268)	–	(8,268)	–	(8,268)
Other comprehensive income	–	–	–	5,676	–	–	(8,268)	–	(2,592)	–	(2,592)
Profit for the year	–	–	–	–	–	–	–	705,999	705,999	120,540	826,539
Total comprehensive income for the year	–	–	–	5,676	–	–	(8,268)	705,999	703,407	120,540	823,947
Share-based payment	–	–	–	–	14,327	–	–	–	14,327	–	14,327
Bonus issue of shares (Note 31(b))	16,613	(16,613)	–	–	–	–	–	–	–	–	–
Issue of shares on exercises of share options (Note 31(c))	860	13,353	–	–	(605)	–	–	–	13,608	–	13,608
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,730,198	1,730,198
Contribution from a company controlled by a shareholder (note b)	–	–	407	–	–	–	–	–	407	–	407
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	27,094	27,094
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(1,784)	(1,784)
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 11)	–	–	–	–	–	–	–	(186,414)	(186,414)	–	(186,414)
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	7,016,744

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 – (Expressed in Renminbi)

Notes:

(a) Pursuant to article 134 of the Company's Articles of Association, the Company is permitted to pay out final dividend 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, contribution from a company controlled by a shareholder of the Company and deemed contribution from a shareholder of the Company.

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 was RMB4,071,000. The Group recognised this transaction as staff cost and contribution from a company controlled by a shareholder amounted to RMB407,000 for the year ended 31 December 2018 (2017: RMB407,000).

(c) In accordance with the Articles of Association of certain entities established in the People's Republic of China ("PRC") now comprising the Group, 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 the existing operations or convert into additional capital of the entities.

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Operating activities			
Profit before taxation		**1,404,905**	1,357,915
Adjustments for:			
Finance costs	7	**257,845**	393,189
Interest income	6	**(110,147)**	(89,620)
Dividend income from available-for-sale investments	6	**–**	(7,073)
Depreciation of property, plant and equipment	9(b)	**25,993**	28,959
Amortisation of intangible assets	9(b)	**278**	198
Share-based payment	9(a)	**(3,406)**	14,327
Gain on disposal of subsidiaries	6	**(20,386)**	(22,765)
Gain on disposal of joint ventures	6	**(213,346)**	(42,570)
Gain on disposal of an associate	6	**–**	(147,195)
Gain on acquisition of subsidiaries		**(12,680)**	–
Fair value gain upon transfer from properties held for sale and properties under development for sale to investment properties		**(65,150)**	(27,883)
Changes in fair value of investment properties, net		**(67,072)**	(74,307)
Allowance for doubtful debts	9(b)	**38**	668
Gain on disposal of property, plant and equipment	6	**(29)**	(1,283)
Contribution from a company controlled by a shareholder, recognised as staff cost		**407**	407
Share of losses of associates		**1,833**	6,898
Share of (gains)/losses of joint ventures		**(148,529)**	7,021
Gain on re-measurement to fair value of pre-existing interest in acquirees	6	**–**	(116,988)
Gain on disposal of investment properties		**(4,343)**	(17,112)
Unrealised exchange loss/(gain), net		**214,522**	(359,485)
Operating cash flows before movements in working capital		**1,260,733**	903,301

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 – (Expressed in Renminbi)

	2018 RMB'000	2017 *(Note)* RMB'000
Movements in working capital:		
Increase in inventories and other contract costs	**(25,536)**	(2,526)
Increase in properties under development for sale and properties held for sale	**(2,905,249)**	(7,084,217)
(Increase)/decrease in trade and other receivables, deposits and prepayments	**(2,259,433)**	574,666
Decrease in amounts due from related parties	**7,247**	42,724
Increase in contract liabilities	**6,121,948**	–
Increase in trade and other payables, deposits received and accrued charges	**2,956,952**	1,975,746
Increase in amounts due to related parties	**4,229**	3,080
Cash generated from/(used in) operating activities	**5,160,891**	(3,587,226)
Income tax paid	**(782,143)**	(808,352)
Net cash generated from/(used in) operating activities	**4,378,748**	(4,395,578)

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 – (Expressed in Renminbi)

	2018 RMB'000	2017 *(Note)* RMB'000
Investing activities		
Interest received	**106,732**	89,620
Dividend received from available-for-sale investments	**–**	7,073
Purchase of other non-current financial assets	**(10,000)**	(3,735)
Purchase of property, plant and equipment	**(16,358)**	(10,590)
Purchase of intangible assets	**(412)**	(45)
Proceeds on disposal of property, plant and equipment	**1,579**	5,879
Net cash inflow from disposal of interests in joint ventures	**373,000**	50,200
Net cash (outflow)/inflow from acquisition of subsidiaries	**(190,000)**	184,634
Proceeds on disposal of an associate	**–**	147,195
Net cash inflow/(outflow) from disposals of subsidiaries	**8,386**	(5,062)
Investment in joint ventures	**(47,622)**	(1,491,355)
Proceeds on return of capital from a joint venture	**318,996**	–
Loans to joint ventures	**(2,700,010)**	(1,411,704)
Repayments from joint ventures	**560,155**	505,979
Advances to related parties	**(232,619)**	(183,712)
Repayments from related parties	**99,223**	670,455
Proceeds on disposal of investment properties	**56,343**	49,222
Increase in investment properties	**(8,853)**	(22,052)
Increase in restricted cash, net	**(107,698)**	(698,301)
Net cash used in investing activities	**(1,789,158)**	(2,116,299)

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Financing activities			
Interest paid		**(1,264,558)**	(1,142,625)
Dividend paid to owners of the Company		**(140,587)**	(185,886)
Dividend paid to a non-controlling interests		**(68,000)**	(131,075)
Repayments of bank borrowings	24(b)	**(3,225,533)**	(4,730,286)
Repayments of other borrowings	24(b)	**(2,631,380)**	(4,080,000)
New bank borrowings raised	24(b)	**1,492,792**	8,061,133
New other borrowings raised	24(b)	**3,088,780**	5,780,000
Net proceeds from issue of senior notes	24(b)	**2,198,839**	2,531,514
Repayments of senior notes	24(b)	**(1,475,942)**	(848,378)
Repayments to related parties	24(b)	**(1,482,852)**	(237,987)
Advances from related parties	24(b)	**492,469**	1,963,600
Advances from non-controlling interests	24(b)	**709,454**	1,622,420
Repayments to non-controlling interests	24(b)	**(1,070,063)**	(873,597)
Proceeds from issue of shares upon exercise of share options	31(c)	**20,263**	13,608
Return of capital to non-controlling interests		**(188,000)**	(5,000)
Capital contribution from non-controlling interests		**141,835**	1,730,198
Net cash (used in)/generated from financing activities		**(3,402,483)**	9,467,639
Net (decrease)/increase in cash and cash equivalents		**(812,893)**	2,955,762
Cash and cash equivalents at the beginning of the year		**7,533,713**	4,584,391
Effects of exchange rate changes on the balance of cash held in foreign currencies		**12,445**	(6,440)
Cash balance and cash equivalents at the end of the year	24	**6,733,265**	7,533,713

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 3(b).

The notes on pages 109 to 219 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL

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

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

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

2 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group does not anticipate that the application of these amendments, new standards and interpretations will have significant impact on the Group's consolidated financial statements. Further details of the expected impacts are discussed below.

Under IFRS 16, a lessee is required to recognise at its inception a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss and other comprehensive income. Management has initially assessed that the adoption of IFRS 16 would affect the leases of properties as a lessee currently classified as operating leases, which would result in an increase in both assets and liabilities and would impact on the timing of recognition in the statement of profit or loss and other comprehensive income over the period of the leases. As the Group's future minimum lease payments under non-cancellable operating leases are limited, therefore, the Group does not expect that the changes in accounting policies according to IFRS 16 as described above could have a significant impact on the Group's financial results upon initial implementation of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and investments in debt and equity securities (see Note 3(o)) which are measured at fair value, as explained in the accounting policies set out below.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Changes in accounting policies

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

(i) IFRS 9, *Financial instruments*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

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

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

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

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

a *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. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

a *Classification of financial assets and financial liabilities* (Continued)

	IAS 39 Carrying amount at 31 December 2017	Reclassification	IFRS 9 Carrying amount at 1 January 2018
	RMB'000	RMB'000	RMB'000
Financial assets carried at amortised cost			
Bank balances and cash	7,533,713	–	7,533,713
Trade and other receivables	1,435,896	–	1,435,896
Amounts due from related parties	227,391	–	227,391
Restricted cash	2,876,247	–	2,876,247
	12,073,247	–	12,073,247
Financial assets measured at FVOCI (non-recyclable)			
Equity securities	–	50,085	50,085
Financial assets classification as available-for-sale under IAS 39 (note)	50,085	(50,085)	–

Note: Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its all above investments at FVOCI, as these investments are held for strategic purposes (see Note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

a *Classification of financial assets and financial liabilities* (Continued)

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in Note 3(o).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b *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 Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, restricted cash and amounts due from related parties).

For further details on the Group's accounting policy for accounting for credit losses, see Notes 3(p)(i) and (ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

c Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

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

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

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

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

a. *Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

a. Timing of revenue recognition (Continued)

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.

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 qualify for recognising revenue over time. Before the adoption of IFRS 15, revenue from sale 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

a. *Timing of revenue recognition* (Continued)

- 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 IAS 18.

- 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.

b. *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

c. *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 as other contract costs included within "inventories and other contract costs", increased deferred tax liabilities by RMB8,031,000 and increased retained earnings by RMB24,094,000 at 1 January 2018.

d. *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 a above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

d. Presentation of contract assets and liabilities (Continued)

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:

(i) "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

(ii) 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.

e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018.

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 if those superseded standards had continued to apply to 2018 instead of IFRS15. These tables show only those line items impacted by the adoption of IFRS 15:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

e. *Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018.* (Continued)

	Amounts reported in accordance with IFRS 15 (A) RMB'000	Hypothetical amounts under IAS 18 (B) RMB'000	Difference: estimated impact of adoption of IFRS 15 (A)-(B) RMB'000
Line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 impact by the adoption of IFRS 15			
Revenue	9,337,650	8,733,535	604,115
Cost of sales	(7,167,052)	(6,707,473)	(459,579)
Gross profit	**2,170,598**	**2,026,062**	**144,536**
Selling and distribution expenses	(432,719)	(456,380)	23,661
Profit before taxation	**1,404,905**	**1,236,708**	**168,197**
Income tax expense	(742,644)	(655,919)	(86,725)
Profit for the year	**662,261**	**580,789**	**81,472**
Profit attributable to owners of the Company	524,791	484,443	40,348
Total comprehensive income for the year	**681,741**	**600,269**	**81,472**
Total comprehensive income attributable to owners of the Company	544,271	503,923	40,348
Earnings per share, in Renminbi ("RMB") cents:			
Basic	18.9	17.4	1.5
Diluted	18.8	17.3	1.5
Line item in the consolidated statement of financial position at 31 December 2018 impacted by the adoption of IFRS 15:			
Deferred tax assets	751,306	804,622	(53,316)
Total non-current assets	**11,445,857**	**11,499,173**	**(53,316)**
Properties under development for sale	23,764,203	24,639,834	(875,631)
Inventories and other contract costs	64,924	9,137	55,787
Total current assets	**42,183,103**	**43,002,947**	**(819,844)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

e. *Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018.* (Continued)

	Amounts reported in accordance with IFRS 15 (A) RMB'000	Hypothetical amounts under IAS 18 (B) RMB'000	Difference: estimated impact of adoption of IFRS 15 (A)-(B) RMB'000
Trade and other payables, deposits received and accrued charges	9,094,513	27,182,630	(18,088,117)
Contract liabilities	16,918,562	–	16,918,562
Total current liabilities	**38,699,297**	**39,868,852**	**(1,169,555)**
Net current assets	**3,483,806**	**3,134,095**	**349,711**
Total assets less current liabilities	**14,929,663**	**14,633,268**	**296,395**
Reserves	5,498,341	5,395,221	103,120
Total equity attributable to owners of the Company	**5,673,682**	**5,570,562**	**103,120**
Non-controlling interests	**1,908,277**	**1,827,867**	**80,410**
Total equity	**7,581,959**	**7,398,429**	**183,530**
Deferred tax liabilities	256,293	143,428	112,865
Total non-current liabilities	**7,347,704**	**7,234,839**	**112,865**
Line item in the reconciliation of profit before taxation to cash generated from operations for the year ended 31 December 2018 impact by the adoption of IFRS 15:			
Profit before taxation	1,404,905	1,236,708	168,197
Increase in properties under development and properties held for sale	(2,905,249)	(3,389,195)	483,946
Increase in inventories and other contract costs	(25,536)	(1,874)	(23,662)
Increase in trade and other payables, deposits received and accrued charges	2,956,952	9,707,382	(6,750,430)
Increase in contract liabilities	6,121,948	–	6,121,948

The significant differences arise as a result of the changes in accounting polices described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

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

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

(c) Change in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests will be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). When the Group loses control of a subsidiary, it is accounted for as a disposed of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(o)) or, where appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 3 (e)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in associates and joint ventures (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(o)). The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income

Income is classified by the group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrue separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accredited on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue arising from the sale of properties with full payment in advance before the construction of respective properties are completed are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual construction costs incurred relative to the estimated total construction costs.

Revenue arising from the sale of properties other than those with full payment in advance is recognised when legal assignment is complete, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see Note 3(n)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income (Continued)

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance 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 IAS 23, *Borrowing Costs*, in accordance with the policies set out in Note 3(r), if significant.

In the comparative period, revenue from sale 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. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under trade and other payables and no interest expense was accrued on payments received in advance. The change in accounting policy for accruing interest on payments in advance does not have any material impact on the Group's opening balances as at 1 January 2018.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Revenue from hotel accommodation, food and beverage sales and other ancillary services is recognised when the services are rendered.

Other service income is recognised when the services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income (Continued)

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(g) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Where properties held for sale transferred to investment properties when there is a change of intention to hold the property to earn rentals or/and capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and fair value of that item at the date of transfer is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any recognised impairment losses.

Properties in the course of construction for production, supply or administrative purpose are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

(i) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(k) Freehold land held for future development

The freehold land held for future development represents parcels of land owned by the Group for the purpose of development of properties for sale. The freehold land is initially recognised at cost and not depreciated. It would be transferred to properties under development for sale upon commencement of the related construction work in property development project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

– ***Property under development for sale***

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 3(r)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– ***Completed property held for resale***

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 3(l)), property, plant and equipment (see Note 3(h)) or intangible assets (see Note 3(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 3(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 3(f)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3(f)).

(o) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 40(c). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Other investments in debt and equity securities (Continued)

(A) Policy applicable from 1 January 2018

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 3(f).

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in Note 3(f). Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see Note 3(p)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, restricted cash and amounts due from related parties).

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs (Continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 3(f) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income (Continued)

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

  Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 3(p)(i) and (ii)).

(q) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expenses on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principle set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

(u) Retirement benefit costs

Payments to defined contribution retirement benefits scheme under the state-managed retirement benefit scheme in PRC are charged as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Share-based payment transactions

Equity-settled share-based payment transactions with employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(w) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are a joint venture of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidences of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation where involves, inter alia, certain estimates including market prices, prevailing market rents for comparable properties in the same location and condition, appropriate discount rate and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the end of each reporting period.

(b) Write-down of completed properties held for sale and properties under development for sale

Management performs a regular review on the carrying amount of completed properties held for sale and properties under development for sale. Based on management's review, write-down of completed properties held for sale and properties under development for sale will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties held for sale and properties under development for sale, management refers to prevailing market data such as recent sales transactions as the basis for evaluation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Income tax expense

Deferred tax assets of approximately RMB751,306,000 (2017: RMB421,242,000) mainly in relation to tax losses, land appreciation tax provisions, allowance for bad and doubtful debts, write-down of properties held for sale, advertising expenses, temporary differences on property sales and cost of sales and others have been recognised at 31 December 2018 as set out in Note 18. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. The directors of the Company have reviewed the assumptions and profit projections at the end of the reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a recognition or reversal takes place.

(d) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(e) Revenue recognition

As explained in policy Note 3(f), revenue from the sale of properties with full payment in advance before the construction of respective properties are completed are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

In the comparative period, revenue from sale 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.

5 REVENUE AND SEGMENT INFORMATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 REVENUE AND SEGMENT INFORMATION (Continued)

Entity-wide information

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

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	**9,043,504**	8,282,941
Real estate agency services	**106,900**	68,690
Project management	**49,410**	13,162
Hotel operation	**71,813**	67,608
Other services	**1,928**	14,371
	9,273,555	8,446,772
Property investment	**64,095**	59,556
	9,337,650	8,506,328
Disaggregated by timing of revenue recognition		
Point in time	**7,832,707**	8,506,328
Over time (note)	**1,504,943**	–
	9,337,650	8,506,328

Note: Out of the above revenue recognised over time, RMB564,175,000 is related to properties completed and delivered to customers during 2018. As detailed in Note 3(b)(ii)e, hypothetical revenue of these properties for the year ended 31 December 2018 under IAS 18 would be RMB900,828,000.

Geographic information

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 OTHER INCOME, GAINS AND LOSSES

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

Notes:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7 FINANCE COSTS

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

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

8 INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax		
PRC Corporate Income Tax	**(791,072)**	(501,578)
Land appreciation tax ("LAT")	**(357,725)**	(164,343)
Deferred tax (Note 18)	**395,484**	128,739
Over-provision of PRC Corporate Income Tax in respect of prior years	**10,669**	5,806
Income tax expense	**(742,644)**	(531,376)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8 INCOME TAX EXPENSE (Continued)

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

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

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

9 PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging/ (crediting):		
(a) Staff cost		
Salaries, wages and other benefits	**404,197**	328,482
(Reversal of)/equity-settled share based payment expenses (Note 37)	**(3,406)**	14,327
	400,791	342,809
(b) Other items		
Depreciation of property, plant and equipment recognised in profit and loss	**25,993**	28,959
Amortisation of intangible assets	**278**	198
Operating lease rentals	**23,951**	15,026
Auditors' remuneration		
– Audit services	**6,010**	5,770
– Non-audit services	**180**	180
Allowance for doubtful debts	**38**	668
Cost of properties held for sale	**7,069,585**	6,651,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Directors' fee RMB'000	Basic salaries and allowance RMB'000	Bonus RMB'000	Retirement benefit contribution RMB'000	Share-based payment RMB'000	Total RMB'000
Year ended 31 December 2018						
Name of director						
Executive Directors						
Zhang Lei	**–**	**2,255**	**2,235**	**51**	**357**	**4,898**
Zhang Peng	**–**	**2,259**	**2,371**	**64**	**466**	**5,160**
Chen Yin	**–**	**898**	**349**	**–**	**–**	**1,247**
Non-executive Directors						
Fan Qingguo	**160**	**–**	**–**	**–**	**–**	**160**
Chen Zhiwei	**–**	**–**	**–**	**–**	**–**	**–**
Chen Anhua	**–**	**–**	**–**	**–**	**–**	**–**
Independent non-executive Directors						
Cui Jian	**175**	**–**	**–**	**–**	**–**	**175**
Hui Chun Ho, Eric	**175**	**–**	**–**	**–**	**4**	**179**
Qin Youguo	**175**	**–**	**–**	**–**	**–**	**175**
Zhong Bin	**175**	**–**	**–**	**–**	**–**	**175**
	860	**5,412**	**4,955**	**115**	**827**	**12,169**
Year ended 31 December 2017						
Name of director						
Executive Directors						
Zhang Lei	–	1,774	1,085	51	907	3,817
Zhang Peng	–	1,774	1,093	51	828	3,746
Chen Yin	–	903	321	–	–	1,224
Non-executive Directors						
Fan Qingguo	160	–	–	–	–	160
Zhong Tianxiang (resigned on 7 July 2017)	93	–	–	–	–	93
Chen Zhiwei	–	–	–	–	–	–
Chen Anhua (appointed on 27 January 2017)	–	–	–	–	–	–
Independent non-executive Directors						
Cui Jian	167	–	–	–	–	167
Hui Chun Ho, Eric	167	–	–	–	34	201
Qin Youguo	167	–	–	–	–	167
Zhong Bin (appointed on 27 January 2017)	155	–	–	–	–	155
	909	4,451	2,499	102	1,769	9,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

Mr. Zhang Lei is the Chairman of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman.

Mr. Zhang Peng is the President of the Company and his emoluments disclosed above include those for services rendered by him as the President.

Mr. Chen Yin is the Chief Technology Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Technology Officer.

The bonus is determined by the management with reference to the Group's operating results, individual performance and prevailing market conditions.

The share-based payments are estimated value of the share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 3(v) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

No directors waived any emoluments during the years ended 31 December 2018 and 2017.

Five highest paid individuals

The five highest paid individuals included 2 directors for the year ended 31 December 2018 (2017: 2 directors). The emoluments of the remaining 3 highest paid individuals for the year ended 31 December 2018 (2017: remaining 3 highest paid individuals) are as follows:

	2018 **RMB'000**	2017 RMB'000
Employees		
– Basic salaries and allowances	**3,811**	4,154
– Bonus	**1,681**	2,737
– Share-based payment	**409**	1,178
– Retirement benefit contributions	**153**	152
	6,054	8,221

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid individuals (Continued)

The emoluments of the remaining highest paid individuals are within the following bands:

	2018	2017
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	1

11 DIVIDEND

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 DIVIDEND (Continued)

(iii) Bonus issue

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

12 EARNINGS PER SHARE

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 INVESTMENT PROPERTIES

	Properties under construction RMB'000	Completed properties RMB'000	Total RMB'000
Fair value:			
At 1 January 2017	78,160	1,741,840	1,820,000
Additions	22,052	–	22,052
Transfer from properties under development for sale and completed properties held for sale	46,751	15,000	61,751
Transfer from property, plant and equipment	–	19,000	19,000
Transfer to completed properties	(50,000)	50,000	–
Net change in fair value recognised in profit or loss	4,197	70,110	74,307
Disposals	–	(32,110)	(32,110)
At 31 December 2017 and 1 January 2018	101,160	1,863,840	1,965,000
Additions	8,853	–	8,853
Transfer from completed properties held for sale	–	139,685	139,685
Transfer to completed properties	(124,160)	124,160	–
Net change in fair value recognised in profit or loss	14,147	52,925	67,072
Disposals	–	(52,000)	(52,000)
At 31 December 2018	–	2,128,610	2,218,610

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. The investment properties are all situated in the PRC. The lease terms of land on which the investment properties are situated range from 40 to 50 years.

The Group had pledged investment properties of RMB559,232,000 (2017: RMB274,110,000) at 31 December 2018 to secure certain banking facilities granted to the Group as set out in Note 33.

At 31 December 2018, the amount transferred from properties held for sale upon change in use included the cost of the properties held for sale amounted to RMB74,535,000 (2017: the cost of the properties held for sale and properties under development for sale amounted to RMB33,868,000) with fair value gain of approximately RMB65,150,000 (2017: RMB27,883,000) based on valuation performed at the respective dates of transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties at the respective dates of transfer and as at 31 December 2018 and 2017 has been arrived at on the basis of a valuation at each of those dates carried out by Cushman & Wakefield Limited, independent qualified professional valuers not connected to the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

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.

In estimating the fair value of an asset, the Group uses market-observable data to the extent available.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

	Level 3 RMB'000	**Fair value as at 31 December 2018 RMB'000**
Investment properties located in the PRC	**2,218,610**	**2,218,610**

	Level 3 RMB'000	Fair value as at 31 December 2017 RMB'000
Investment properties located in the PRC	1,965,000	1,965,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 INVESTMENT PROPERTIES (Continued)

There were no transfers into or out of Level 3 during the year. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by the Group in the consolidated statement of financial position	**Valuation technique (s) and key input (s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Investment properties located in Beijing, Changsha, Nanchang, Jiujiang, Taiyuan, and Xiantao, PRC (mainly retails)	Investment approach	Capitalisation rate, from 3.75% to 6% (2017: 3.75% to 6%)	The higher the capitalisation rate, the lower the market value.
	The key inputs are: 1. Capitalisation rate; 2. Unit rent of individual unit	Unit rent, from RMB49 to RMB416 (2017: from RMB48 to RMB397) per sqm. per month	The higher the unit rent, the higher the market value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Motor vehicles RMB'000	Electronic equipment and furniture RMB'000	Properties under construction RMB'000	Total RMB'000
Cost:					
At 1 January 2017	587,416	31,767	20,704	6,503	646,390
Additions	–	5,352	3,017	2,234	10,603
Transfer	6,389	–	–	(6,389)	–
Acquisition of subsidiaries	–	605	142	–	747
Transfer to investment property	(12,823)	–	–	–	(12,823)
Disposals	(7,741)	(2,246)	(848)	–	(10,835)
Exchange differences	(19)	(3)	(9)	–	(31)
At 31 December 2017 and 1 January 2018	573,222	35,475	23,006	2,348	634,051
Additions	751	11,794	3,667	146	16,358
Disposals	–	(1,742)	(5,127)	–	(6,869)
Exchange differences	32	10	22	–	64
At 31 December 2018	574,005	45,537	21,568	2,494	643,604
Accumulated depreciation:					
At 1 January 2017	93,938	21,552	13,627	–	129,117
Charge for the year	20,550	4,421	3,988	–	28,959
Transfer to investment property	(1,391)	–	–	–	(1,391)
Eliminated on disposals	(2,711)	(2,289)	(1,239)	–	(6,239)
Exchange differences	(3)	(1)	(4)	–	(8)
At 31 December 2017 and 1 January 2018	110,383	23,683	16,372	–	150,438
Charge for the year	17,926	4,793	3,274	–	25,993
Eliminated on disposals	–	(1,561)	(3,758)	–	(5,319)
Exchange differences	6	4	5	–	15
At 31 December 2018	128,315	26,919	15,893	–	171,127
Carrying amount:					
At 31 December 2018	445,690	18,618	5,675	2,494	472,477
At 31 December 2017	462,839	11,792	6,634	2,348	483,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

The Group has entered into agreements with the eligible employees in connection with certain properties developed by the Group (the "Scheme"). Under the Scheme, the eligible employees can use the properties while remain with 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 the completion of the service period as stated under the Scheme. As at 31 December 2018, the carrying amount of leasehold land and buildings which were being occupied by the eligible employees under the Scheme was RMB11,985,000 (2017: RMB14,730,000).

The above items of property, plant and equipment, other than properties under construction, are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and buildings	Over the shorter of unexpired lease term of land and 30 years
Leasehold land and buildings under the Scheme	1.5 to 15 years
Motor vehicles	19%
Electronic equipment and furniture	19.00% – 31.67%

15 INTERESTS IN ASSOCIATES

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

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Share of net assets	**112,984**	106,664

The associates are accounted for using the equity method in these consolidated financial statements. None of the Group's associates is individually material.

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Aggregate amounts of the Group's share of those associates' losses and total comprehensive income for the year	**(1,833)**	(6,898)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

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

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

Loans to joint ventures are unsecured and have no fixed term of repayment. The balances as at 31 December 2018 are interest free (2017: RMB79,794,000 bear interest at fixed rate of 13% per annum and the remaining balances are interest free). All the loans to joint ventures are expected to be recovered after one year and, in substance, form part of the Group's net investments in these joint ventures.

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

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

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

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For the year ended 31 December 2018

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (Continued)

Summarised financial information of material joint ventures

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

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

Changsha Pengyue

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

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

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

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

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For the year ended 31 December 2018

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Yango Yuegang

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

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

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

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

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For the year ended 31 December 2018

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

(Continued)

Aggregate information of joint ventures that are not individually material

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

17 OTHER NON-CURRENT FINANCIAL ASSETS

	At 31 December 2018 **RMB'000**	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	**60,085**	50,085	–
	60,085	50,085	–
Available-for-sale financial assets			
– Unlisted equity securities	**–**	–	50,085
	–	–	50,085

Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of IFRS 9 at 1 January 2018 (see Note 3(b)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Investment properties RMB'000	Tax loss RMB'000	Land appreciation tax provision RMB'000	Temporary differences on property sales and cost of sales RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	(274,152)	38,195	247,661	135,223	(50,856)	96,071
(Charged)/credited to profit or loss (Note 8)	(27,225)	9,070	(69,535)	133,396	83,033	128,739
Charged to reserve	(1,892)	–	–	–	–	(1,892)
Acquisition of subsidiaries	–	55,501	(9,706)	28,234	(117,963)	(43,934)
At 31 December 2017	(303,269)	102,766	168,420	296,853	(85,786)	178,984
Impact on initial application of IFRS15	–	–	–	–	(79,455)	(79,455)
At 1 January 2018	(303,269)	102,766	168,420	296,853	(165,241)	99,529
(Charged)/credited to profit or loss (Note 8)	(25,030)	41,162	(20,902)	263,708	136,546	395,484
At 31 December 2018	(328,299)	143,928	147,518	560,561	(28,695)	495,013

For the purpose of presentation in the consolidated statement of financial position. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Deferred tax assets	**751,306**	421,242
Deferred tax liabilities	**(256,293)**	(242,258)
	495,013	178,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 DEFERRED TAXATION (Continued)

(a) Deferred tax assets not recognised

No deferred tax asset has been recognised in respect of the following unutilised tax losses due to the uncertainty of future profit streams. The unrecognised tax losses will expire in the following years:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Expiring on:		
31 December 2018	**–**	6,086
31 December 2019	**16,426**	16,426
31 December 2020	**78,521**	78,521
31 December 2021	**105,705**	105,705
31 December 2022	**254,212**	254,212
31 December 2023	**118,096**	–
Total unused tax losses not recognised as deferred tax assets	**572,960**	460,950

(b) Deferred tax liabilities not recognised

Under the Corporate Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB6,242,704,000 (2017: RMB5,206,516,000) as at 31 December 2018, as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19 PROPERTIES UNDER DEVELOPMENT FOR SALE

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
At the beginning of the year	**20,173,043**	10,331,289
Additions	**10,677,635**	14,539,310
Transfer to properties held for sale upon completion	**(7,080,211)**	(6,780,086)
Transfer to investment properties	**–**	(28,080)
Acquisition of subsidiaries	**–**	4,164,276
Disposal of subsidiaries	**(6,264)**	(2,053,666)
At the end of the year	**23,764,203**	20,173,043

The properties under development are located in the PRC with lease terms ranging from 40 to 70 years.

The Group has pledged properties under development for sale of RMB9,092,742,000 at 31 December 2018 to secure certain banking and other facilities granted to the Group (2017: RMB10,112,937,000 to secure certain banking and other facilities granted to the Group) as set out in Note 33.

As at 31 December 2018, properties under development for sale with carrying value of RMB8,438,547,000 (2017: RMB7,561,994,000) are expected to be completed after more than one year.

20 PROPERTIES HELD FOR SALE

The Group's properties held for sale are stated at cost and situated in the PRC.

As at 31 December 2018, properties held for sale of RMB364,990,000 (2017: RMB380,000,000) are pledged to secure certain banking facilities granted to the Group as set out in Note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 CONTRACT LIABILITIES

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

Notes:

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

(ii) Upon the adoption of IFRS 15, these amounts were reclassified from "Trade and other payables, deposits received and accrued charges" (Note 25) to contract liabilities (see Note 3(b)(ii)).

(iii) The amount of revenue recognised during the year ended 31 December 2018 that was included in the balance of sales deposits as at 31 December 2017 is RMB5,732,038,000. As at 31 December 2018 the sales deposits expected to be recognised as income after more than one year is RMB7,469,136,000. (2017: RMB5,064,576,000, which were included under "trade and other payables, deposits received and accrued charges").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23 RESTRICTED CASH

	Note	**At 31 December 2018 RMB'000**	At 31 December 2017 RMB'000
Guarantee deposits for mortgage loans provided to customers	(i)	**116,131**	135,143
Guarantee deposits for construction of pre-sold properties	(ii)	**1,242,777**	1,192,032
Guarantee deposits for bank borrowings	(iii)	**1,571,286**	1,549,072
Guarantee deposits for notes payable		**53,751**	–
Balance of restricted cash		**2,983,945**	2,876,247

Notes:

(i) Guarantee deposits for mortgage loans provided to customers represent restricted cash placed with the banks to secure the mortgage guarantees provided to customers and will be released upon customers obtaining the individual property ownership certificate.

(ii) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials of the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(iii) During the year, the Group obtained certain bank borrowings secured by pledged deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION

(a) Bank balances and cash

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Cash at bank and in hand	**9,717,210**	10,409,960
Less: Restricted cash	**(2,983,945)**	(2,876,247)
	6,733,265	7,533,713

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

The deposits carry variable rates of 0.35% – 2.50% per annum as at 31 December 2018 and 2017.

Bank balances and cash at 31 December 2018 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings RMB'000 (Note 27)	Senior notes RMB'000 (Note 28)	Corporate bond RMB'000 (Note 29)	Amounts due to related parties RMB'000 (Note 38(b))	Amounts due to non-controlling interests RMB'000 (Note 25)	Total RMB'000
At 1 January 2018	10,519,130	4,693,958	1,027,672	2,542,734	2,306,511	21,090,005
Changes from financing cash flows:						
New bank borrowings raised	1,492,792	–	–	–	–	1,492,792
Repayments of bank borrowings	(3,225,533)	–	–	–	–	(3,225,533)
New other borrowings raised	3,088,780	–	–	–	–	3,088,780
Repayments of other borrowings	(2,631,380)	–	–	–	–	(2,631,380)
Net proceeds from issue of senior notes	–	2,198,839	–	–	–	2,198,839
Repayments of senior notes	–	(1,475,942)	–	–	–	(1,475,942)
Advances from related parties	–	–	–	492,469	–	492,469
Repayments to related parties	–	–	–	(1,482,852)	–	(1,482,852)
Repayments to non-controlling interests	–	–	–	–	(1,070,063)	(1,070,063)
Advances from non-controlling interests	–	–	–	–	709,454	709,454
	9,243,789	5,416,855	1,027,672	1,552,351	1,945,902	19,186,569
Exchange adjustments	38,317	176,205	–	–	–	214,522
Other changes:						
Finance costs	–	20,817	4,503	–	–	25,320
Total other changes	–	20,817	4,503	–	–	25,320
At 31 December 2018	9,282,106	5,613,877	1,032,175	1,552,351	1,945,902	19,426,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Trade and notes payables	**2,277,935**	1,534,024
Accrued expenditure on construction	**845,742**	562,754
Amounts due to non-controlling interests	**1,945,902**	2,306,511
Accrued interest on senior notes	**118,480**	80,557
Accrued payroll	**20,377**	31,858
Dividend payable	**2,085**	1,648
Other payables	**3,876,792**	1,343,128
Financial liabilities measured at amortised cost	**9,087,313**	5,860,480
Deposits received and receipt in advance from property sales (Note 21)	**–**	10,796,614
Other tax payables	**7,200**	189,458
	9,094,513	16,846,552

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26 TAXATION PAYABLE

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
LAT payable	**1,475,528**	1,079,924
Income tax payable	**809,875**	859,785
	2,285,403	1,939,709

27 BANK AND OTHER BORROWINGS

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans, secured	**5,634,706**	6,276,130
Other loans, secured	**3,647,400**	3,290,000
Other loans, unsecured	**–**	953,000
	9,282,106	10,519,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

27 BANK AND OTHER BORROWINGS (Continued)

The borrowings are repayable:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Within one year or on demand	**5,550,716**	5,234,810
More than one year, but not exceeding two years	**3,031,390**	3,344,440
More than two years, but not exceeding five years	**630,000**	1,849,880
More than five years	**70,000**	90,000
	9,282,106	10,519,130
Less: Amount due within one year shown under current liabilities	**(5,550,716)**	(5,234,810)
Amount due after one year	**3,731,390**	5,284,320
Analysis of borrowings by currency		
– Denominated in RMB	**7,506,531**	8,194,320
– Denominated in US$	**533,590**	1,168,870
– Denominated in HK$	**1,241,985**	1,155,940
	9,282,106	10,519,130

Certain bank and other loans as at the end of the reporting period were secured by the pledge of assets as set out in Note 33.

Borrowings include RMB4,453,828,000 (2017: RMB3,006,810,000) variable rate borrowings which carry interest ranging from 2.1% to 8.5% (2017: 1.6% to 6.9%) per annum for the year ended 31 December 2018, and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rate ranged from 3.8% to 13.4% (2017: 4.8% to 10.0%) per annum for the year ended 31 December 2018, and exposed the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28 SENIOR NOTES

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Carrying amount at the beginning of the year	**4,693,958**	3,245,630
Net proceeds from issuance of 2017 USD Notes I (note b)	**–**	994,646
Net proceeds from issuance of 2017 USD Private Notes (note c)	**–**	678,617
Net proceeds from issuance of 2017 USD Notes II (note d)	**–**	858,251
Net proceeds from issuance of 2018 USD Notes (note e)	**2,198,839**	–
Exchange loss/(gain)	**176,205**	(266,764)
Other finance costs	**20,817**	31,956
Redemption	**(1,475,942)**	(848,378)
Carrying amount at the end of the year	**5,613,877**	4,693,958
Less: Current portion of senior notes	**(3,286,031)**	(1,478,140)
	2,327,846	3,215,818

(a) 2016 USD Notes

On 20 October 2016, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US$350,000,000 (equivalent to approximately RMB2,335,900,000,000) (the "2016 USD Notes"), at 99.667% of the principal amount of the 2016 USD Notes, which carried fixed interest at 6.875% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 20 October 2019.

The above senior notes are listed on the Singapore Stock Exchange, are senior obligations of the Company, 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 2016 USD Notes, in whole but not in part, at a price equal to 100% of the principal amount of the 2016 USD Notes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 SENIOR NOTES (Continued)

(a) 2016 USD Notes (Continued)

At any time prior to 20 October 2019, the Company may redeem up to 35% of the principal amount of the 2016 USD Notes at a redemption price of 106.875% of the principal amount of the 2016 USD Notes, 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 2016 USD Notes 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.

(b) 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) (the "2017 USD Notes I") at 98.193% of the principal amount plus accrued interest from (and including) 20 October 2016 to (but excluding) 6 January 2017, which will be consolidated and form a single series with the 2016 USD Notes as described in Note 28(a), the terms and conditions except for the issue date and issue price are the same.

(c) 2017 USD Private Notes

On 1 June 2017, the Company issued guaranteed private senior fixed rate notes with aggregate nominal value of US$100,000,000 (approximately RMB689,000,000) (the "2017 USD Private Notes"), at 100% of the principal, which carry fixed interest at 6.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 31 May 2018.

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.

(d) 2017 USD Notes II

On 5 July 2017, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US$130,000,000 (equivalent to approximately RMB884,000,000) (the "2017 USD Notes II"), at 100% of the principal amount of the 2017 USD Notes II, which carry fixed interest at 6.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 3 July 2018.

The above senior notes are listed on the Singapore Stock Exchange, are senior obligations of the Company, 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.

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28 SENIOR NOTES (Continued)

(e) 2018 USD 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 (equivalent to approximately RMB2,372,755,000) (the "2018 USD Notes"), at 100% of the principal amount of the 2018 USD Notes, which carry fixed interest at 7.95% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 5 March 2021.

The 2018 USD Notes 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 5 March 2021, the Company may at its option redeem the 2018 USD Notes, in whole but not in part, at a price equal to 100% of the principal amount of the 2018 USD Notes 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 5 March 2021, the Company may redeem up to 35% of the principal amount of the 2018 USD Notes at a redemption price of 107.95% of the principal amount of the 2018 USD Notes, 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 2018 USD Notes 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.

29 CORPORATE BOND

On 24 April 2016, the Company issued corporate bond with aggregate nominal value of RMB1,000,000,000, at 100.00% of its principal amount, which carried fixed interest at a rate of 6.4% per annum (interest payable annually in arrears) and will be due on 20 April 2021.

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30 LONG TERM PAYABLES

As at 31 December 2017, an aggregate of capital contribution ("Contribution") amounted to US$51,224,480 (equivalent to approximately RMB334,711,000) was made by individual investors ("Immigrant Investors"), as limited partners, into three limited partnerships ("LPs") established in the US by the Group, for the purpose of making investment in newly established property development projects located in the US under the EB-5 Immigrant Investor Program ("EB-5 Program"). The EB-5 Program was created by the US Congress in 1990 to stimulate the US economy through job creation and capital investment by foreign investors. Pursuant to limited partnership agreements ("LPA") entered into between the Immigrant Investors and the LPs' general partner, who is in charge of operations of LPs and is also a wholly-owned subsidiary of the Group, the capital contribution made by the Immigrant Investors were to be invested into three property development projects located in Texas, held by wholly-owned subsidiaries of the Group.

During the year 2018, the Group has terminated the EB-5 Program and had returned the Contribution in full plus total interest expenses of US$1,144,135 (equivalent to approximately RMB7,571,000) to the Immigrant Investors.

The directors of the Company consider that the above termination of EB-5 Program did not cause any significant contingent liabilities to the Group.

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31 SHARE CAPITAL

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

Notes:

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

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

(c) During the year ended 31 December 2018, share options were exercised to subscribe for 994,000, 1,622,500 and 19,011,600 ordinary shares of the Company at HK$1.041, HK$1.045 and HK$1.138 (equivalent to approximately RMB0.879, RMB0.838 and RMB0.948) per share, respectively, with the aggregate amount of HK$24,365,000 (equivalent to approximately RMB20,263,000). During the year ended 31 December 2017, share options were exercised to subscribe for 2,312,500, 1,070,000, 7,490,000, 1,727,000 and 965,000 ordinary shares of the Company at HK$1.145, HK$1.041, HK$1.252, HK$1.138 and HK$1.045 (equivalent to approximately RMB0.967, RMB0.879, RMB1.057, RMB0.961 and RMB0.882) per share, respectively with the aggregate amount of HK$16,115,000 (equivalent to approximately RMB13,608,000). Details of the share options are summarised in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32 RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group entities in the PRC contribute funds which are calculated at a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

33 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 reporting period:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Investment properties	**559,232**	274,110
Properties under development for sale	**9,092,742**	10,112,937
Properties held for sale	**364,990**	380,000
Equity interests in subsidiaries	**475,828**	754,225
Bank deposits	**1,741,168**	1,684,215
Guarantee deposits for housing provident fund loans provided to customers	**16,777**	33,796
	12,250,737	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 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Equity interests in joint ventures	**–**	76,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34 CAPITAL AND OTHER COMMITMENTS

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

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Contracted but not provided for in the consolidated financial statements:		
– Expenditure in respect of properties under development	**7,864,247**	5,105,179
– Expenditure in respect of acquisition of a subsidiary	**–**	1,844,829
– Expenditure in respect of acquisition of land use rights	**–**	570,000
	7,864,247	7,520,008

35 CONTINGENT LIABILITIES

(a) The Group has 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 a default of the mortgage payments by these purchasers, the Group will be 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 mortgage loan and ends after the purchaser has obtained the individual property ownership certificate. In the opinion of the directors of the Company, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

The amounts of the outstanding guarantees given to banks for mortgage facilities at the end of the reporting period are as follows:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Mortgage guarantees	**11,587,338**	9,625,761

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36 OPERATING LEASE COMMITMENTS

The Group as a lessor

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

	2018 RMB'000	2017 RMB'000
Within one year	**79,176**	59,600
In the second to five year inclusive	**218,104**	160,034
After five years	**208,982**	108,305
	506,262	327,939

37 SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the share option scheme (the "Share Option Scheme") adopted by the Company on 14 June 2013, the board of Directors of the Company (the "Board") may grant share options to eligible participants entitling to subscribe for a total up to 278,991,940 shares, representing 10% of the total number of issued shares as at the date on which the resolution regarding the refreshment of the scheme mandate limit under the Share Option Scheme was passed at the annual general meeting held on 19 June 2018, being 2,789,919,400 shares.

The maximum entitlement of each participant under the scheme in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant. The exercise price of the options shall be at least the highest of: (a) the official closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of grant; (b) the average of the official closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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.

At 31 December 2018, the number of shares in respect of which options has been granted and remained outstanding under the Share Option Scheme was 63,092,000 (31 December 2017: 109,735,500), representing 2.26% (31 December 2017: 3.96%) of the shares of the Company in issue at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The details of the options granted are as follows:

	Number of options	Vesting period	Contractual life of options
Share options granted to directors			
On 4 September 2014	15,290,000	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	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
Share 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 year
		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 30 June 2018	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		
Exercisable at 31 December 2017	38,117,800		
Exercisable at 31 December 2018	36,389,500		

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

* The number of options are adjusted after the bonus issue of share on 9 October 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2018:

Option type	Exercise price	Outstanding at 01/01/2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2018
2014	HK$1.041	18,438,500	(994,000)	–	–	17,444,500
2015 Plan A	HK$1.138	29,562,000	(18,186,600)	(1,870,000)	(9,505,400)	–
2015 Plan B	HK$1.138	22,275,000	(825,000)	(6,050,000)	–	15,400,000
2016	HK$1.045	39,680,000	(1,622,500)	(7,810,000)	–	30,247,500
		109,955,500	(21,628,100)	(15,730,000)	(9,505,400)	63,092,000

Note: The average share price during the year ended 31 December 2018 is HK$1.383 (2017: HK$1.298).

The Group reversed total expense of RMB3,406,000 (2017: recognised total expense of RMB14,327,000) for the year ended 31 December 2018 in relation to share options under the Share Option Scheme granted by the Company.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38 RELATED PARTY BALANCES AND TRANSACTIONS

(a) At the end of the reporting period, the Group has amounts receivable from the following related parties and the details are set out below:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Amount due from companies controlled by Mr. Zhang Lei	**7,703**	29,223
Amounts due from joint ventures and their subsidiaries	**317,018**	162,101
Total non-trade balance (note i)	**324,721**	191,324
Amount due from companies controlled by Mr. Zhang Lei	**16,391**	1,784
Amount due from an associate	**–**	4,478
Amounts due from joint ventures and their subsidiaries	**12,429**	29,805
Total trade balance (note ii)	**28,820**	36,067
	353,541	227,391
Loans to joint ventures (note iii)	**5,455,094**	3,190,116

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(a) At the end of the reporting period, the Group has amounts receivable from the following related parties and the details are set out below: (Continued)

Notes: (Continued)

(ii) Trade receivables from related parties at 31 December 2018 and 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 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Less than 1 year	**28,280**	20,464
1-2 years	**540**	15,603
	28,820	36,067

(iii) The terms of loans to joint ventures are disclosed in Note 16.

(b) At the end of the reporting period, the Group has amounts payable to the following related parties and the details are set out below:

	2018 RMB'000	2017 RMB'000
Amounts due to joint ventures and their subsidiaries	**1,552,351**	2,542,734
Total non-trade balance (note i)	**1,552,351**	2,542,734
Amount due to companies controlled by Mr. Zhang Lei	**11,721**	7,492
Total trade balance (note ii)	**11,721**	7,492
	1,564,072	2,550,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) At the end of the reporting period, the Group has amounts payable to the following related parties and the details are set out below: (Continued)

Notes:

(i) Balances at 31 December 2018 and 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:

	2018 RMB'000	2017 RMB'000
Less than 1 year	**11,721**	7,492

(c) During the year, the Group entered into the following transactions with its related parties:

Nature of related party	Nature of transaction	**2018 RMB'000**	2017 RMB'000
Companies controlled by Mr. Zhang Lei	Rental income	**1,252**	1,719
Companies controlled by Mr. Zhang Lei	Energy-saving advisory expense	**7,901**	751
Companies controlled by Mr. Zhang Lei	Property management services expenses	**142,724**	66,036
Companies controlled by Mr. Zhang Lei	Property contracting services expenses	**4,751**	–
Joint venture	Income from provision of technical know-how	**493**	1,721
Joint venture	Income from real estate agency services	**13,837**	4,850
Joint venture	Interest income	**6,179**	21,103
Joint venture	Management services income	**10,546**	9,919
Associate	Interest income	**–**	611
Associate	Income from real estate agency services	**–**	3,906
Associate	Income from provision of technical know-how	**–**	13,537

The Group pledged certain assets to secure certain banking and other facilities granted to an associate and joint ventures as at 31 December 2017. Details are set out in Note 33.

As at 31 December 2018 and 2017, the Group provided guarantees to bank loans and other loans of joint ventures. Details are set out in Note 35(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) Transaction with key management personnel

	2018 RMB'000	2017 RMB'000
Key management compensation		
Short-term benefits	**19,586**	21,065
Post-employment benefits	**369**	532
Share-based payment	**1,336**	6,391
	21,291	27,988

(e) The Listing Rules relating to connected transactions

The related party transactions in respect of rental income from related parties, and property management services expense and energy-saving advisory expense charged by related parties above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Continuing Connected Transactions of the directors' Report.

39 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings, senior notes and corporate bond disclosed in Notes 27, 28 and 29, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. The capital structure of the Company consists of net debt, which includes the borrowings and senior notes, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
The Group		
Financial assets		
Loans and receivables (including bank balances and cash)	**13,788,271**	12,073,247
Other non-current financial assets	**60,085**	50,085
Financial liabilities		
Liabilities measured at amortised cost	**26,559,163**	24,954,316

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, other non-current financial assets, restricted cash, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings, senior notes and corporate bond. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates risks and other price risk (see below).

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(1) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and deposits, restricted cash and bank borrowings which carry at prevailing deposit interest rates and variable rate based on the interest rates quoted by the People's Bank of China and London Interbank Offered Rate.

The Group's fair value interest rate risk relates primarily to its fixed rate senior notes, corporate bond and other borrowings.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates on bank balances and deposits, restricted cash and variable rate bank borrowings at the end of each reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 20 basis points increase or decrease for variable rate bank borrowings and a 10 basis points increase or decrease for bank balances and deposits and restricted cash are used when reporting interest rate risk internally to key management personnel.

If interest rates had been increased/decreased by 20 basis points in respect of variable rate bank borrowings and all other variables were held constant, the Group's profit after tax (net of interest capitalisation effect) would decrease/increase by approximately RMB5,982,000 (2017: RMB1,519,000) for the year ended 31 December 2018.

If interest rates had been increased/decreased by 10 basis points in respect of bank balances and deposits and restricted cash and all other variables were held constant, the Group's profit after tax would increase/decrease by approximately RMB7,288,000(2017: RMB7,807,000) for the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(2) Price risk

The Group is exposed to equity price risks through its other non-current financial assets. At 31 December 2018, the management considers that the Group's exposure to fluctuation in equity price is minimal. Accordingly, no sensitivity analysis is presented.

(3) Foreign currency risk

The functional currency of the major subsidiaries of the Company is RMB in which most of the transactions are denominated. Foreign currencies denominated transactions arise from the Group's overseas operation, such as purchases of land held for further development and certain expenses incurred. Certain bank balances and bank borrowings are denominated in foreign currencies, while senior notes are issued in US$ and expose the Group to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets At 31 December		**Liabilities At 31 December**	
	2018 RMB'000 equivalent	2017 RMB'000 equivalent	**2018 RMB'000 equivalent**	2017 RMB'000 equivalent
US$	**554,663**	1,161,809	**6,147,467**	5,862,828
HK$	**21,636**	331,350	**1,241,985**	1,155,940

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following tables detail the Group's sensitivity to a change of 5% in exchange rate of each foreign currency against RMB while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(3) Foreign currency risk (Continued)

An analysis of sensitivity to currency risk for the Group is as follows:

	2018 RMB'000	2017 RMB'000
(Decrease) increase in post-tax profit for the year		
– if RMB weakens against US$	**(279,640)**	(235,051)
– if RMB weakens against HK$	**(61,017)**	(41,229)
– if RMB strengthens against US$	**279,640**	235,051
– if RMB strengthens against HK$	**61,017**	41,229

Credit risk management

At 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in Note 35. In order to minimise the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of trade and other receivables and amounts due from related parties at the end of each reporting period. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the credit standing of customers and the economic environment on an ongoing basis.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

For properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed properties. Therefore, management considers that it would likely recover any loss incurred arising from such guarantee provided by the Group. Management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is generally insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management (Continued)

For the receivables from properties sold, the Group holds the title of the property units as collateral over those balances and the Group considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. At 31 December 2017 and 2018, the Group's exposure to credit risk and ECLs for these trade receivables are insignificant.

For receivables due from associates and joint ventures, or related to other property development projects, the Group considers that the credit risk arising from these receivables is significantly mitigated by related property development projects, with reference to the estimated market value of those property development projects.

The credit risk on cash at bank is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for non-derivative variable rate financial liabilities is subject to changes if changes in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year RMB'000	1 – 3 years RMB'000	Over 3 years RMB'000	Total undiscounted cashflows RMB'000	Carrying amount RMB'000
Non-interest bearing	–	10,631,005	–	–	10,631,005	10,631,005
Fixed interest rate instruments	9.39	7,586,516	4,665,470	–	12,251,986	10,639,490
Variable interest rate instruments	5.47	2,549,075	3,343,037	162,507	6,054,619	5,288,668
Financial guarantee contracts	–	12,585,338	–	–	12,585,338	–
At 31 December 2018		33,351,934	8,008,507	162,507	41,522,948	26,559,163
Non-interest bearing	–	8,378,845	334,711	–	8,713,556	8,713,556
Fixed interest rate instruments	7.00	5,705,214	7,701,064	1,219,389	14,625,667	13,191,283
Variable interest rate instruments	4.28	1,934,430	1,303,923	–	3,238,353	3,006,810
Financial guarantee contracts	–	11,322,764	–	–	11,322,764	–
At 31 December 2017		27,341,253	9,339,698	1,219,389	37,900,340	24,911,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty suffer credit losses.

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximated their respective fair values at 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41 FINANCIAL INFORMATION OF THE COMPANY

(a) Financial information of the financial position of the Company:

	Note	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Investments in subsidiaries		**13,938,932**	12,976,425
		13,938,932	12,976,425
Current assets			
Prepayments and other receivables		**246,956**	228,203
Amounts due from related parties		**222,786**	211,049
Bank balances and cash		**49,497**	256,585
		519,239	695,837
Current liabilities			
Accrued charges and other payables		**119,725**	61,839
Amounts due to subsidiaries		**1,406,742**	1,413,844
Bank borrowings due within one year		**1,644,146**	2,324,810
Senior notes – due within one year		**3,286,031**	1,478,140
		6,456,644	5,278,633
Net current liabilities		**(5,937,405)**	(4,582,796)
Total assets less current liabilities		**8,001,527**	8,393,629
Capital and reserves			
Share capital		**175,341**	173,932
Reserves	41(b)	**5,498,340**	5,003,879
Total equity		**5,673,681**	5,177,811
Non-current liabilities			
Senior notes		**2,327,846**	3,215,818
		8,001,527	8,393,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41 FINANCIAL INFORMATION OF THE COMPANY (Continued)

(b) Movement of capital and reserves of the Company:

	Note	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017		156,459	799,559	15,095	3,677,150	4,648,263
Issue of shares		16,613	(16,613)	–	–	–
Share-based payment		–	–	14,327	–	14,327
Issue of shares on exercise of share options	31(c)	860	13,353	(605)	–	13,608
Profit and total comprehensive income for the year		–	–	–	688,027	688,027
Dividend	11	–	–	–	(186,414)	(186,414)
At 31 December 2017		173,932	796,299	28,817	4,178,763	5,177,811
Impact on initial application of IFRS 15	3	–	–	–	62,771	62,771
At 1 January 2018		**173,932**	**796,299**	**28,817**	**4,241,534**	**5,240,582**
Share-based payment		**–**	**–**	**(7,417)**	**4,011**	**(3,406)**
Issue of shares on exercise of share options	31(c)	**1,409**	**24,057**	**(5,203)**	**–**	**20,263**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**557,266**	**557,266**
Dividend	11	**–**	**–**	**–**	**(141,024)**	**(141,024)**
At 31 December 2018		**175,341**	**820,356**	**16,197**	**4,661,787**	**5,673,681**

(c) Distributability of reserves:

At 31 December 2018, the aggregate amount of reserves available for distribution to the owners of the Company was RMB5,482,143,000 (2017: RMB4,975,062,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows:

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Direct subsidiaries					
Nanchang Xinjian Development Co., Ltd.* (note i) 南昌新建房地產開發有限公司	PRC 11 September 2013	**100%**	100%	Registered RMB230,000,000 Paid up capital RMB230,000,000	Property development
Nanchang Moma Development Co., Ltd.* (note i) 南昌摩碼置業有限公司	PRC 15 April 2016	**100%**	100%	Registered RMB400,000,000 Paid up capital RMB400,000,000	Property development
Indirect subsidiaries					
Modern Green Development Co., Ltd.* (note i) 當代節能置業股份有限公司	PRC 21 September 2000	**100%**	100%	Registered RMB3,000,000,000 Paid up capital RMB1,150,000,000	Property development, investment and hotel operation
Beijing Modern Real Estate Development Co., Ltd.* (note i) 北京當代房地產開發有限公司	PRC 15 February 2000	**100%**	100%	Registered RMB60,000,000 Paid up capital RMB60,000,000	Property development and investment
Beijing Dongjun Real Estate Development Co., Ltd.* (note i) 北京東君房地產開發有限公司	PRC 13 November 2001	**100%**	100%	Registered RMB569,000,000 Paid up capital RMB569,000,000	Property development

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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
New Power (Beijing) Architectural Technology Co., Ltd.* (note i) 新動力(北京)建築科技有限公司	PRC 22 March 2006	**100%**	100%	Registered RMB30,000,000 Paid up capital RMB30,000,000	Technology development and consulting
Shanxi Modern Green Development Co., Ltd.* (note i) 山西當代紅華置業有限公司	PRC 16 August 2007	**100%**	100%	Registered RMB190,000,000 Paid up capital RMB190,000,000	Property development
Shanxi Modern Green Real Estate Development Co., Ltd.* (note i) 山西當代紅華房地產開發有限公司	PRC 16 August 2007	**100%**	100%	Registered RMB150,000,000 Paid up capital RMB150,000,000	Property development
Hunan Modern Green Development Co., Ltd.* (note i) 當代置業 (湖南) 有限公司	PRC 14 September 2005	**100%**	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development
Jiangxi Modern Green Development Co., Ltd.* (note i) 江西當代節能置業有限公司	PRC 22 December 2009	**100%**	100%	Registered RMB180,000,000 Paid up capital RMB180,000,000	Property development
Jiujiang Moma Development Co., Ltd.* (note i) 九江摩碼置業有限公司	PRC 22 December 2010	**100%**	100%	Registered RMB140,000,000 Paid up capital RMB140,000,000	Property development
Hubei Wanxing Development Co., Ltd.* (note i) 湖北萬星置業有限公司	PRC 27 January 2010	**100%**	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development

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42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Jiujiang Modern Green Development Co., Ltd.* (note) 九江當代綠建置業有限公司	PRC 18 February 2014	**100%**	100%	Registered RMB300,000,000 Paid up capital RMB300,000,000	Property development
Beijing Modern Moma Investment Management Co., Ltd.* (note i) 北京當代摩碼投資管理有限公司	PRC 11 January 2011	**100%**	100%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Zhangjiakou Modern Haoheshan Real Estate Development Co., Ltd.* (note i) 張家口當代好河山房地產開發有限公司	PRC 30 December 2016	**51%**	51%	Registered RMB60,000,000 Paid up capital RMB0	Property development
Wuhan Green Development Co., Ltd.* (note i) 武漢綠建節能置業有限公司	PRC 12 March 2014	**99.02%**	99.02%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Beijing Green Spring Equity Investment Fund, LLP* ("Green Fund")* (note i) 北京綠色春天股權投資基金(有限合夥)	PRC 17 April 2014	**100%**	100%	Registered RMB500,000,000 Paid up capital RMB500,000,000	Investment management and consulting
Beijing Modern Moma Development Co., Ltd.* (note i) 北京當代摩碼置業有限公司	PRC 8 January 2014	**100%**	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development
Modern Pinye (Beijing) Real Estate Brokerage Co., Ltd.* (note i) 當代品業(北京)房地產經紀有限公司	PRC 9 October 2014	**100%**	100%	Registered RMB100,000 Paid up capital RMB100,000	Real estate brokerage services
America Modern Green Development (Houston), LLC 美國當代綠色發展(休斯頓)有限責任公司	Texas, US 15 October 2012	**100%**	100%	100% of issued and outstanding membership interest in consideration at an aggregate contribution of US$100	Property development

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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Beijing Modern Green Investment Fund Management Co., Ltd.* (note i) 北京當代綠色投資基金管理有限公司	PRC 3 December 2013	**100%**	100%	Registered RMB30,000,000 Paid up capital RMB30,000,000	Investment holding
Crown Point Regional Center, LLC	Texas, US 31 March 2010	**100%**	100%	Authorised US$100 Paid up capital US$100	Investment immigration services
Beijing CIFI Modern* (notes i) 北京旭輝當代置業有限公司	PRC 10 March 2014	**50%**	50%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Modern Green Development (Suzhou) Co., Ltd.* (note i) 當代節能置業(蘇州)有限公司	PRC 6 June 2015	**100%**	70%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Jiaxing Modern Qinglv Asset Management Co., Ltd.* (note i) 嘉興當代氫綠資產管理有限公司	PRC 23 July 2015	**100%**	100%	Registered RMB50,000,000 Paid up capital RMB0	Investment holding
Crown Point (Beijing) Advisory Co., Ltd.* (note i) 凰觀 (北京) 諮詢有限公司	PRC 8 October 2015	**100%**	100%	Registered RMB10,000,000 Paid up capital RMB0	Immigration advisory
Anhui Moma Development Co., Ltd.* (note i) 安徽摩碼置業有限公司	PRC 1 January 2016	**100%**	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Wuhan Modern Green Development Co., Ltd.* (note i) 武漢當代節能置業有限公司	PRC 27 June 2016	**100%**	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development

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42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Hunan Modern Moma Development Co., Ltd.* (note i) 湖南當代摩碼置業有限公司	PRC 01 November 2016	**100%**	100%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Hunan Modern Green Development Co., Ltd.* (note i) 湖南當代綠建置業有限公司	PRC 01 November 2016	**100%**	100%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Nanjing Xinlei Development Co., Ltd.* (note i) 南京鑫磊房地產開發有限公司	PRC 20 June 2016	**51%**	51%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Foshan Modern Green Development Co., Ltd.* (note i) 佛山當代綠色置業有限公司	PRC 14 January 2016	**51%**	51%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Hubei Moma Development Co., Ltd.* (notes i) 湖北摩碼置業有限公司	PRC 13 February 2014	**100%**	100%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Shanghai Mantingchun Real Estate Company Limited.* (note i) 上海滿庭春置業有限公司	PRC 5 March 2015	**100%**	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Jiangsu Yuzun Property development Co., Ltd.* (note i) 江蘇御尊房地產開發有限公司	PRC 25 April 2011	**100%**	100%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Zhanlan Tuozhan Property (Beijing) Co., Ltd.* (note i) 綻藍拓展置業(北京)有限公司	PRC 13 March 2017	**60%**	60%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding

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42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Fujian Shengshi Lianbang Real Estate Development Co., Limited.* (note i) 福建盛世聯邦置業發展有限公司	PRC 30 August 2013	**60%**	60%	Registered RMB67,105,000 Paid up capital RMB67,105,000	Property development
Foshan Changxin Hongchuang Real Estate Development Co., Limited.* (note i) 佛山市長信宏創房地產有限公司	PRC 19 January 2016	**100%**	100%	Registered RMB60,000,000 Paid up capital RMB4,081,700	Property development
Foshan Xinlong Property Investment Co., Limitd.* (note i) 佛山市信隆置業投資有限公司	PRC 10 December 2017	**100%**	26%	Registered RMB60,000,000 Paid up capital RMB60,000,000	Property development
Huojian Zhiye Investment (Beijing) Co., Ltd.* (note i) 火箭智業投資(北京)有限公司	PRC 9 July 2015	**100%**	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Investment holding
Hefei Modern Land Yinghe Real Estate Company Limited* (note i) 合肥當代英赫置業有限公司	PRC 14 December 2015	**100%**	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Wuhan Zhonglian Shengming Real Estate Company Limited* (note i) 武漢中聯晟鳴置業有限公司	PRC 5 May 2014	**75%**	75%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Shanxi North Star Modern Development Co., Ltd.* (note i) 山西北辰當代置業有限公司	PRC 27 April 2016	**50%**	50%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Shanxi Modern North Star Development Co., Ltd.* (note i) 山西當代北辰置業有限公司	PRC 5 December 2016	**51%**	51%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development

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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Shanxi Wanxing Modern Development Co., Ltd.* (note i) 山西萬興當代置業有限公司	PRC 7 February 2017	**70%**	70%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Hubei Mingliang Development Co., Ltd.* (note i) 湖北明亮置業有限公司	PRC 8 June 2012	**51%**	100%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Wuhan Sanqing Kaiwen Development Co., Ltd.* (note i) 武漢三慶凱文實業發展有限公司	PRC 29 September 2011	**20%**	16%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Guangshen Development Co., Ltd.* (note i) 廣深置業(北京)有限公司	PRC 22 April 2016	**100%**	100%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Yuanjing Nengdong Investment (Beijing) Co., Ltd.* (note i) 遠景能動投資 (北京) 有限公司	PRC 29 January 2015	**20%**	20%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Suzhou Modern MOMA Development Co., Ltd.* (note i) 蘇州當代摩碼置業有限公司	PRC 27 April 2016	**20%**	20%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Shengeng Hongye Development Co., Ltd.* (note i) 深耕鴻業置業(北京)有限公司	PRC 18 April 2016	**51%**	51%	Registered RMB10,000,000 Paid up capital RMB14,720,324	Property development
Wuhan Modern Shangcheng Wanguofu Development Co., Ltd.* (note i) 武漢當代尚城萬國府置業有限公司	PRC 21 July 2016	**51%**	51%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development

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42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Liaoning Dongdaihe Modern Development Co., Ltd.* (note i) 遼寧東戴河新區當代置業有限公司	PRC 28 January 2008	**100%**	100%	Registered RMB16,660,000 Paid up capital RMB16,660,000	Property development
Anhui Modern Wanguofu Development Co., Ltd.* (note i) 安徽當代萬國府置業有限公司	PRC 21 December 2016	**30.6%**	30.6%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Chuanglv Development Co., Ltd.* (note i) 創綠置業(北京)有限公司	PRC 11 May 2016	**100%**	100%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Fujian Modern Development Co., Ltd.* (note i) 福建當代置業有限公司	PRC 1 March 2017	**51%**	51%	Registered RMB40,000,000 Paid up capital RMB40,000,000	Property development
Zhangjiakou Green Development Co., Ltd.* (note i) 張家口原綠房地產開發有限公司	PRC 31 March 2017	**35%**	35%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Huizhou Modern Culture & Travelling Development Co., Ltd.* (note i) 惠州當代文旅房地產開發有限公司	PRC 15 June 2017	**65%**	65%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Jingzhou Modern Jindao Development Co., Ltd.* (note i) 荊州市當代金島置業有限公司	PRC 5 July 2017	**30%**	30%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Hunan Green Development Co., Ltd.* (note i) 湖南原綠置業有限公司	PRC 7 August 2017	**70%**	70%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development

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42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Lianjing Xianmao Industrial Co., Ltd.* (note i) 連江賢茂實業有限公司	PRC 31 January 2018	**51%**	NA	Registered RMB160,000,000 Paid up capital RMB0	Property development
Shishi Jipeng Real Estate Development Co., Ltd.* (note i) 石獅吉鵬房地產開發有限公司	PRC 28 December 2015	**75%**	NA	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Hubei Zhengtian Development Co., Ltd.* (note i)湖北正天置業有限公司	PRC 6 September 2017	**52.5%**	NA	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Jiaxing Hangxin Real Estate Development Co., Ltd.* (note i) 嘉興航信房地產開發有限公司	PRC 24 November 2016	**51%**	NA	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Qianxi Nanzhou Green Real Estate Development Co., Ltd.* (note i) 黔西南州原綠房地產開發有限公司	PRC 30 December 2017	**60%**	55%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Huzhou Dongjun Construction and Development Co., Ltd.* (note i) 湖州東雋建設開發有限公司	PRC 18 October 2017	**69.15%**	NA	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Huzhou Dongju Construction and Development Co., Ltd.* (note i) 湖州東聚建設開發有限公司	PRC 2 November 2017	**65.24%**	NA	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development

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42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Jinzhong Modern Junmao Real Estate Development Co., Ltd.* (note i) 晉中當代君茂房地產開發有限公司	PRC 11 June 2014	**49%**	NA	Registered RMB34,000,000 Paid up capital RMB34,000,000	Property development
Suzhou Modern Zhongxiang Development Co., Ltd.* (note i) 蘇州當代中翔置業有限公司	PRC 14 November 2016	**80%**	NA	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Suzhou Modern Green Development Co., Ltd.* (note i) 蘇州當代原綠置業有限公司	PRC 15 August 2018	**80%**	NA	Registered RMB50,000,000 Paid up capital RMB0	Property development
Anhui Modern Jiukai Development Co., Ltd.* (note i) 安徽當代九開置業有限公司	PRC 27 June 2017	**51%**	51%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Guizhou Moma Modern Green Development Co., Ltd.* (note i) 貴州摩碼當代節能置業有限公司	PRC 29 August 2017	**62.20%**	60%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Fuyang Green Development Co., Ltd.* (note i) 阜陽原綠置業有限公司	PRC 30 July 2018	**74%**	NA	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Huzhou Modern Green Development Co., Ltd.* (note i) 湖州當代綠建置業有限公司	PRC 7 March 2018	**40%**	NA	Registered RMB125,000,000 Paid up capital RMB0	Property development

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42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2018	2017	Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
Shandong Green Development Co., Ltd*. (note i) 山東當代原綠置業有限公司	PRC 30 July 2018	**100%**	NA	Registered RMB10,000,000 Paid up capital RMB0	Property development
Jiangxi Moma Changan Real Estate Development Co., Ltd.* (note i) 江西摩碼常安置業房地產開發有限公司	PRC 15 December 2018	**51%**	NA	Registered RMB25,000,000 Paid up capital RMB25,000,000	Property development
Tianjin Moma Hantang Real Estate Development Co., Ltd.* (note i) 天津摩碼瀚棠置業有限公司	PRC 28 August 2018	**70%**	NA	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Tianjin Haiyiyuan Real Estate Development Co., Ltd.* (note i) 天津海逸源房地產開發有限公司	PRC 17 April 2014	**70%**	NA	Registered RMB160,000,000 Paid up capital RMB160,000,000	Property development

Notes:

(i) These companies are PRC limited liability companies.

(ii) These companies are wholly foreign-owned companies.

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

The above table lists out those subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

43 EVENT AFTER THE END OF THE REPORTING PERIOD

(i) Issuance of senior notes

On 20 December 2018, the Company entered into an offering memorandum to issue guaranteed senior fixed rate notes to the public with aggregate nominal value of US$150,000,000 (equivalent to RMB1,034,040,000, approximately), at 100% of the principal amount, which carried fixed interest at 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020. The issuance was completed on 2 January 2019.

On 20 February 2019, the Company entered into an offering memorandum to issue guaranteed senior fixed rate notes to the public with aggregate nominal value of US$200,000,000 (equivalent to RMB1,351,160,000, approximately), at 100% of the principal amount, which carried fixed interest at 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020. The issuance was completed on 27 February 2019.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB million	RMB million	RMB million	RMB million	RMB million
RESULT					
Revenue	**9,338**	8,506	8,458	6,350	4,079
Profit before taxation	**1,405**	1,358	1,083	1,340	1,167
Income taxes expense	**(743)**	(531)	(369)	(739)	(626)
Profit for the year	**662**	827	714	601	541
Attributable to:					
Owners of the Company	**525**	706	664	578	521
Non-controlling interests	**137**	121	50	23	20
	662	827	714	601	541
Earning per share (basic), RMB cents	**18.9**	25.6	27.9	30.5	32.6
ASSETS AND LIABILITIES					
Total assets	**53,629**	45,171	28,507	15,723	15,178
Total liabilities	**(46,047)**	(38,154)	(23,776)	(11,948)	(11,944)
	7,582	7,017	4,731	3,775	3,234
Equity attributable to owners of the Company	**5,674**	5,178	4,648	3,765	2,861
Non-controlling interests	**1,908**	1,839	83	10	373
	7,582	7,017	4,731	3,775	3,234