



健康建築 綠色家園 城市向美

M O M A F i n e L i v i n g



2000

Modern Land was established



2004-2006

Fresh air distribution system acquired national patent
"Technology-Themed Real Estate Development Strategy" was officially released
Construction of Modern MOMA (Beijing) commenced
National strategy commenced



2007

Modern MOMA (Beijing) was selected as Top 10 Architectural Marvels in the world by Time Magazine



2011

Became the first company in China to receive residential certification from the U.S. Green Building Council



2015-2016

Became Top 100 China Real Estate Enterprises
Over 20 projects obtained various green certifications
Annual sales exceeded RMB10 billion
Issued green bonds



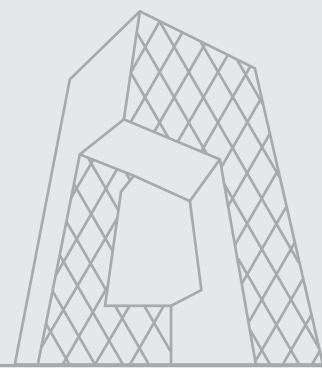
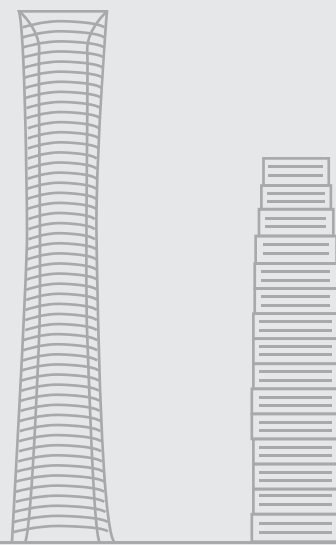
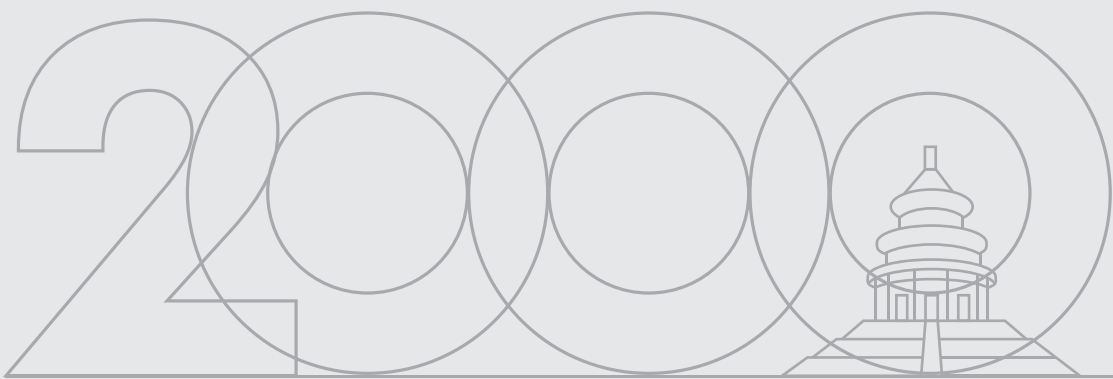
2017

Modern MOMA (Beijing) became the first residential project in China to continuously receive Three-star Green Building Label and the only one residential project in China to receive Three-star Health Building Certification — Operation
Annual sales exceeded RMB20 billion



2020

Wan Guo Cheng MOMA (Tongzhou) was awarded Three-star Green Building Certification — Operation
"MOMA Building & Arts Museum" was awarded Three-star Green Building Certification — Operation



2001-2003

Construction of Wan Guo Cheng MOMA (Beijing) commenced
Relocated to No. 1 Xiangheyuan Road, East Second Ring Road, Beijing
The Group's Architectural R&D and Design Center was officially established



2009

Modern MOMA (Beijing) was awarded Zhan Tianyou Gold Award for Outstanding Residential District
Modern MOMA (Beijing) received Best Tall Building Award from the Council on Tall Buildings and Urban Habitat
Obtained first-class qualification for real estate development.



2012-2013

Deployed toward a North American Internationalisation Strategy
Modern Land (China) Co., Limited listed on the Stock Exchange of Hong Kong



2018

"MOMA Building & Arts Museum" became the first museum project awarded ACTIVE HOUSE international certification across the globe
Annual sales exceeded RMB30 billion



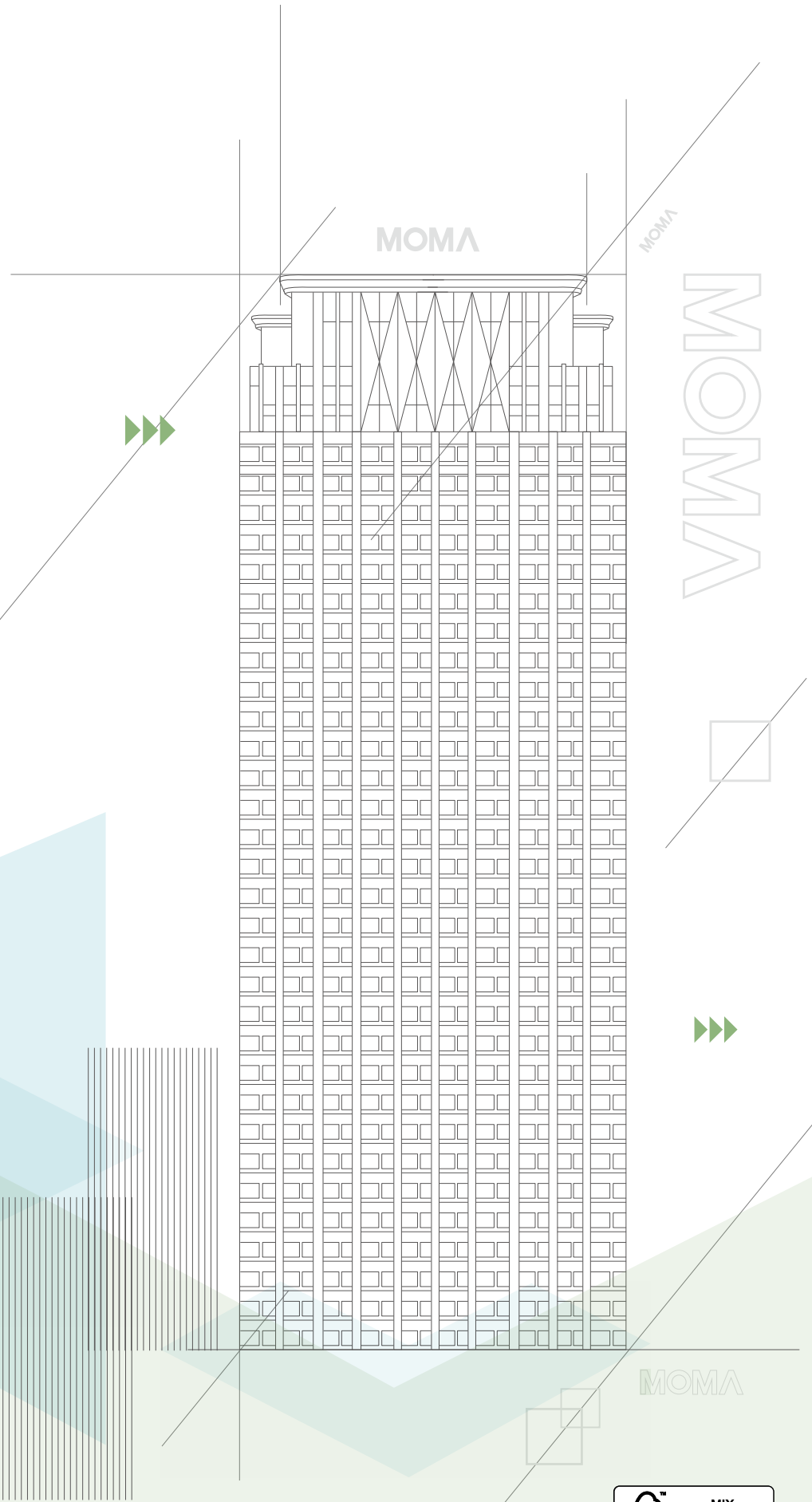
2019

Received Pre-issuance Stage Certification from The Hong Kong Quality Assurance Agency
Modern MOMA (Beijing) received Ten Year Excellence Award from the Council on Tall Buildings and Urban Habitat
Tongzhou Modern Megahall MOMA¹ was awarded the Platinum-level precertification under the WELL Building Standard™
Foshan Modern Megahall MOMA² was awarded the Gold-level certificate under the WELL Building Standard™
Modern MOMA (Beijing) received "50 Most Influential Tall Buildings of the Last 50 Years across the Globe" from the Council on Tall Buildings and Urban Habitat



1. Modern Wan Guo Cheng MOMA (Tongzhou)
2. Modern Wan Guo Fu MOMA (Foshan)

CONTENTS



Corporate Information	2
Company Profile	4
Chairman’s Statement	10
Management Discussion and Analysis	18
Investor Relations Report	43
Annual Report on Offshore Green Bonds	45
Corporate Governance Report	49
Profiles of Directors and Senior Management	64
Directors’ Report	69
Independent Auditor’s Report	89
Consolidated Statement of Profit or Loss and Other Comprehensive Income	97
Consolidated Statement of Financial Position	99
Consolidated Statement of Changes in Equity	101
Consolidated Statement of Cash Flows	104
Notes to the Consolidated Financial Statements	107
Summary of Financial Information	200

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
(resigned on 30 September 2019)
Mr. Tian Jiong
(appointed on 30 September 2019)

Independent Non-executive Directors

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

Audit Committee

Mr. Hui Chun Ho, Eric (*Chairman*)
Mr. Qin Youguo
Mr. Cui Jian
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. Deng Ren Yu

COMPANY SECRETARY

Mr. Deng Ren Yu

AUDITOR

KPMG
Public Interest Entity Auditor registered
in accordance with the Financial Reporting
Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISER

Loong & Yeung

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

CORPORATE INFORMATION

HEADQUARTER IN THE PRC

No. 1 Xiangheyuan Road
Dongcheng District
Beijing
PRC 100028

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTORS AND MEDIA RELATIONS CONSULTANT

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

PRINCIPAL BANKERS

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

STOCK CODE

1107

COMPANY 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”) was established in 2000 in Beijing and 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” (中國房地產百強企業) for six consecutive years.

The Company has always been adhering to the development concept of “Health Buildings, Green Homeland Community and Beautifying Cities”, 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 customers the sincere and real life experience and bring positive economic and social benefits to the shareholders of the Company (the “Shareholders”) and the entire society.

The Company pours itself to a homeland of “Green Technology + Comfort & Energy-saving + Digital Interconnecting Whole-life Cycle Communities”, successfully establishing “MOMA” (i.e. The Museum of Modern Architecture, meaning new architecture of science and art) as the iconic brand of green technology real estate operators in China. MOMA consists of four text graphics “M” “O” “M” “A”. Two “M” symbolise our home, “O” represents the origin of the universe and “A” stands for human. The left and right half of the pattern symbolise architecture and life respectively.



COMPANY PROFILE

INSISTING ON THE CORE COMPETITIVENESS OF GREEN TECHNOLOGY

The Company has established its core competitiveness by focusing on “Leading Green Technology Solution, Full Life Cycle Operation Solution, Gravitation Acceleration Solution, Digital Process and Operation Solution, Green Elderly Healthcare Industry Operation Solution” and continuously developed green technology.

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 MOMA products with fine characteristics. While creating a high comfort level, with the indoor temperature around 20°C-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 twenty years, Modern Land has gradually developed products that cater 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. Modern MOMA product line with top green technology, Modern Eminence MOMA product line with high-end green technology, Modern Horizon MOMA product line with quality green technology and Modern City MOMA product line developed by green technology operators with whole-life cycle and multiple functions.

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; (ii) Class II: projects generating cash flow; and (iii) Class III: projects generating profits.

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 five major megalopolises, namely the Jing-Jin-Ji region, Yangtze River Delta region, Pearl River Delta region, Middle Yangtze River Valley region and Cheng-Yu region. As to the overseas markets, the Company focused on the North America region.

COMPANY PROFILE

BUILDING STRONG BRAND-NAME INFLUENCE

In 2019, the Company has updated its green technology products. In 2019, the Company's official integrated housing "Air Dino 3 (恐龍3號)", being the first prefabricated and net zero energy consumption and healthy integrated housing, was granted the "ACTIVE HOUSE Technology Innovation Award (ACTIVE HOUSE科技創新獎)" by the international Active House Alliance (國際主動房聯盟). Modern Xishan Shang Pin Wan MOMA was rated as hundred-year residence that satisfied the assessment of residence performance and standards of green residence; Modern Wan Guo Cheng MOMA (Tongzhou) was awarded the Platinum-level precertification under the WELL Building Standard™; Modern Wan Guo Fu MOMA (Foshan) was awarded the Gold-level certificate under the WELL Building Standard™ and evaluated as first batch of demonstration base of healthy construction; Beijing Modern MOMA is the only project in China that received the "Ten Year Award"/"50 Most Influential Tall Buildings of the Last 50 Years across the Globe" from the Council on Tall Buildings and Urban Habitat (CTBUH); and the Company ranked first in China Model Green Property Developers in Operation (中國綠色地產運行典範第1名) for the fourth time.

In 2019, the Company has continued to expand its brand influence in the industry. In terms of industry brands, the Company was awarded as "2019 Top 100 China Real Estate Developers (2019中國房地產開發企業100強)", "2019 Top 10 China Real Estate Developers in Operational Efficiency (2019中國房地產開發企業運營效率10強)" and "2019 Top 100 China Listed Real Estate Companies with Comprehensive Strength (2019中國房地產上市公司綜合實力100強)" by China Real Estate Association, and ranked 61st among the "2019 Top 100 China Real Estate Enterprises (2019中國房地產百強企業)" and accredited as "2019 Top 100 China Real Estate Enterprises with TOP 10 Financing Capability (2019中國房地產百強企業融資能力TOP10)" and "2019 China Specialized Real Estate Company with Excellence in Operation — Green Technology Real Estate (2019中國特色地產運營優秀企業綠色科技地產)" by China Index Academy.

In 2019, the Company has put more efforts in social responsibility. The Company was elected as "Grade AAA Joint Construction Unit for Credit Construction in China (中國誠信建設AAA共建單位)". In addition to focusing on its own green technology-based MOMA construction projects, Modern Land is also committed to working with industry partners and institutions to promote green businesses. In 2015, Modern Land became an enterprise with the largest number of green residences by cooperating with China Habitat and Environment Committee (中國人居環境委員會) of China Real Estate Association to promote the national project layout and industry standards for green residences. In 2019, Fūzhou Modern City MOMA, Shaanxi Modern Jiabao Park YUE MOMA, Beijing Modern Xishan Shang Pin Wan MOMA, Modern Shishou Xian Yang Fu MOMA, Modern Huzhou Shang Pin Wan MOMA, Zhangjiakou Yuanzhu MOMA, Xiaogan Modern Shi Guang Li MOMA and Heze Modern City MOMA were awarded the title of "Green Residences".

The Company is the first enterprise in China which focuses on the exploration of green and healthy buildings. For 20 years, the Company has specialized in green technology real estate, established differentiated core competitiveness and continued its improvement and upgrades from original greening, self-greening, dark greening to full life cycle greening. The Company is engaged in the research and development as well as implementation of green building, healthy building, active architecture, hundred-year residence, passive house, green residence, zero energy consumption building and positive energy building.

COMPANY PROFILE

Projects developed by the Company in China are required to meet domestic green building standards. The Company has won various green technology awards: Modern MOMA was the first residential project in the country which won the largest international green building award, the LEED-ND Certification granted by the United States Green Building Council; the Company was awarded Three-star Green Building Certification — Operation (i.e. the highest domestic green building certification) for the fourth time, which is also the first enterprise in the country awarded such certification in a consecutive way.

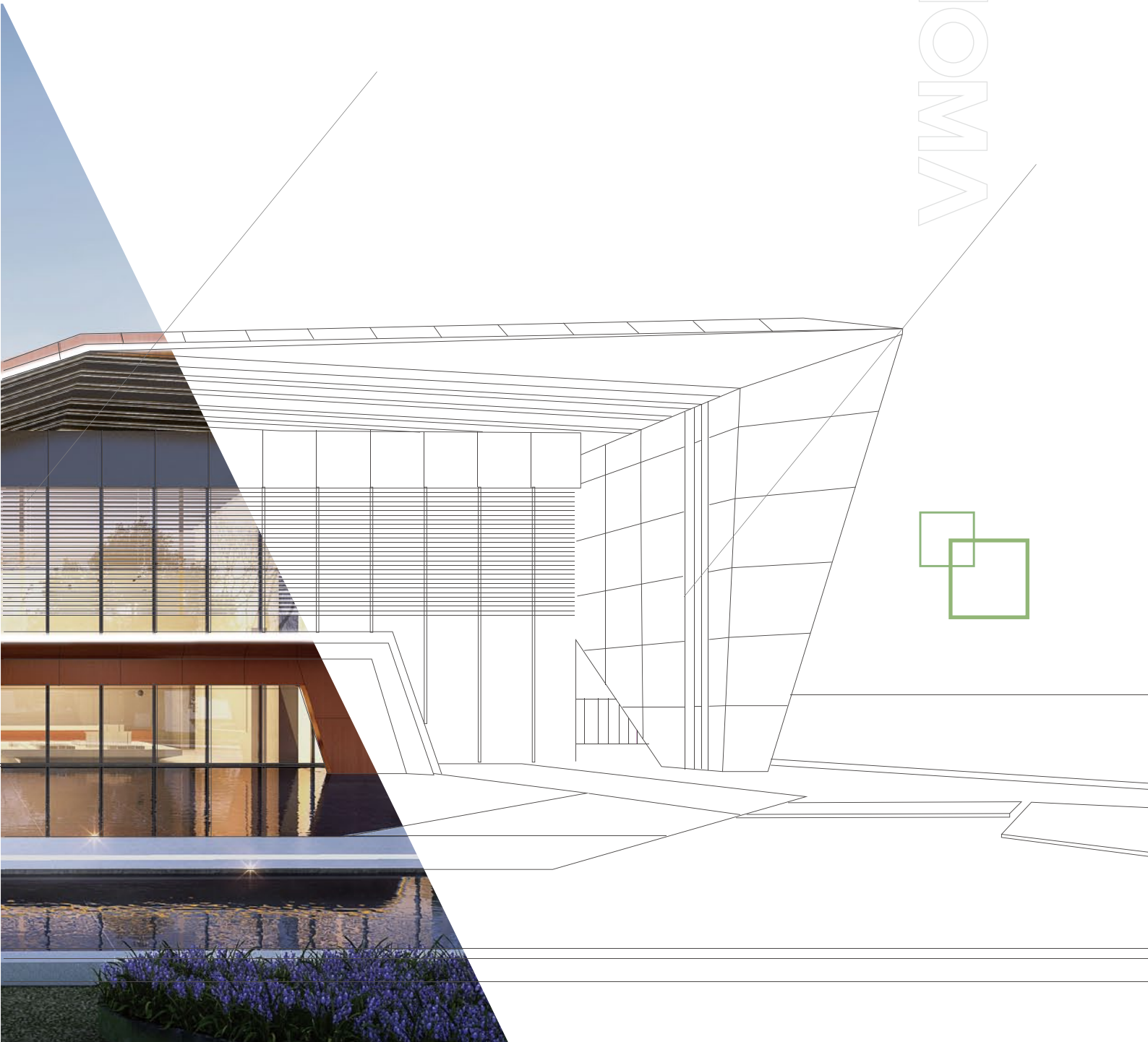
Modern Land upholds the principle of “Health Buildings, Green Homeland Community and Beautifying Cities” and has always been committed to zero emissions, zero carbon footprint, zero pollution, and reducing the heat island effect. The Company has also strived to improve the comfort level of buildings, make coordination that meets the criteria of energy, comfort and the environment, and contribute to better urban development and pleasant living environment.

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

MOMVA



CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors” and each a “Director”) of the Company, I am pleased to present the business review of the Group for the year ended 31 December 2019 and its prospects.

SALES RESULTS

As at 31 December 2019, the Group achieved contracted sales of approximately RMB36.2 billion, of which approximately RMB35.68 billion was from properties and approximately RMB520 million was from car parking spaces. The contracted sales covered an area of approximately 3,380,685 square metres (“sq.m.”) and the average selling price (“ASP”) per sq.m. was approximately RMB10,554.

CHAIRMAN'S STATEMENT



2019 REVIEW

Owing to the slowdown of macroeconomic and insufficient momentum of the three driving force, China introduced easing monetary policy and progressive fiscal policy. Under the circumstances, in 2019, the national real estate development investment amounted to RMB13.2 trillion, representing a year-on-year increase of 9.9%; the sales of real estate amounted to RMB16 trillion, representing a year-on-year increase of 6.5%; the area of commercial properties sold reached 1,720,000,000 sq.m., which was essentially unchanged year-on-year; the annual average selling price amounted to RMB9,310 per sq.m., representing a year-on-year increase of 6.6%; new construction area and completed area reached 2,270,000,000 sq.m. and 960,000,000 sq.m., representing a year-on-year increase of 8.5% and 2.6% respectively. In 2019, slower yet steady economic growth has been witnessed. The policy of “Houses are for living but not for speculation” and “Real estate will not be used as a means of short-term economic stimulus” were still in place for real estate business and became moderately flexible to take into account of specific city district and time while the basic principles of the policy remains unchanged.

CHAIRMAN'S STATEMENT



Precisely controlling the property market to achieve solid growth in annual results

In 2019, under the positioning of “Houses are for living but not for speculation” and “three stableness”, the real estate industry has shifted from the traditional model of “Old three highs”, i.e. high turnover, high leverage and high elimination, to the era of sophisticated operation of “New three highs”, which emphasizes high comfort of the building, high vitality of the space and high value of the product. It also requires industries and companies to return to the strategy of product quality and customer demand oriented. In 2019, the Company's results continue to improve with contracted sales of approximately RMB36.2 billion, representing a year-on-year increase of 12.6%, and the area of contracted sales was 3,380,685 sq.m., representing a year-on-year increase approximately 11.3%. The Company achieved sustained and stable growth in 2019.

Adhering to the strategy of regional intensive exploration to realise reasonable expansion of business layout

By focusing its strategy on the urban areas as well as key first-tier and second-tier cities, the Group and its joint ventures and associates secured 23 new projects in Hefei, Tianjin, Qingdao and Xi'an with an increase in gross floor area (“GFA”) of approximately 4,744,993 sq.m. and an increase in land reserves valued at approximately RMB43.37 billion in 2019. 17 projects are located in stationed cities and prime areas exploration will be continued. The Company will continue to leverage on the advantages of green technology and brand to further expand the real estate agency service business. For the entrusted construction business, the number of the quality entrusted construction projects increased to 11 (increase of 120%) with contract amount of RMB390 million (increase of 255%) and GFA of approximately 2,405,000 sq.m. (increase of 541%), and project quality and revenue had been witnessing improvement in 2019.

CHAIRMAN'S STATEMENT

Maintaining stable capital structure to provide sufficient funding for the future

The Company seeks reasonable financing plan in a scientific manner and selects the optimal financing structure to maintain stable capital structure. The Company received extensive recognition for its sound and effective operation in 2019 and positive ratings on its development from the investors are expected. The Company's bond was sponsored by The Hongkong and Shanghai Banking Corporation for the first time, and rating of its PRC subsidiary was upgraded to AA+ by credit rating agencies. In order to enlarge our credit facilities, the Company obtained credit facilities from 8 new financial institutions and the balance of credit facilities as at the end of 2019 was RMB106.0 billion. The Company always maintains a healthy cash position on hand, accounting for over 15% of the total assets. The Company strongly supported promotion of the state's vision of green finance by way of offshore green bonds issuance during 2019 with an accumulated amount exceeding US\$650 million. Facilitated by effective interaction of both internal and external capital markets, there is ample access to various financing channels.

Focusing on green and healthy product development to extend the brand influence of green and health

The dominant position of the Company in green and healthy construction is becoming more significant. The Company has been accredited 4 new patents in 2019, accumulating various core green technology patents. The first integrated house which parades healthy and applies the technology such as prefabricated and modular net zero energy consumption in China, namely "Air Dino 3 (恐龍3號)", is officially launched. In 2019, the Company was granted a total of over 160 awards, including 51 green property operation awards, 10 finance awards and 28 green certifications. Areas of our green buildings accredited 2-star or above rating reached 7,080,000 sq.m.; 22 communities of the Company have been accredited as green residential areas; and 12 projects of the Company have been awarded Three-Star Green Building Label. The Company was named "2019 Top 5 Chinese Listed Real Estate Companies in Innovative Strength (2019中國房地產上市公司創新能力5強)", "Top 30 Chinese Green Property Developers (中國綠色地產TOP 30)" etc. by China Real Estate Association, and ranked first in "2019 China Model Green Property Developers in Operation (2019中國綠色地產運行典範第1名)" for the fourth time.

OUTLOOK IN 2020

At the beginning of the year, the Coronavirus Disease 2019 ("COVID-19") outbreak casted a shadow over the economy in 2020. Shutdowns and suspension of sales caused significant impact to the capital-intensive real estate industry, which resulted in severe shock and suppression on supply side of production, demand side of market and operating side of corporate. The central government and several municipal governments introduced a series of policies to support the real estate industry since the COVID-19 outbreak in the PRC, and it is expected that the policies will be focused on stableness throughout the year. At the central level, the politburo meeting in February 2020 released a proactive fiscal policy and a prudent monetary policy. The loan prime rate ("LPR") reduction has played a positive role in stabilising economic development, which will also benefit the real estate industry. It will play a positive role in boosting residential property buyers' confidence and would be conducive to stable development of the real estate market.

After the outbreak of the epidemic, comfortable living, safety and health, hygiene and epidemic prevention as well as quality properties would become the rigid needs of customers and new development trends of green and healthy in terms of building and community all certainly emerge. The Company needs to figure out strategic plan for their enterprises, with a customer-based culture to enhance the competitiveness of green and healthy products in terms of R&D, design, construction and operation, which is a new way to survive and grow in the real estate industry.

CHAIRMAN'S STATEMENT

The Company will continue to implement the following four measures, with an aim to achieve its 2020 strategic business targets.

Adhering to the strategy of green and healthy development for outstanding results and steady growth

With the massive amount of data collected over the past 20 years and especially based on the recent large-scale research on green and health, the latest research results on the contemporary green and healthy composite community was released in Beijing, and the relevant data and conclusions are opened to all sectors in society. The launch received extensive social attention, and fully demonstrated domination of the factors of green, health, safety, comfort in the return of mainstream market etc. This is a new market opportunity to enterprises in the industry. The Company will continuously focus on the progression of embedding traditional architectures into the green technology of architectural design, comfortable and healthy living space and energy-saving and environmental protection for construction operation, and constantly strive to innovate in green and healthy buildings (community) and lead the continuous evolution of the industry and its fellow enterprises.

As always, the Company will continue to rely on green and health construction as its core competitiveness and apply new technologies to its products, and integrate and upgrade existing product lines to Modern MOMA, Modern Eminence MOMA, Modern Horizon MOMA, Modern City MOMA. The brand new product lines will bring about multi-dimensional upgrades to energy system, technical configuration, community services etc., so as to facilitate rapid configuration, quality improvement and cost control. It is expected that the Company will be able to master market cycle and overcome difficulties faced by the industry to achieve steady growth in terms of operation scale.

Focusing on city-oriented strategy to facilitate precision investments

The Company will adhere to the investment strategy of "5+15+M" by working on five major megalopolises, namely the Jing-Jin-Ji region, Yangtze River Delta region, the Guangdong-Hong Kong-Macao Greater Bay Area, Middle Yangtze River Valley region and Cheng-Yu region, paying active attention on well-developed first-tier and second-tier cities, such as Xi'an, Guiyang, Nanchang, Zhengzhou, seizing the opportunities to explore the well-developed third-tier and fourth-tier cities that meet our investment criteria, and striving for securing projects that can materialize high turnover, safeguard cash flow and enjoy brand premium. In 2020, the Company will ensure the reasonable structure and amount for land acquisition by further deploying rational tactics for land acquisition. Priority will be given to security while cautionary measures will be taken to facilitate precise investments through various means with stringent requirements in order to further optimize the Company's strategy.

Innovating industry-wide chain financing with an open cooperation platform to achieve win-win situation

In 2020, in order to secure sufficient capital for normal operation and sustainable development of the Company, the Company will continue to explore innovative and comprehensive financing strategies that focused on industry-wide chain and whole-ecosystem. Bona fide credit could be obtained by broadening financing sources, proper utilisation of the fund pool, striving balance between licensed financial institutions and non-licensed institutions, and optional usage of leverage.

The Company adheres to the core competitiveness in green and healthy construction, which would achieve the integrations of investment and finance, industry and finance, as well as industry and city in the field of green and healthy real estate, and establish an indirect financing system based on strategic banks and strategic trusts. Leveraging the direct financing system based on debt issuance and ABS as well as the equity financing system based on private equity funds and project equity cooperation, we will actively expand both overseas and domestic green financial capital channels and promote our innovative practices in green financial business.

CHAIRMAN'S STATEMENT

Focusing on the whole-lifecycle industrialized communities to promote growth of the premier brands

Based on the creation of social environment of “MOMA Homeland 4+1” catering for the needs of customers with new technology, new space and new consumption era, the Company strives to provide customers with comprehensive services covering toddler, youth, adult, middle-aged and the elderly, which will further expand the service area and innovate service content. The Company will promote the upgrading from the living community to the industry community so as to achieve continuous evolution and growth of the brand.

Looking forward, the Company will continue to focus on product upgrades, operational performance and risk control in 2020, aiming to become the leading operator of the green technology industry community in China. The Company will continue to leverage its core competitiveness, adhere to its differentiated business lines and maintain an effective operation to ensure the achievement of its strategic business objectives in 2020.

Last but not least, on behalf of the Board, I would like to extend sincere thanks to our shareholders for their unwavering support and trust, and I would also like to express deepest gratitude to members of the Board, the management team and all staff of the Group for their dedication and diligence.

Zhang Lei
Chairman

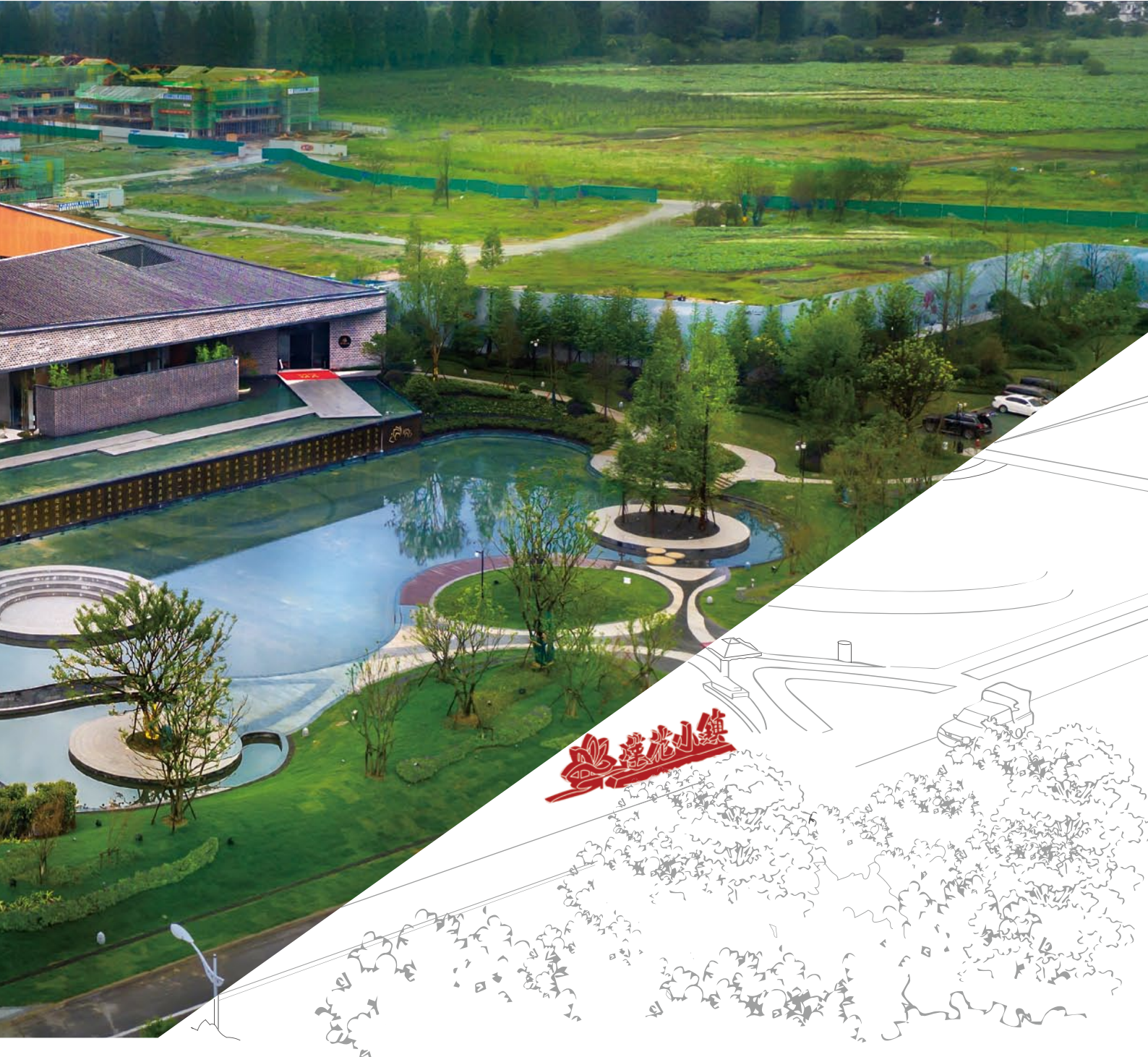
26 March 2020



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from sale of properties

RMB **14,018.3** million

1,385,548 sq.m.

Total gross floor area

3,361 units

Car parking spaces

PROSPECTS

At the beginning of the year, the COVID-19 outbreak casted a shadow over the economy in 2020. Shutdowns and suspension of sales caused significant impact to the capital-intensive real estate industry, which resulted in severe shock and suppression on supply side of production, demand side of market and operating side of corporate. The central government and several municipal governments introduced a series of policies to support the real estate industry since the COVID-19 outbreak in the PRC, and it is expected that the policies will be focused on stableness throughout the year. At the central level, the politburo meeting in February 2020 released a proactive fiscal policy and a prudent monetary policy. The LPR reduction has played a positive role in stabilising economic development, which will also benefit the real estate industry. It will play a positive role in boosting residential property buyers' confidence and would be conducive to stable development of the real estate market.



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

After the COVID-19 outbreak, comfortable living, safety and health, hygiene and epidemic prevention as well as quality properties would become the rigid needs of customers and new development trends of green and healthy in terms of building and community all certainly emerge. The Company needs to figure out strategic plan for their enterprises, with a customer-based culture to enhance the competitiveness of green and healthy products in terms of R&D, design, construction and operation, which is a new way to survive and grow in the real estate industry.

The Company will continue to achieve the strategic business goals of 2020 based on four aspects: “adhering to the strategy of green technology development”, “focusing on the strategy of urbanization layout”, “innovating the financing of the industry-wide chain” and “focusing on the whole-life cycle communities”.

BUSINESS REVIEW

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

Sale of Properties

For the year ended 31 December 2019, the Group’s revenue from sale of properties amounted to approximately RMB14,018.3 million, representing an increase of approximately 55.0% as compared to the year ended 31 December 2018. The Group delivered 1,385,548 sq.m. of property in terms of total GFA and 3,361 units of car parking spaces in 2019. Gross profit margin of sale of properties was 23.1%, up from 21.8% in the corresponding period in 2018. Delivered ASP for properties was RMB9,883 per sq.m. and that for car parking spaces was RMB96,786 per unit for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Project name	2019			2018		
	Revenue RMB'000	Total saleable GFA delivered (sq.m.) or unit	ASP RMB/sq.m. or unit	Revenue RMB'000	Total saleable GFA delivered (sq.m.) or unit	ASP RMB/sq.m. or unit
Dongdaihe • Bai Jin Hai MOMA (Dongdaihe)	635,249	94,452	6,726	271,082	40,051	6,768
Fuyang Modern City MOMA (Anhui)	82,806	13,492	6,137	–	–	–
Fūzhou Modern City MOMA (Jiangxi)	6,432	1,031	6,239	–	–	–
Guanggu Man Ting Chun MOMA (Wuhan)	–	–	–	9,149	548	16,695
Hanyang Modern Wan Guo Cheng (Wuhan)	1,021,569	69,399	14,720	974,462	67,806	14,371
Jingzhou Man Tang Yue MOMA (Hubei)	286,416	51,876	5,521	162,950	30,005	5,431
Kaifu Man Ting Chun MOMA (Changsha)	–	–	–	2,096	191	10,974
Man Tang Yue MOMA (Huizhou)	91,305	9,274	9,845	936,782	86,616	10,815
Man Ting Chun Modern City MOMA (Xiantao)	14,247	2,819	5,054	4,433	864	5,131
Man Ting Chun MOMA (Jiujiang) (Note)	12,511	1,120	11,171	4,025	538	7,481
Man Ting Chun MOMA (Zhangjiakou)	455,935	69,106	6,598	13,207	1,938	6,815
Man Ting Chun MOMA(Xiantao)	656,190	128,425	5,110	904,944	238,993	3,786
Modern Binjiang MOMA (Changsha)	26,090	4,590	5,684	267,610	14,292	18,724
Modern Chun Feng Hu Shang MOMA (Wuxi)	299,764	30,349	9,877	259,717	27,440	9,465
Modern Jiaxing Man Tang Yue MOMA	11,203	986	11,362	–	–	–
Modern Jinjiang Wan Guo Cheng MOMA (Fujian)	1,065,807	112,117	9,506	10,083	879	11,471
Modern Jinzhong Shang Pin Xue Fu (Shanxi)	24,846	2,898	8,573	–	–	–
Modern Land • CIFI Villa (Beijing)	–	–	–	90,693	3,493	25,964
Modern Shang Pin Wan MOMA (Foshan)	380,201	23,930	15,888	11,409	676	16,877
Modern Shang Pin Xue Fu (Huzhou)	478,687	53,561	8,937	14,205	1,448	9,810
Modern Tian Yu (Huzhou)	370,388	38,413	9,642	–	–	–
Modern Wan Guo Fu (Hefei)	1,601,070	72,633	22,043	38,628	1,765	21,886
Modern Wan Guo Fu MOMA (Foshan)	544,434	22,458	24,242	1,035,342	49,171	21,056
Modern Wan Guo Fu MOMA (Nanjing)	195,253	4,932	39,589	10,302	252	40,881
Modern Wan Guo Fu MOMA (Shanghai)	–	–	–	169,928	2,840	59,834
Modern Wan Guo Fu MOMA (Suzhou)	–	–	–	19,937	700	28,481
Modern Xingyi Shang Pin Wan (Guizhou)	85,238	22,204	3,839	–	–	–
Modern Zhongrui Wan Guo Fu (Wuhan)	988,754	37,747	26,194	50,586	1,787	28,308
Modern Zhuzhou Shang Pin Wan MOMA (Hunan)	564,925	83,838	6,738	11,851	1,799	6,588
Modern MOMA (Hefei)	18,013	1,083	16,633	64,016	2,897	22,097
Modern MOMA City of Future (Guizhou)	36,131	3,217	11,231	–	–	–
Modern MOMA Plaza (Taiyuan)	141,039	12,514	11,270	3,647	370	9,857
Modern MOMA Yan Hu Cheng (Taiyuan)	728,925	96,494	7,554	611,436	88,426	6,915
MOMA Modern Plaza (Changsha)	–	–	–	339,568	34,348	9,886
Shao Quan Hu City of Future (Hefei)	1,305,761	146,340	8,923	1,610,264	224,958	7,158
Shishan Modern MOMA (Suzhou)	278,500	16,916	16,464	639,623	27,652	23,131
Wuqing Sunshine MOMA (Tianjin)	496,828	41,863	11,868	–	–	–
Xiaogan Modern Shi Guang Li MOMA (Hubei)	6,096	1,273	4,789	–	–	–
Yangluo Man Ting Chun MOMA (Wuhan)	779,651	113,522	6,868	278,736	46,648	5,975
Others	2,696	676	3,988	23,013	2,348	9,801
Sub-total	13,692,960	1,385,548	9,883	8,843,724	1,001,739	8,828
Car parking spaces	325,299	3,361 units	96,786/unit	199,780	1,615 units	123,703/unit
Total	14,018,259			9,043,504		

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

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted Sales

For the year ended 31 December 2019, the Group, its joint ventures and associates achieved contracted sales of approximately RMB36,202.6 million, representing an increase of 12.6% as compared to the year ended 31 December 2018, whereas 3,380,685 sq.m. in total GFA and 5,423 units of car parking spaces were sold, representing an increase of approximately 11.3% and approximately 83.6% respectively as compared to the year ended 31 December 2018.

Table 2: Breakdown of contracted sales of the Group, its joint ventures and associates

Province/City	2019			2018		
	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
Anhui	4,128,287	432,968	9,535	3,926,752	391,918	10,019
Beijing	3,051,033	84,631	36,051	2,567,758	37,939	67,681
Fujian	543,997	18,501	29,404	2,519,201	242,697	10,380
Guangdong	638,414	12,688	50,316	1,954,408	138,726	14,088
Guizhou	825,027	108,359	7,614	2,045,697	349,725	5,849
Hebei	4,030,934	327,849	12,295	618,106	81,269	7,606
Henan	130,578	17,551	7,440	–	–	–
Hubei	4,739,924	731,536	6,479	4,278,214	525,168	8,146
Hunan	394,418	30,602	12,889	2,537,233	253,710	10,001
Jiangsu	1,064,332	63,114	16,864	1,912,850	58,955	32,446
Jiangxi	3,882,678	376,195	10,321	21,404	1,866	11,471
Liaoning	41,835	8,250	5,071	583,633	71,808	8,128
Shaanxi	1,781,892	193,177	9,224	3,805,061	418,619	9,090
Shandong	733,913	124,400	5,900	–	–	–
Shanghai	–	–	–	6,000	86	69,767
Shanxi	7,947,674	670,349	11,856	2,168,154	222,678	9,737
Tianjin	900,557	94,225	9,558	496,749	38,238	12,991
Zhejiang	844,112	86,290	9,782	2,263,840	202,832	11,161
Properties Sub-total	35,679,605	3,380,685	10,554	31,705,060	3,036,234	10,442
Car parking spaces	522,987	5,423 units	96,439/unit	451,619	2,954 units	152,884/unit
Total	36,202,592			32,156,679		

MANAGEMENT DISCUSSION AND ANALYSIS

Property Investment, Hotel Operation, Real Estate Agency Services and Other Services

For the year ended 31 December 2019, the Group's revenue from property investment amounted to approximately RMB56.7 million, representing a decrease of approximately 11.5% as compared to the corresponding period in 2018.



For real estate agency services, with the unique product, brand, management and credibility advantages supported by our MOMA green-technology products, the Group offers customized full-set development and operation management solutions to customers. For the year ended 31 December 2019, the revenue from real estate agency services amounted to approximately RMB370.4 million, representing an increase of approximately 136.9% as compared to that of approximately RMB156.3 million for the corresponding period in 2018.



MANAGEMENT DISCUSSION AND ANALYSIS

Hotel MOMC, a boutique hotel owned and operated by the Group, has established its presence in Beijing and Taiyuan, and revenue from hotel operation for the year ended 31 December 2019 amounted to RMB71.1 million, representing a decrease of 1.0% as compared to that of approximately RMB71.8 million for the corresponding period in 2018.

For the year ended 31 December 2019, the revenue from other services was approximately RMB35.2 million, whereas revenue of approximately RMB1.9 million for the corresponding period in 2018 was recorded.



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.



MANAGEMENT DISCUSSION AND ANALYSIS

Land Bank

As at 31 December 2019, total GFA of land bank in the PRC (excluding investment properties and properties held for own use) held by the Group, its joint ventures and associates was 11,932,579 sq.m..

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

Table 3: Land bank held by the Group, its joint ventures and associates

Province/City	As at 31 December 2019	
	Total GFA unsold (sq.m.)	Aggregated GFA sold but undelivered with sales contracts (sq.m.)
Anhui	1,271,795	865,277
Beijing	558,123	162,502
Fujian	417,166	295,759
Guangdong	561,068	114,819
Guizhou	567,829	435,916
Hebei	602,749	338,242
Henan	240,881	17,551
Hubei	2,494,550	1,007,242
Hunan	446,595	76,618
Jiangsu	406,934	115,139
Jiangxi	715,726	376,135
Liaoning	123,669	13,068
Shaanxi	1,011,329	612,679
Shandong	845,852	324,400
Shanghai	17,704	–
Shanxi	1,192,521	890,485
Tianjin	193,660	90,600
Zhejiang	264,428	194,448
Total	11,932,579	5,930,880

MANAGEMENT DISCUSSION AND ANALYSIS

Land Acquisitions in 2019

In 2019, the Group, its joint ventures and associates continued to apply the same conservative and balanced strategy as its general direction towards land acquisitions. As at 31 December 2019, the Group, its joint ventures and associates purchased a total of 23 new projects with corresponding land parcels or related interests through various channels including government held public tender, integrated primary and secondary development and cooperation with an aggregate GFA of 4,744,993 sq.m..

Project location (province/city)	Number of new projects	Approximate total GFA (sq.m.)
Anhui	3	646,950
Guizhou	1	152,400
Hebei	1	210,874
Henan	2	240,881
Hubei	5	1,402,767
Hunan	2	238,750
Jiangsu	1	121,082
Jiangxi	2	375,660
Shaanxi	1	170,800
Shandong	2	845,852
Shanxi	2	149,036
Tianjin	1	189,941
Sub-total	23	4,744,993

MANAGEMENT DISCUSSION AND ANALYSIS

Major Projects

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA (sq.m.)	Expected/Actual construction commencement date	Expected/Actual construction completion date	Major usage	Status	Address
Binjiang Man Ting Chun MOMA (Tianmen)	60%	35,999	131,697	2018.06	2021.04	Residential, commercial, car parks	Under construction	Tianmen Industrial Park, Tianmen City
Dongdaihe • Bai Jin Hai MOMA (Dongdaihe)	100%	185,564	346,675	2015.05	2022.09	Residential, commercial, car parks	Under construction	Baijin Hai, Binhai Highway, Dongdaihe New District, Liaoning Province
Dongguan Zhuang Project (Guangzhou)	38.25%	96,503	284,596	2018.12	2021.09	Residential, commercial, car parks	Under construction	Dongguan Zhuang Road, Tian He District, Guangzhou City
Fuyang Modern City MOMA (Anhui)	74%	162,321	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
Fūzhou Modern City MOMA (Jiangxi)	51%	166,703	359,096	2019.01	2022.11	Residential, commercial, car parks	Under construction	East of Dafu Industrial Avenue, Dongxiang District and south of Zhanqian South Road
Hanyang Modern Wan Guo Cheng (Wuhan)	75%	45,200	159,944	2017.03	2020.02	Residential, commercial, car parks	Completed	Intersection Point of the Third Ring Road and Hanyang Avenue, Hanyang District, Wuhan City
Jiao Tou Man Ting Chun MOMA (Xiantao)	50%	300,002	599,485	2019.09	2023.12	Residential, commercial, car parks	Under construction	Xiantao Shazui Office
Jingzhou Modern Man Tang Yue MOMA (Hubei)	30%	43,453	103,473	2017.11	2019.09	Residential, commercial, car parks	Completed	Intersection Point of Planning Road and West Ring Road, Jingzhou City, Hubei Province
Linquan Modern MOMA (Anhui)	26.01%	189,620	393,857	2019.02	2023.12	Residential, commercial, car parks	Under construction	Intersection of Guangming South Road and Xiaguang Avenue, Linquan County, Fuyang City
Lishui Shang Pin Wan MOMA (Foshan)	100%	16,424	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 MOMA (Huizhou)	100%	27,624	209,700	2016.12	2021.11	Residential, commercial, car parks	Under construction	Room 201, 3 Anhui Avenue, Aotou, Daya Bay, Huizhou City, Guangdong Province
Man Ting Chun Modern City MOMA (Xiantao)	82%	79,035	300,138	2018.04	2021.11	Residential, commercial, car parks	Under construction	South side of Huangjin Main Road, Ganhe Banshichu, Xiantao City
Man Ting Chun MOMA (Zhangjiakou)	35%	170,592	340,841	2018.01	2022.06	Residential, commercial, car parks	Under construction	Shalingzi Town, Xuanhua District, Zhangjiakou City
Man Ting Chun MOMA (Xiantao)	100%	226,095	869,663	2014.11	2019.12	Residential, commercial, car parks	Completed	88 Huangjin Main Road (West), Ganhe Banshichu, Xiantao City, Hubei Province
Modern Binjiang Shang Pin MOMA (Nanchang)	25.50%	141,399	291,534	2019.04	2022.10	Residential	Under construction	West of Inner Hezhou Road and north of Wenshan First Road within Nanchang Province
Modern City (Heze)	100%	193,269	747,259	2019.07	2022.12	Residential, commercial, car parks	Under construction	Northeast corner of the intersection of Taiyuan Road and Bayi Road, Mudan District, Heze City, Shandong Province
Modern City MOMA (Taiyuan)	51%	141,881	140,788	2018.06	2022.06	Residential, commercial, car parks	Under construction	Northwest corner of South Central Ring Road and Xinjinci Road, Taiyuan, Shanxi Province
Modern Furong Wan Guo Cheng MOMA (Changsha)	51%	156,285	545,752	2015.01	2019.08	Residential, commercial, car parks	Completed	Northwest Corner of the Intersection Point of Dongyuan Avenue and Shuangyang Road, Liuyang River, Furong District, Changsha City
Modern Gaoke Shang Pin MOMA (Zhuzhou)	56%	35,997	111,590	2019.12	2021.11	Residential, commercial, car parks	Under construction	Intersection of Zhuzhou Avenue and Heilongjiang Road, Tianyuan District, Zhuzhou City
Modern Great Lakes Shang Pin MOMA (Suzhou)	80%	38,385	57,578	2018.12	2020.12	Residential	Under construction	South side of Hunshui Road, Xinbaisheng Road East, Pingwang Town, Wujiang District, Suzhou City
Modern Guangming Park Yue (Changzhou)	51%	55,038	121,082	2020.01	2022.09	Residential	not yet commenced	South of Xinlong Road and west of Xinqing Road, Zhonglou District, Changzhou
Modern Guoling Shang Pin Wan MOMA (Shaanxi)	60%	280,003	637,559	2018.07	2022.03	Residential, commercial, car parks	Under construction	Jingwei Eight Road, Jinghe Industrial Park, Gaoling District, Xi'an City, Shaanxi Province
Modern Hong Shan Fu (Fujian)	75%	9,429	19,800	2018.07	2020.05	Residential, commercial, car parks	Under construction	Hongshan Town, Shishi County, Quanzhou City, Fujian Province

MANAGEMENT DISCUSSION AND ANALYSIS

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA (sq.m.)	Expected/Actual construction commencement date	Expected/Actual construction completion date	Major usage	Status	Address
Modern Huangshi Man Tang Yue MOMA (Hubei)	51%	41,807	162,865	2018.07	2020.12	Residential, commercial, car parks	Under construction	Next to the Wanda Plaza, Huahu Avenue, Huangshigang District, Huangshi City, Hubei Province
Modern Jiabao Park YUE MOMA (Shaanxi)	51.02%	110,597	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
Modern Jiaxing Man Tang Yue MOMA	51%	30,570	55,027	2018.05	2020.04	Residential, commercial, car parks	Completed	South side of Yashan Road and West side of Huangshan Road, Jiaxing Port, Jiaxing District
Modern Jing MOMA (Shaanxi)	51%	48,824	170,800	2020.03	2023.08	Residential, commercial, car parks	not yet commenced	Xidian City, Baiqiao District, West of East Third Ring, East of Sandian Village and Beichan River
Modern Jing MOMA (Wuhan)	100%	92,894	239,797	2019.11	2022.10	Residential, commercial, car parks	Under construction	Intersection of Jinbei Second Road and Jingxi Jiu Road, Wuhan
Modern Jinjiang Wan Guo Cheng MOMA (Fujian)	60%	110,597	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 Jinzhong Shang Pin Xue Fu (Shanxi)	49%	142,155	355,388	2018.09	2021.05	Residential, commercial, car parks	Under construction	Huancheng East Road, Wenhua Street, Yuci District, Jinzhong City
Modern Jiuhuashan Lotus Small Town (Anhui)	51%	92,513	48,477	2018.07	2020.12	Commercial	Under construction	East of Jiuyu Road, Jiu Hua Shan Scenic Area
Modern Ninghe Park • YUE MOMA (Tianjin)	100%	124,086	193,441	2019.08	2022.06	Residential, commercial, car parks	Under construction	Haihang City, Ninghe District, Tianjin
Modern Shang Pin Wan (Huzhou)	79.35%	37,029	71,447	2018.08	2020.06	Residential, commercial, car parks	Under construction	Lizhi Town, Wuxing District, Huzhou City
Modern Shang Pin Xue Fu (Huzhou)	80.51%	98,056	223,850	2018.06	2020.06	Residential, commercial, car parks	Under construction	Lizhi Town, Wuxing District, Huzhou City
Modern Shang Pin MOMA (Hengyang)	51%	36,331	127,160	2019.11	2022.06	Residential, commercial, car parks	Under construction	Songling Village, Changhu Township, Zhengxiang District, Hengyang City
Modern Suzhou Fu MOMA	50%	14,928	24,078	2016.10	2019.08	Residential, commercial, car parks	Completed	Jingde Road South and Changxu Road East, Gusu District, Suzhou City, Jiangsu Province
Modern Tian Yu (Huzhou)	40%	26,802	42,883	2018.07	2019.12	Residential, commercial, car parks	Completed	Lizhi Town, Wuxing District, Huzhou City
Modern Tongzhou Wan Guo Fu MOMA	50.98%	35,998	220,733	2017.04	2020.06	Residential, commercial, car parks	Under construction	Eastern Side of Yuqiao West Road, Beijing
Modern Wan Guo Cheng MOMA (Nanjing)	51%	20,532	54,486	2016.11	2020.11	Residential, commercial, car parks	Under construction	Estuary of Sancha River, Gulou District, Nanjing City, Jiangsu Province
Modern Wan Guo Fu MOMA (Binfeng)	51%	54,336	108,671	2019.07	2022.04	Residential, commercial, car parks	Under construction	Southeast corner of the intersection of Xin'anjiang Road and Huangfushan Road, Zhuozhen Town, Feidong County, Hefei City
Modern Xingyi Shang Pin Wan (Guizhou)	60%	79,160	174,542	2018.06	2020.07	Residential, commercial, car parks	Under construction	Yongkang Community, Xiaiwutun Street, Yiwu City
Modern Xishan Shang Pin Wan MOMA (Beijing)	51%	78,773	130,030	2018.04	2020.09	Residential, commercial, car parks	Under construction	Bichunyuan, Yangfang Estate, Yangfang Town, Changping District, Beijing
Modern Yu Quan Fu (Fujian)	51%	40,117	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
Modern Yunjing MOMA (Beijing)	51%	49,477	163,593	2017.05	2022.03	Commercial, car parks	Under construction	29th Street, Shunyi New Town, Liqiao Town, Shunyi District, Beijing
Modern Zhongrui Wan Guo Fu (Wuhan)	51%	13,270	39,810	2016.10	2019.01	Residential, commercial, car parks	Completed	Fuxing Estate Road, Jiangnan District, Wuhan City
Modern Zhu MOMA (Taiyuan)	20.4%	59,563	127,698	2019.07	2022.03	Residential, commercial, car parks	Under construction	No. 36, Mallianying Road, Xiaodian District, Taiyuan City
Modern Zhuzhou Shang Pin Wan MOMA (Hunan)	70%	74,964	164,595	2017.12	2020.05	Residential, commercial, car parks	Completed	Binhe Road, Tianyuan District, Zhuzhou City, Hunan Province

MANAGEMENT DISCUSSION AND ANALYSIS

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA (sq.m.)	Expected/Actual construction commencement date	Expected/Actual construction completion date	Major usage	Status	Address
Modern MOMA (Hefei)	30.6%	111,170	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 MOMA City of Future (Guizhou)	62.2%	480,576	415,455	2018.08	2022.12	Residential, commercial, car parks	Under construction	Huaxi District, Guiyang City, Guizhou Province
Modern MOMA Hengtong International City of the Future (Hefei)	100%	139,189	460,037	2016.06	2019.12	Residential, commercial, car parks	Completed	Southwest Corner of the Intersection Point of East Street and Wenzhong Road, Xinzhan District, Hefei City, Anhui Province
Modern MOMA Plaza (Taiyuan)	51%	36,013	140,788	2017.12	2020.09	Commercial, car parks	Under construction	Northeast of the intersection of Linnan Zhonghuan Street and West Central Ring Road, Jinyuan District, Taiyuan City, Shanxi Province
Modern MOMA Yan Hu Cheng (Taiyuan)	51%	49,576	201,600	2016.12	2018.09	Residential, commercial, car parks	Completed	Intersection Point of South Middle Ring Road and West Middle Ring Road, Jinyuan District, Taiyuan City, Shanxi Province
Shishan Modern MOMA (Suzhou)	100%	15,419	80,511	2016.09	2019.08	Residential, commercial, car parks	Completed	Intersection Point of Zhuyuan Road and Jinfeng Road, Gaoxin District, Suzhou City, Jiangsu Province
Shishou Xian Yang Fu MOMA (Hubei)	30%	65,886	164,700	2019.04	2022.01	Residential	Under construction	81 Xianyanghu Road, Shishou County, Jinzhou City
Tongfu Modern Fu MOMA (Hebei)	90%	76,872	210,874	2019.10	2022.11	Residential, commercial, car parks	Under construction	West of Yuxiang Street, North of Dongyin Village, East of Jianshe Street, Luancheng District, Shijiazhuang City, Hebei Province
Tonghui Modern YUE MOMA	34.17%	39,437	98,593	2019.12	2021.08	Residential, commercial, car parks	Under construction	East of Jinsheng 1st Road, North of Hongxiang 2nd Road, Jihongtan Street, Chengyang District, Qingdao, Shandong Province
Wan Guo Cheng MOMA (Foshan)	100%	48,208	190,833	2016.07	2020.06	Residential, commercial, car parks	Under construction	B District, Financial High Tech Service Area, Nanhai District, Foshan City, Guangdong Province
Wuqin Modern Shi Guang Li MOMA (Tianjin)	70%	36,408	43,123	2017.06	2019.06	Residential, commercial, car parks	Completed	Intersection point of Xiaozhuzhuang Qijia Road and Wenhui Road, Wuqing District, Tianjin
Xiaogan Modern Shi Guang Li MOMA (Hubei)	52.5%	99,749	239,398	2018.12	2020.12	Residential	Under construction	No. 548 Xiaowu Avenue, Xiaonan District
Xinqiao Modern YUE MOMA	100%	65,647	144,422	2020.01	2022.05	Residential, commercial, car parks	not yet commenced	Intersection of Chuangye Avenue and Yongle Road, Xinqiao Industrial Park, Shou County
Xuchang Modern YUE MOMA	60%	61,551	214,485	2019.09	2022.01	Residential, commercial, car parks	Under construction	East of Tiedong District and North of Laodong West Lane, Weidu District, Xuchang City
Yangluo Man Ting Chun MOMA (Wuhan)	20%	76,394	268,141	2017.07	2020.05	Residential, commercial, car parks	Under construction	Zhucheng Street, Xinzhou District, Wuhan City
Yimei Modern City MOMA (Honghu)	51%	38,934	109,015	2020.02	2021.11	Residential, commercial, car parks	not yet commenced	North side of Wenquan Avenue, Xindi Office, Honghu City
Yinghe Modern City MOMA (Wuhan)	100%	139,334	284,050	2019.07	2022.07	Residential, commercial, car parks	Under construction	South of Outer Ring Road, East of Zhangbai Road, Baiquan Street, Dongxihu District, Wuhan
Yuanzhu MOMA (Zhangjiakou)	48.45%	61,365	121,909	2018.11	2021.08	Residential, commercial, car parks	Under construction	Yuepeng Longcheng Residential District, 52 Shengli North Road, Qiaodong District, Zhangjiakou City
Zhengzhou Xingyang Park • YUE MOMA	49%	10,559	26,397	2019.08	2021.05	Residential, commercial, car parks	Under construction	Northeast of the intersection of Guangwu Road and Yuxi Nanji Road, Liyang
Zhongxiang Wan Guo Cheng MOMA (Suzhou)	80%	26,136	154,294	2019.04	2021.04	Residential, commercial, car parks	not yet commenced	666 Xiangcheng Avenue, Xiangcheng District, Suzhou City, Jiangsu Province
Total		5,988,620	14,610,998					

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 55.8% to approximately RMB14,551.7 million for the year ended 31 December 2019 from approximately RMB9,337.7 million for the year ended 31 December 2018, which was mainly due to a year-over-year increase of approximately RMB4,974.8 million in the income from sales of properties as a result of the increase in GFA delivered and the increase in ASP.

Cost of sales

The Group's cost of sales amounted to approximately RMB10,844.4 million for the year ended 31 December 2019, representing an increase of approximately 51.3% as compared to the corresponding period of 2018, which was in line with the increase of revenue.

Gross profit and gross profit margin

For the year ended 31 December 2019, the Group's gross profit was approximately RMB3,707.3 million and the gross profit margin was approximately 25.5%, representing an increase of approximately 2.2 percentage points compared to that of the corresponding period of 2018.

Other income, gains and losses

The Group's other income, gains and losses increased by approximately 30.3% to approximately RMB269.5 million for the year ended 31 December 2019 from approximately RMB206.8 million for the year ended 31 December 2018, which was mainly due to the remeasurement to fair value of the Group's pre-existing interest in an acquiree.



MANAGEMENT DISCUSSION AND ANALYSIS

Change in fair value

The change in fair value of the Group's investment properties increased from approximately RMB132.2 million for the year ended 31 December 2018 to approximately RMB357.5 million for the year ended 31 December 2019, representing an increase of approximately 170.4%, which was mainly due to the addition of investment properties.

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately 22.5% to approximately RMB530.1 million for the year ended 31 December 2019 from approximately RMB432.7 million for the year ended 31 December 2018, primarily due to the expansion of overall sales scale. Selling and distribution expenses accounted for approximately 1.5% of the contracted sales of the Group in 2019, which was similar to that of approximately 1.35% in 2018.

Administrative expenses

The administrative expenses of the Group increased by approximately 18.7% to approximately RMB681.5 million for the year ended 31 December 2019 from approximately RMB574.1 million for the corresponding period of 2018, primarily due to the expansion of the Group's business.

The Group continued to strictly control the scale of administrative expenses. The administrative expenses for the year ended 31 December 2019 accounted for approximately 1.9% of contracted sales, which remained stable as compared to that of approximately 1.8% for the corresponding period in 2018.

Finance costs

The finance costs of the Group amounted to approximately RMB420.1 million for the year ended 31 December 2019, representing an increase of approximately 62.9% from approximately RMB257.8 million for the year ended 31 December 2018. Amidst the general rising market interest rates both at home and abroad, the Group's weighted average interest rate of borrowings increased to approximately 9.9% as at 31 December 2019 as compared to that of approximately 8.2% for the year ended 31 December 2018, which was mainly due to the increase in overseas finance costs.



MANAGEMENT DISCUSSION AND ANALYSIS



Income tax expense

The income tax expense of the Group for the year ended 31 December 2019 increased by approximately 117.6% to approximately RMB1,615.8 million from approximately RMB742.6 million for the year ended 31 December 2018, primarily due to the increase in profit before tax.

Profit for the year

The profit of the Group for the year ended 31 December 2019 increased by approximately 59.2% to approximately RMB1,054.4 million from approximately RMB662.3 million for the year ended 31 December 2018, primarily due to the improvements in total GFA delivered and an increase in gross profit margin of the delivered properties during the year ended 31 December 2019.

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 Company for the year ended 31 December 2019 increased by approximately 39.2% to approximately RMB730.7 million from approximately RMB524.8 million for the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2019, the cash, restricted cash and bank balances of the Group increased to approximately RMB11,382.6 million from approximately RMB9,717.2 million as at 31 December 2018, representing an increase of approximately 17.1%, mainly due to the continuous expansion of sales scale and earnings generated from the cooperation projects during the period under review. The bank balances and cash (including restricted cash) accounted for approximately 16.6% of the total assets as at 31 December 2019 and the Group was still able to maintain a healthy cash position.

Borrowings and pledge of the Group's assets

As at 31 December 2019, the Group had aggregate balance of borrowings of approximately RMB18,496.0 million, including bank and other borrowings of approximately RMB10,788.7 million, senior notes of approximately RMB6,685.0 million and corporate bonds of approximately RMB1,022.3 million, representing an increase of approximately 16.1% as compared to that of approximately RMB15,928.2 million as at 31 December 2018. As at 31 December 2019, certain banking and other facilities granted to the Group were secured by the Group's assets, such as investment properties, properties under development for sale, properties held for sale, property, plant and equipment, equity interests in subsidiaries and bank deposits, which had an aggregate carrying amount of approximately RMB20,187.2 million (31 December 2018: approximately RMB12,251.0 million). Majority of the carrying amount of the Group's bank loans was denominated in RMB.



MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of borrowings

By type of borrowings and maturity

	31 December 2019 RMB'000	31 December 2018 RMB'000
Bank and other loans		
Within one year or on demand	7,087,864	5,550,716
More than one year, but not exceeding two years	2,233,706	3,031,390
More than two years, but not exceeding five years	1,417,106	630,000
More than five years	50,000	70,000
Sub-total	10,788,676	9,282,106
Senior Notes		
Within one year	2,379,120	3,286,031
More than two years, but not exceeding five years	4,305,879	2,327,846
Sub-total	6,684,999	5,613,877
Corporate Bonds	1,022,303	1,032,175
TOTAL	18,495,978	15,928,158
Less:		
Bank balances and cash (including restricted cash)	11,382,626	9,717,210
Net Debt	(7,113,352)	(6,210,948)
Total Equity	8,604,313	7,581,959
Net debt to Equity	82.7%	81.9%

MANAGEMENT DISCUSSION AND ANALYSIS

By currency denomination

	31 December 2019 RMB'000	31 December 2018 RMB'000
— Denominated in RMB	9,755,848	7,506,531
— Denominated in US\$	551,322	533,590
— Denominated in HK\$	481,506	1,241,985
	10,788,676	9,282,106

Leverage

The Group's net gearing ratio increased from approximately 81.9% as at 31 December 2018 to approximately 82.7% as at 31 December 2019. The Group's net current assets (being current assets less current liabilities) increased by approximately 83.1% to approximately RMB6,378.0 million as at 31 December 2019 from approximately RMB3,483.8 million as at 31 December 2018. Current ratio (being current assets/current liabilities) increased from approximately 1.09 times as at 31 December 2018 to approximately 1.13 times as at 31 December 2019.

Foreign currency risk

The functional currency of the Company's major subsidiaries is RMB. Most of the transactions are denominated in RMB. Transactions of the Group's foreign operations, such as purchasing land held for future development, and certain expenses incurred are denominated in foreign currencies. As at 31 December 2019, the Group had monetary assets denominated in US dollars and Hong Kong dollars of approximately RMB82.5 million and approximately RMB13.8 million, respectively, as well as liabilities denominated in US dollars and Hong Kong dollars of approximately RMB7,236.3 million and approximately RMB481.5 million, respectively. Those amounts were exposed to foreign currency risk. Considering the actual impacts caused to the Group arising from the market condition and fluctuations of foreign exchange rates during the year, the Group currently has no foreign currency hedging policy in place yet, but the management will constantly monitor foreign exchange exposure and identify one that will be appropriate to the Group. The Group will consider hedging against any significant foreign currency exposure when necessary.

Contingent liabilities

As at 31 December 2019, the Group had contingent liabilities amounting to approximately RMB13,474.3 million (31 December 2018: approximately RMB11,587.3 million) in relation to guarantees provided to the domestic banks for the mortgage bank loans granted to the Group's customers. Under the terms of the guarantees, if a purchaser has defaulted on the mortgage payments, the Group will be liable for the payment of outstanding mortgage principals plus accrued interest and the penalties owed by the defaulted purchaser to the bank, and, in such circumstances, the Group will be entitled to take over the legal title and ownership of the relevant property. These guarantees will be released upon the earlier of: (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property and cancellation of mortgage registration.

MANAGEMENT DISCUSSION AND ANALYSIS



The Group provided no guarantee to bank loans and other borrowings of joint ventures as at 31 December 2019 (31 December 2018: RMB998.0 million). At the end of the reporting period, the Directors do not consider that any claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees.

Employees and compensation policy

As at 31 December 2019, the Group had 2,038 employees (31 December 2018: 1,842). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make any necessary adjustment in order to be

in line with the remuneration levels in the industry. In addition to basic salaries, employees may be granted share options, discretionary bonus and cash awards based on individual performance.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year of 2019, 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

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Set out below is a summary of the material acquisitions conducted or terminated by the Group for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

1. On 16 October 2018, Modern Land (HKNo. 7) Co., Limited (“Modern Land No. 7”) (a wholly-owned subsidiary of the Company) entered into a 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. Thereafter, 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.
2. On 18 April 2019, Nanchang Mingbo Real Estate Company Limited (a 50% owned joint venture of the Company) (“Mingbo Real Estate”) and Nanchang County Urban Construction Investment and Development Co., Ltd. (“NCUCID”) entered into a cooperation agreement setting out the rights and obligations of respective parties in joint development of the land parcels located at Nanchang County, Nanchang City, Jiangxi Province, the PRC and management of Jiangxi Shengcheng Real Estate Development Co., Ltd. (“Jiangxi Shengcheng”). On the same day, Yuedong Zhiye Investment (Beijing) Co., Ltd. (a wholly-owned subsidiary of the Company) and Nonggongshang Real Estate (Group) Company Limited entered into another cooperation agreement whereby the parties agreed to (among other things) pay for the consideration for acquiring the 51% equity interest in Jiangxi Shengcheng of RMB72,546,597.25 and the corresponding debts owed by Jiangxi Shengcheng to NCUCID of RMB887,544,476.83 in accordance with their respective equity holdings (50% each) in Mingbo Real Estate. The aggregate consideration payable by the Group is therefore RMB480,045,537.04. For details, please refer to the announcement of the Company dated 18 April 2019.
3. On 28 June 2019, Xiantao Yuanlv Property Co., Ltd. (“Xiantao Yuanlv”) (an indirect wholly-owned subsidiary of the Company) won the bid for the 50% equity interest in Hubei Communications Investment Xiantao City Development Co., Ltd. (“Hubei Communications Xiantao”) through the public listing-for-sale process organised by Wuhan Optics Valley United Property Rights Exchange. On the same day, Xiantao Yuanlv (as purchaser) entered into an equity transfer agreement with Hubei Communications Investment Industry-City Integration Holding Group Co., Ltd. (“Hubei Communications Holding”) whereby Xiantao Yuanlv agreed to acquire 50% equity interest of Hubei Communications Xiantao from Hubei Communication Holding at the consideration of RMB209,250,000. For details, please refer to the announcement of the Company dated 28 June 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

4. On 25 July 2019, Yuzhan Green Real Estate (Beijing) Co., Ltd. (“Yuzhan Green”) (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into an equity transfer agreement with Hantang (Tianjin) Real Estate Co., Ltd. (“Hantang (Tianjin)”) (as vendor) whereby Yuzhan Green conditionally agreed to acquire the entire equity interest of Tianjin Zhengde Real Estate Co., Ltd. from Hantang (Tianjin) at a consideration of RMB385,330,000. For details, please refer to the announcement of the Company dated 25 July 2019.
5. On 29 July 2019, Lvheng MOMA Real Estate (Beijing) Co., Limited (“Lvheng MOMA”) (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into an equity transfer agreement with Beijing Haigang Investment Development Co., Ltd. (“Beijing Haigang”) (as vendor) whereby Lvheng MOMA conditionally agreed to acquire 100% equity interest in Heze City Haigang Property Development Co., Ltd. from Beijing Haigang at a consideration of not exceeding RMB608,420,000. For details, please refer to the announcement of the Company dated 29 July 2019 and an update of this transaction in the 2019 interim report of the Company dated 12 September 2019.
6. On 21 October 2019, (i) Modern Green Development Co., Ltd. (“Modern Green”) and Tongfu Group Company Limited entered into a cooperation framework agreement whereby it was agreed (among other things) that the parties shall enter into individual cooperation agreements setting out specific rights and obligations of respective parties in joint development of a parcel of land located at Luancheng District, Shijiazhuang City, Hebei Province, the PRC with the total site area of approximately 115.2 mu (the “Shijiazhuang Project Land”); (ii) Vision Hongye Property (Beijing) Co., Ltd. (“Vision Hongye”) (an indirect wholly-owned subsidiary of the Company) and Hebei Tonglue Enterprise Management Consulting Co., Ltd. (“Hebei Tonglue”) entered into a cooperation agreement, pursuant to which, Vision Hongye agreed to (among other things) cooperate with Hebei Tonglue to develop the Shijiazhuang Project Land and contribute a maximum sum of RMB165,100,000, which shall be used as the consideration for acquiring 90% equity interest in Hebei Tongfu Yuanlv Real Estate Development Company Co., Ltd from Hebei Tonglue; and (iii) Huojian Benpao Zhiye (Beijing) Co., Ltd. (“Huojian Benpao”) (an indirect wholly-owned subsidiary of the Company) and Hebei Tongfukang Technology Co., Ltd. (“Hebei Tongfukang”) entered into another cooperation agreement, pursuant to which, Huojian Benpao agreed to (among other things) cooperate with Hebei Tongfukang to develop the Shijiazhuang Project Land and contribute a maximum sum of RMB371,000,000, which shall be used as the consideration for acquiring 90% equity interest in a project company to be established from Hebei Tongfukang. For details, please refer to the announcement of the Company dated 21 October 2019.
7. On 5 December 2019, Modern Green, Jingshen Zhiye Investment (Beijing) Co., Ltd. (“JSZY”), Ningbo Cinda Modern Land Gongying Equity Investment Partnership (Limited Partnership) (“Cinda Modern Land LLP”) and Beijing Runjin Real Estate Development Co., Ltd. (“Beijing Runjin”) entered into a project management agreement whereby it was agreed that, among other things, all major decisions of the board of directors of Beijing Runjin shall be resolved in accordance with the rules and procedures set out therein. As a result of the entering into of the said agreement and upon completion thereof, (i) the equity holding structure of Beijing Runjin shall remain unchanged; (ii) Beijing Runjin will be accounted for as a non wholly-owned subsidiary instead of a joint venture of the Company; and (iii) its financial results will be consolidated into the financial statements of the Group. For details, please refer to the announcement of the Company dated 5 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

8. On 27 December 2019, Xi'an Modern Green Joy Development Co., Ltd. ("Xi'an Green Joy") (an indirect non wholly-owned subsidiary of the Company) (as purchaser) entered into an equity transfer agreement with Guangzhou Haoning Trading Co., Ltd. ("Guangzhou Haoning") whereby Xi'an Green Joy conditionally agreed to acquire 90% equity interest of Xi'an Junhua Development Co., Ltd. ("Xi'an Junhua") from Guangzhou Haoning at the consideration of RMB512,750,000. On the same day, Xi'an Green Joy (as purchaser) entered into another equity transfer agreement with Cedar Industrial Group Co., Ltd. ("Cedar Industrial Group") (as vendor) whereby Xi'an Green Joy conditionally agreed to acquire 10% equity interest of Xi'an Junhua from Cedar Industrial Group at the consideration of RMB73,250,000. For details, please refer to the announcement of the Company dated 27 December 2019.

Save as above, the Group did not have any other material acquisition and disposal of subsidiaries and joint ventures for the year ended 31 December 2019.

SENIOR NOTES

Issuance of senior notes

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 (the "January 2019 Notes"). 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 were consolidated and formed a single series with the senior notes issued on 2 January 2019) at a coupon rate of 15.5% per annum (together with the January 2019 Notes, the "2019 Series Notes"). 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.

On 17 April 2019, the Company and certain subsidiaries of the Company entered into a purchase agreement with Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, Morgan Stanley & Co. International plc, The Hongkong and Shanghai Banking Corporation Limited, Barclays Bank PLC, BOCOM International Securities Limited, Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Group Limited, Orient Securities (Hong Kong) Limited and UBS AG Hong Kong Branch in connection with the Company's issuance of senior notes due 2021 with an aggregate principal amount of US\$300 million at a coupon rate of 12.85% per (the "April 2019 Notes"), among which, US\$96,203,000 of the April 2019 Notes were issued by the Company pursuant to the offer to exchange the Company's outstanding US\$500,000,000 6.875% senior notes due 2019 for the April 2019 Notes made by the Company upon the terms and subject to the conditions set forth in the exchange offer memorandum dated 8 April 2019. For details, please refer to the announcements of the Company dated 9 April 2019, 11 April 2019, 17 April 2019, 18 April 2019 and 30 April 2019, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Offer to purchase the outstanding senior notes

In October 2016, the Company issued senior notes due 2019 with an aggregate principal amount of US\$350,000,000 at a coupon rate of 6.875% per annum (the “2016 Notes”). In January 2017, the Company issued additional senior notes due 2019 with an aggregate principal amount of US\$150,000,000 at a coupon rate of 6.875% per annum, consolidated and formed a single series with the 2016 Notes (together with the 2016 Notes, the “2016 Series Notes”). The 2016 Series Notes are listed on Singapore Exchange Securities Trading Limited.

On 27 May 2019, the Company commenced the offer (the “2019 Offer”) to purchase for cash of the outstanding 2016 Series Notes up to a maximum acceptance amount in accordance with the terms and conditions set out in the offer document. The 2019 Offer was completed on 14 June 2019. The 2016 Series Notes repurchased pursuant to the 2019 Offer have been cancelled. As at the date of this report, all outstanding principal amount of the 2016 Series Notes have been settled. For details, please refer to the announcements of the Company dated 27 May 2019, 11 June 2019 and 17 June 2019, respectively.

Repurchase and cancellation of senior notes

References are made to the announcements of the Company dated 27 February 2018, 28 February 2018 and 7 March 2018 in relation to the Company’s issuance of senior notes due 2021 with an aggregate principal amount of US\$350,000,000 at a coupon rate of 7.95% per annum (the “March 2018 Notes”), which are listed on the Singapore Exchange Securities Trading Limited.

On 30 August 2019, certain March 2018 Notes repurchased by the Company in a principal amount of US\$15,000,000, representing approximately 4.29% of the aggregate principal amount of the March 2018 Notes, were duly cancelled by the Company. As at the date of this report, US\$335,000,000 in the aggregate principal amount of the March 2018 Notes remains outstanding. For details, please refer to the announcement of the Company dated 3 September 2019.

CORPORATE BONDS

On 30 July 2019, Modern Green (an indirect wholly-owned subsidiary of the Company) issued domestic corporate bonds (the “Corporate Bonds”) with an aggregate principal amount of RMB880,000,000 at a coupon rate of 7.8% per annum to qualified investors in accordance with the approval obtained from the China Securities Regulatory Commission by Modern Green on 8 July 2019. The Corporate Bonds have a term of three years and are listed on the Shanghai Stock Exchange. Modern Green intends to use the proceeds from the issue of the Corporate Bonds for repaying the corporate bonds previously issued by Modern Green which are due to be redeemed in 2019 and/or for other purposes in compliance with laws and regulations. For details, please refer to the announcement of the Company dated 31 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

Issuance of green senior notes

On 19 February 2020, the Company and certain subsidiaries of the Company entered into a purchase agreement with Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, BOCOM International Securities Limited, China Investment Securities International Brokerage Limited, HeungKong Securities Limited and Haitong International Securities Company Limited in connection with the Company's issuance of senior notes due 2022 with aggregate principal amount of US\$200 million at a coupon rate of 11.8% per annum. Completion took place on 26 February 2020. For details, please refer to the announcements of the Company dated 19 February 2020, 20 February 2020 and 28 February 2020, respectively.

On 26 February 2020, the Company and certain subsidiaries of the Company entered into a purchase agreement with Morgan Stanley & Co. International plc and Guotai Junan Securities (Hong Kong) Limited in connection with the Company's issuance of senior notes due 2024 with aggregate principal amount of US\$150 million at a coupon rate of 11.95% per annum. Completion took place on 4 March 2020. For details, please refer to the announcements of the Company dated 27 February 2020 and 5 March 2020, respectively.

Offer to purchase the outstanding senior notes

On 19 February 2020 and 12 March 2020, the Company commenced the offers (the "2020 Offers") to purchase for cash of the outstanding 2019 Series Notes up to a maximum acceptance amount in accordance with the terms and conditions set out in the offer document. The 2020 Offers were completed on 4 March 2020 and 25 March 2020, respectively. As at the date of this report, after completion of the 2020 Offers and cancellation of the notes accepted for purchase, the aggregate principal amount of the 2019 Series Notes which remains outstanding is US\$149,461,000. For details, please refer to the announcements of the Company dated 19 February 2020, 2 March 2020, 5 March 2020, 12 March 2020, 20 March 2020 and 26 March 2020, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

New continuing connected transactions

On 1 April 2020, the Company and First Moma Asset Management (Beijing) Co., Ltd. (“First Moma Asset”, together with its subsidiaries, the “First Moma Asset Group”) entered into a master agreement (the “Master Elevator Services Agreement”) whereby it was agreed that members of the First Moma Asset Group shall provide installation and maintenance services of elevators and escalators and related services to members of the Group for a term of three years from 1 January 2020 to 31 December 2022. The annual caps for the transactions contemplated under the Master Elevator Services Agreement for the three years ending 31 December 2022 are fixed at RMB45.0 million, RMB50.0 million and RMB55.0 million, respectively. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Master Elevator Services Agreement as aggregated with the transactions contemplated under the renewed master agreement entered into between the Company and First Property (Beijing) Co., Ltd., now known as as First Property Services (Beijing) Co., Ltd., (“First Property”, together with its subsidiaries, the “First Property Group”) on 4 December 2019 for the provision of property management services by First Property and its subsidiaries to the Group exceed(s) 5% on an annual basis and the annual consideration is more than HK\$10 million, the transactions contemplated under the Master Elevator Services Agreement are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange. For details, please refer to the announcement of the Company dated 1 April 2020.

Save as disclosed above, there is no material subsequent event undertaken by the Group after the reporting period and up to the date of this report.

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 (the “Management”) 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 in a timely manner, so as to create maximum value for the Shareholders. During the year, with the significant progress achieved in our effort to improve investor relationship, Modern Land was awarded “Outstanding Property Industry Award” in the “Top 100 Hong Kong Listed Companies Awards” and “Social Reasonability Award for Chinese List Real Estate Enterprise” in Guruclub Global Investment Carnival 2019.

During the year, the Company organised two large-scale investor reverse roadshows, participated in 7 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

2019	Highest	Lowest
The Company’s share price per share (HK\$)	1.51	0.81

Share Performance in 2019 (2 January 2019 to 31 December 2019)

As at 31 December 2019, the Company had a total of 2,794,994,650 shares (the “Share(s)”) and the market price per Share was HK\$1.18. Based on the closing price as at 31 December 2019, the market capitalisation of the Company amounted to approximately HK\$3.298 billion.

INVESTOR RELATIONS EVENTS

During the year, the Management 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.

INVESTOR RELATIONS REPORT

Key investor relations events of the Company in 2019

Date	Event	Location
8 January	Barclays Asian Investor Summit	Hong Kong
27-28 February	Citi's 16th Annual Asia Pacific Investor Conference	Singapore
25 March	2019 "Green Finance Certification Scheme" Award Ceremony cum Forum	Hong Kong
28 March	2019 China Debt Capital Markets Summit	Beijing
17 April	Reverse Roadshow for Suzhou Investors organised by Bank of America Merrill Lynch	Suzhou
23 April	Reverse Roadshow for Beijing Investors organised by Barclays	Beijing
22-24 May	Reverse Roadshow for Analysts	Xi'an, Taiyuan
19-20 August	Non-Deal Roadshow	Hong Kong
21 August	Non-Deal Roadshow	Singapore
3 September	The Global Borrowers & Investors Forum	Singapore
10 September	HSBC 3rd Annual Asia Credit Conference	Hong Kong
19 September	Panorama Network's Shenzhen Investor Summit	Shenzhen
7 October	Bond Investors' visit to Tongzhou Wan Guo Fu Project in Beijing organised by Bank of America Merrill Lynch	Beijing
22 October	Bond Investor Summit organised by JPMorgan	Hong Kong
7 November	Nomura Bond Summit	Hong Kong
3 December	Guotai Junan Christmas Party	Hong Kong
4 December	China Real Estate Chamber of Commerce	Hong Kong
12 December	Guruclub Global Investment Carnival 2019	Shenzhen

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 at 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” (the “Framework”) in August 2016. Under the 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 + Digital Interconnecting Whole-life Cycle Communities”. Modern Land engaged CICERO (The Centre for International Climate and Environmental Research) for an independent Second Confirmation stating that the Framework is in compliance 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).

Modern Land continued to issue US\$150 million Green Bond in January 2019 and later upsized the issuance to US\$350 million in February 2019, and issue US\$300 million Green Bond in April 2019.

Subsequently, Modern Land issued US\$200 million Green Bond in February 2020. Supported by many high-quality investors, the Company recorded nearly fourteen times of subscriptions on the day of such issuance, and the final issue price was narrowed by 62.5 basis points from the initial guidance price. Thereafter, Modern Land issued US\$150 million 4-year Green Bond in March 2020 and further optimised the debt structure.

The ongoing Green Bond issuances of Modern Land are testimony to the Company’s focus and leadership in green real estate, and demonstration of its commitment in helping tackle the climate change.

Proceeds of each Green Bond will be recorded in a register until being earmarked to eligible green assets. As of 31 December 2019, 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:	5 March 2018	2 January 2019	25 April 2019	26 February 2020	4 March 2020
Currency:	US\$	US\$	US\$	US\$	US\$
Term:	3 years	1.5 years	2.5 years	2 years	4 years
Size of Issue:	350 million	350 million	300 million	200 million	150 million
Maturity Date:	5 March 2021	2 July 2020	25 October 2021	26 February 2022	4 March 2024
Coupon:	7.95%	15.5%	12.85%	11.8%	11.95%
ISIN:	XS1775946285	XS1926064541	XS1986632716	XS2110675860	XS2127478316

ANNUAL REPORT ON OFFSHORE GREEN BONDS

FUND ALLOCATION REPORT (AS AT 31 DECEMBER 2019)

Types of eligible green projects and breakdown of fund allocation are as follows:

Project Classification	Project Name	Project Green Label	Project Cost	Allocated
			(US\$)	Amount (US\$)
			US\$1 = RMB6.8632	
New Development	Man Ting Chun MOMA (Nanchang) — Phase I Residential	Three-star Green Building Label — Design	62,338,778	62,338,778
New Development	Man Ting Chun MOMA (Nanchang) — Phase II Residential	Three-star Green Building Label — Design	99,376,661	99,376,661
New Development	Modern Wan Guo Cheng MOMA (Beijing) — North Residential	Three-star Green Building Label — Operation	257,016,042	257,016,042
New Development	Man Ting Chun MOMA (Jiujiang) — Building No. 5	Three-star Green Building Label — Design	12,257,649	12,257,649
New Development	Shangdi MOMA (Beijing)	Two-star Green Building Label — Operation	68,273,488	68,273,488
New Development	Modern Park MOMA (Hefei)	Three-star Green Building Label — Design	165,217,289	165,217,289
New Development	Wan Guo Cheng MOMA (Changsha) — Phase III	Two-star Green Building Label — Operation	152,290,477	152,290,477
New Development	Wan Guo Cheng MOMA (Taiyuan)	Two-star Green Building Label — Design	152,086,723	152,086,723
New Development	Modern Binjiang MOMA (Changsha)	Two-star Green Building Label — Design	112,625,233	31,142,893
Total			1,081,482,340	1,000,000,000

ANNUAL REPORT ON OFFSHORE GREEN BONDS

SELECTED CASES



**Modern Man Ting
Chun MOMA
(Jiujiang) —
Building No. 5**

*Three-star Green
Building Label —
Design*



- 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



**Modern Park
MOMA (Hefei)**

*Three-star Green
Building Label —
Design*



- 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

ANNUAL REPORT ON OFFSHORE GREEN BONDS



**Shangdi MOMA
(Beijing)**

*Two-star Green
Building Label —
Operation*



- 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



**Man Ting Chun
MOMA (Nanchang)**

*Three-star Green
Building Label —
Design*



- 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 Listing Rules during the year under review. In 2019, in order to fully implement the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules, 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 2019 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 2019.

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. After having made specific enquiries with all 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 2019, 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 section headed Profiles of Directors and Senior Management 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 (resigned on 30 September 2019)
Mr. Tian Jiong (appointed on 30 September 2019)

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

Mr. Qin Youguo

Mr. Hui Chun Ho, Eric

Mr. Cui Jian

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 that, as at the date of this report, 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 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; (ii) all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment; and (iii) 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. Zhang Lei, Mr. Zhang Peng, Mr. Chen Yin, Mr. Fan Qingguo and Mr. Tian Jiong will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on 18 June 2020 (the "2020 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 meetings and Board committees meetings also provides independent judgement on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

CORPORATE GOVERNANCE REPORT

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 time 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 2019 to 31 December 2019, the Board held 5 Board meetings and 1 general meeting.

CORPORATE GOVERNANCE REPORT

The attendance of each Director at various Board, Board committees and general meetings from 1 January 2019 to 31 December 2019 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	5/5	N/A	1/1	1/1	1/1
Mr. Zhang Peng	5/5	N/A	N/A	N/A	1/1
Mr. Chen Yin	5/5	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Fan Qingguo	5/5	N/A	N/A	N/A	1/1
Mr. Chen Zhiwei	5/5	N/A	N/A	N/A	1/1
Mr. Chen Anhua (resigned on 30 September 2019)	3/5	N/A	N/A	N/A	0/1
Mr. Tian Jiong (appointed on 30 September 2019)	1/5	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Qin Youguo	5/5	2/2	1/1	N/A	1/1
Mr. Hui Chun Ho, Eric	5/5	2/2	N/A	1/1	1/1
Mr. Cui Jian	5/5	2/2	1/1	1/1	1/1
Mr. Zhong Bin	3/5	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 committees documents were 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 committees meeting.

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. The Management is also invited to attend the Board or Board committees meetings where appropriate.

CORPORATE GOVERNANCE REPORT

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 of the Company.

DIRECTORS' TRAINING

During the year, all Directors were provided with materials 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 2019, 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 (resigned on 30 September 2019)	A,B
Mr. Tian Jiong (appointed on 30 September 2019)	A,B
Independent non-executive Directors	
Mr. Qin Youguo	A,B
Mr. Hui Chun Ho, Eric	A,B
Mr. Cui Jian	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

CORPORATE GOVERNANCE REPORT

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 have provided sufficient explanation and information to the Board to enable the Board to make an informed 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 2019, 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.

CORPORATE GOVERNANCE REPORT

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 2019 by way of discussions with the Management, members of the Audit Committee and the external independent auditor. The Board considered the major investigation findings of the external consultant on risk management and internal control matters and the 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.

CORPORATE GOVERNANCE REPORT

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, namely the Audit Committee, the remuneration committee (the "Remuneration Committee") and 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 terms 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 2019, 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.

CORPORATE GOVERNANCE REPORT

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 2019 and conducted the following activities:

- (i) reviewed the Group's annual results for 2018 and interim results for 2019;
- (ii) reviewed the audit plans and findings of the external auditor;

CORPORATE GOVERNANCE REPORT

- (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 the 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 2019, the external auditor's remuneration in respect of audit services provided to the Group amounted to approximately RMB5.15 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 2019, 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;

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 2019, 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.

CORPORATE GOVERNANCE REPORT

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 2019.

Major Responsibilities

The primary duties of the Remuneration Committee include:

- 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 of the Company; 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 2019, 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 of the Company; and
- (iii) reviewed the revised terms of reference of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two Directors for the year ended 31 December 2019 (2018: 2 Directors). The emoluments of the remaining three highest paid individuals for the year ended 31 December 2019 (2018: remaining 3 highest paid individuals) are as follows:

	2019 RMB'000	2018 RMB'000
Employees		
– Basic salaries and allowances	5,244	3,811
– Bonus	905	1,681
– Share-based payment	146	409
– Retirement benefit contributions	173	153
	6,468	6,054

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 2019, 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 2019, 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 2019.

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, the Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, the 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.

CORPORATE GOVERNANCE REPORT

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 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, 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.

CORPORATE GOVERNANCE REPORT

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) the Shareholders may direct their questions about their shareholdings to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited.
- (2) the 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) the 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 57, 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, an indirect wholly-owned subsidiary of the Company. He is also a director of certain subsidiaries and project companies of the Group in Hong Kong and North America.

Mr. Zhang has over 21 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 44, is an executive Director and the executive president of the Company. 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, a subsidiary of the Company and a director of New Power (Beijing) Architectural Technology Co., Ltd. (新動力(北京)建築科技有限公司) ("Beijing New Power"). Mr. Zhang is a director of First Moma Sports Cultural Development (Beijing) Company Limited (第一摩碼體育文化發展(北京)股份有限公司) ("First Moma Sports") and Bigger Eco Technology (Xi'an) Co, Ltd. (倍格創業生態科技(西安)股份有限公司) ("Bigger Eco Technology"). First Moma Sports and Bigger Eco Technology have been quoted on the National Equities Exchange and Quotations System since 17 August 2017 and 7 March 2019, 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. 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, formerly known as全國工商聯房地產商會) ("CRECC") and the chairman of Refined Decoration Branch of CRECC (全聯房地產商會精裝產業分會).

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Yin (陳音先生), aged 64, is an executive Director, the chief technology officer and a general engineer of the Group. Mr. Chen is responsible for R&D and project management in our Group. He is also a director of each of Modern Green 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 31 years of experience in the real estate business in the PRC.

NON-EXECUTIVE DIRECTORS

Mr. Fan Qingguo (范慶國先生), aged 48, 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 21 years of experience in the real estate business in the PRC.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Zhiwei (陳志偉先生), aged 35, 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 13 years of investment and research experience in finance industry. He joined China Cinda (HK) Asset Management Co., Limited ("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. Tian Jiong (田炯先生), aged 40, is a non-executive Director and was appointed to our Board on 30 September 2019. He currently holds positions as the managing director as well as deputy manager of the asset management department of China Great Wall AMC (International) Holdings Company Limited (中國長城資產(國際)控股有限公司). He has 16 years of experience in special opportunity investments, mergers and acquisitions and restructuring, overseas real estate investments, non-performing assets, mezzanine investments and private equity investment experience in real estate upstream and downstream industry value chain and market segments in the real estate industry, as well as extensive practical experience in capital operations, offshore financing, investor relations and compliance management of listed companies in Hong Kong.

Mr. Tian was the chief financial officer of Landsea Green Group Co., Ltd. (stock code:0106), the general manager of capital management centre of Powerlong Real Estate Holdings Limited (stock code: 1238), the deputy general manager of the urban investment second division of the China Development Bank Financial Corporation, and the senior manager of capital operations of Sino-Ocean Group Holding Limited (stock code: 3377). He graduated from Tsinghua University (清華大學) — Macquarie University in Australia with a master degree in applied finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qin Youguo (秦佑國先生), aged 76, is an independent non-executive Director and was appointed to our Board on 14 June 2013. He has been an independent non-executive director of Modern Green 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 (清華大學) with a bachelor's degree in Architecture in July 1967, and completed his postgraduate study in Building Science at Tsinghua University (清華大學) and received a master's degree in Engineering in April 1981, and thereafter taught in Tsinghua University (清華大學). Mr. Qin was the vice-dean of the School of Architecture, Tsinghua University (清華大學) from March 1990 to November 1997, and was the dean of School of Architecture, Tsinghua University (清華大學) from December 1997 to December 2004. He was a visiting scholar at Harvard University from September 1996 to March 1997.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

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 General 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. Hui Chun Ho, Eric (許俊浩先生), aged 45, 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. Cui Jian (崔健先生), aged 50, 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. Zhong Bin (鍾彬先生), aged 48, 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). He has been an independent non-executive director of Walvax Biotechnology Co., Ltd. (Shenzhen Stock Exchange: 300142) since August 2019. Mr. Zhong was the secretary general of 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 47, joined the Group in March 2002. He worked successively as the vice president of the financial planning centre of Modern Green, 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 17-year experience in the real estate business in the PRC.

Mr. Deng Ren Yu (鄧任雨先生), aged 39, joined the Group in November 2018. He graduated from The University of Sydney with a bachelor's degree of science. He further obtained two master's degrees in professional accounting from The University of New South Wales and in corporate governance from The Hong Kong Polytechnic University, respectively. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Certified Practising Accountant in Australia. He is also a member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Before joining the Company, Mr. Deng was the financial controller and company secretary of Central China Real Estate Limited (Stock code: 832) and was also the deputy financial controller of Zhuguang Holdings Group Co. Ltd. (Stock code: 1176). He has over 10 years' experience in auditing, accounting and financial management.

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 2019.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2019 are set out in note 41 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 2019 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 100 of this report.

The Board is pleased to recommend a final dividend of HK3.55 cents per Share for the year ended 31 December 2019. Subject to the approval of the proposed final dividend by the Shareholders at the 2020 AGM, it is expected that the final dividend will be paid on or before Monday, 10 August 2020 to the Shareholders whose names appear on the register of members of the Company on Friday, 24 July 2020.

(a) For Determining the Entitlement of the Shareholders to Attend and Vote at the 2020 AGM

For determining the entitlement of the Shareholders to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Friday, 12 June 2020 to Thursday, 18 June 2020 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of the Shareholders who are entitled to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Thursday, 11 June 2020.

(b) For Determining the Entitlement to the Proposed Final Dividend (Subject to the Shareholders' Approval at the 2020 AGM)

For determining the entitlement to the proposed final dividend (subject to the Shareholders' approval at the 2020 AGM), the register of members of the Company will be closed from Wednesday, 22 July 2020 to Friday, 24 July 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 July 2020.

DIRECTORS' REPORT

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 to the consolidated financial statements, respectively. The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of RMB357,473,000, 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 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 approximately RMB1,034,040,000), 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 approximately RMB1,351,160,000), 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.

On 17 April 2019, the Company entered into a purchase agreement to issue senior notes due 2021 with an aggregate principal amount of US\$300 million at a coupon rate of 12.85% per (the "April 2019 Notes"), among which, US\$96,203,000 of the April 2019 Notes were issued by the Company pursuant to the offer to exchange the Company's outstanding US\$500,000,000 6.875% senior notes due 2019 for the April 2019 Notes made by the Company upon the terms and subject to the conditions set forth in the exchange offer memorandum dated 8 April 2019.

Offer to Purchase the Outstanding Senior Notes

In October 2016, the Company issued senior notes due 2019 with an aggregate principal amount of US\$350,000,000 at a coupon rate of 6.875% per annum (the "2016 Notes"). In January 2017, the Company issued additional senior notes due 2019 with an aggregate principal amount of US\$150,000,000 at a coupon rate of 6.875% per annum, consolidated and formed a single series with the 2016 Notes (together with the 2016 Notes, the "2016 Series Notes"). The 2016 Series Notes are listed on Singapore Exchange Securities Trading Limited. On 27 May 2019, the Company commenced the offer (the "2019 Offer") to purchase for cash of the outstanding 2016 Series Notes up to a maximum acceptance amount in accordance with the terms and conditions set out in the offer document. The 2019 Offer was completed on 14 June 2019. The 2016 Series Notes repurchased pursuant to the 2019 Offer have been cancelled.

Repurchase and Cancellation of Senior Notes

References are made to the announcements of the Company dated 27 February 2018, 28 February 2018 and 7 March 2018 in relation to the Company's issuance of senior notes due 2021 with an aggregate principal amount of US\$350,000,000 at a coupon rate of 7.95% per annum (the "March 2018 Notes"), which are listed on the Singapore Exchange Securities Trading Limited.

On 30 August 2019, certain March 2018 Notes repurchased by the Company in a principal amount of US\$15,000,000, representing approximately 4.29% of the aggregate principal amount of the March 2018 Notes, were duly cancelled by the Company. As at the date of this report, US\$335,000,000 in the aggregate principal amount of the March 2018 Notes remains outstanding. For details, please refer to the announcement of the Company dated 3 September 2019.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in the issued share capital of the Company are set out in note 30 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 2019 are set out in note 40 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 2019, 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 (resigned on 30 September 2019)
Mr. Tian Jiong (appointed on 30 September 2019)

Independent Non-executive Directors

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

In accordance with the Articles of Association, Mr. Zhang Lei, Mr. Zhang Peng, Mr. Chen Yin, Mr. Fan Qingguo and Mr. Tian Jiong will retire from office at the 2020 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 that, as at the date of this report, the independent non-executive Directors are independent.

DIRECTORS' REPORT

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out in the section headed Profiles of Directors and Senior Management 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 2019. 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 2020. 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 2019. Mr. Zhong Bin entered into a service contract and a letter of appointment with the Company, pursuant to which he agreed to act as an independent non-executive Director for a term of three years with effect from 27 January 2020. Mr. Tian Jiong entered into an appointment contract and a letter of appointment 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 September 2019. 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 2019.

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 37 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 2019, nor any contract of significance had been entered into during the year ended 31 December 2019 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 2019.

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' REPORT

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

As at 31 December 2019, 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 (<i>Note 1</i>)	1,827,293,270	65.38%
	Beneficial owner (<i>Notes 2 & 6</i>)	16,017,890	0.57%
Mr. Chen Yin	Interest in a controlled corporation (<i>Note 3</i>)	6,911,520	0.25%
Mr. Fan Qingguo	Interest in a controlled corporation (<i>Note 4</i>)	5,982,240	0.21%
Mr. Zhang Peng	Interest in a controlled corporation (<i>Note 5</i>)	5,982,240	0.21%
	Beneficial owner (<i>Note 6</i>)	10,527,000	0.38%

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: 11,727,890 Shares out of the 16,017,890 Shares are beneficially held by Mr. Zhang Lei in his own capacity while the remaining 4,290,000 Shares are held pursuant to the 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 4,290,000 Shares and Mr. Zhang Peng's interest in 4,290,000 Shares) is held pursuant to the share options granted under the Share Option Scheme, details of which are set out on pages 74 to 76 in this report.

DIRECTORS' 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 279,084,340 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 18 June 2019, being 2,790,843,400 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.

DIRECTORS' REPORT

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 2019 to 31 December 2019, the changes in the share options granted by the Company under the Share Option Scheme are as follows:

Share options movement

From 1 January 2019 to 31 December 2019

	1 January 2019 Opening	Exercised	Lapsed	31 December 2019 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	(100,000)	(8,255,000)	–
Employees	5,550,250	(4,535,250)	(1,015,000)	–
Tranche One Options-4 September 2014	17,444,500	(4,635,250)	(12,809,250)	–
Tranche Two Options-10 July 2015				
Exercise price: HK\$1.138 (Exercise price prior to 9 October 2017: HK\$1.252)				
Plan B Employees	15,400,000	–	(15,400,000)	–
Plan B	15,400,000	–	(15,400,000)	–
Tranche Two Options-10 July 2015	15,400,000	–	(15,400,000)	–

DIRECTORS' REPORT

		1 January 2019		31 December 2019	
		Opening	Exercised	Lapsed	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		21,667,500	(440,000)	(4,895,000)	16,332,500
<hr/>					
Tranche Three Options- 28 September 2016		30,247,500	(440,000)	(4,895,000)	24,912,500
<hr/>					
Total		63,092,000	(5,075,250)	(33,104,250)	24,912,500
<hr/>					
Summary:					
Directors					
Zhang Lei	Tranche One Options-4 September 2014	3,539,250	-	(3,539,250)	-
	Tranche Three Options-28 September 2016	4,290,000	-	-	4,290,000
<hr/>					
		7,829,250	-	(3,539,250)	4,290,000
Zhang Peng	Tranche One Options-4 September 2014	8,355,000	(100,000)	(8,255,000)	-
	Tranche Three Options-28 September 2016	4,290,000	-	-	4,290,000
<hr/>					
		12,645,000	(100,000)	(8,255,000)	4,290,000
<hr/>					
Directors sub-total		20,474,250	(100,000)	(11,794,250)	8,580,000
<hr/>					
Employees					
	Tranche One Options-4 September 2014	5,550,250	(4,535,250)	(1,015,000)	-
	Tranche Two Options-10 July 2015	15,400,000	-	(15,400,000)	-
	Tranche Three Options-28 September 2016	21,667,500	(440,000)	(4,895,000)	16,332,500
<hr/>					
Employees sub-total		42,617,750	(4,975,250)	(21,310,000)	16,332,500
<hr/>					
Total		63,092,000	(5,075,250)	(33,104,250)	24,912,500

Note 1: For details of the vesting periods and exercise periods of the share options, please refer to note 36 to the consolidated financial statements in pages 174 to 176 of this report.

Note 2: Tranche One Options was expired on 3 September 2019.

Note 3: Plan A and Plan B of Tranche Two Options remained in force for a period of three to five years from date of grant, Plan A and Plan B were expired on 10 July 2018 and 30 June 2019, respectively. Accordingly, no information of Plan A is presented during the year ended 31 December 2019.

DIRECTORS' REPORT

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 2019, share options to subscribe for 24,912,500 Shares remained outstanding. The additional information on the Share Option Scheme is set out in note 36 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 2019, 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 (<i>Note 1</i>)	1,827,293,270	65.38%
Fantastic Energy Ltd.	Interest in a controlled corporation (<i>Note 1</i>)	1,827,293,270	65.38%
TMF (Cayman) Limited	Trustee (<i>Note 1</i>)	1,827,293,270	65.38%
Mr. Salum Zheng Lee	Settlor of a discretionary trust (<i>Note 1</i>)	1,827,293,270	65.38%
Ms. Zhang Degui	Interest of a spouse (<i>Note 2</i>)	1,827,293,270	65.38%
China Cinda (HK) Asset Management Co., Limited	Registered holder (<i>Note 3</i>)	267,877,500	9.58%
China Cinda (HK) Holdings Company Limited	Interest in a controlled corporation (<i>Note 3</i>)	267,877,500	9.58%
China Cinda Asset Management Co., Ltd.	Interest in a controlled corporation (<i>Note 3</i>)	267,877,500	9.58%
China Great Wall AMC (International) Holdings Company Limited	Registered holder (<i>Note 4</i>)	190,159,200	6.80%
China Great Wall Asset Management Co. Ltd.	Interest in a controlled corporation (<i>Note 4</i>)	190,159,200	6.80%

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.

DIRECTORS' REPORT

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 267,877,500 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 2019, 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.

DIRECTORS' REPORT

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 2019, 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 2019.

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 the Group) in shares of a publicly listed company (other than any member of the 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' REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as at 31 December 2019, 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 (a wholly-owned subsidiary of the Company) entered into a 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. Thereafter, 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.
2. On 5 December 2019, Modern Green, entered into a project management agreement with JSZY, Cinda Modern Land LLP and Beijing Runjin, whereby it was agreed that, among other things, all major decisions of the board of directors of Beijing Runjin shall be resolved in accordance with the rules and procedures set out in the said project management agreement.

As Beijing Runjin is a subsidiary of the Company under the Listing Rules and each of JSZY and Cinda Modern Land LLP holds more than 10% of the equity interest of Beijing Runjin, each of JSZY and Cinda Modern Land LLP is therefore a substantial shareholder of Beijing Runjin and a connected person of the Company at the subsidiary level. As the Board has approved the said project management agreement and all independent non-executive Directors have confirmed that the terms thereof are fair and reasonable, and the transaction contemplated thereunder is on normal commercial terms or better terms and in the interests of the Company and its shareholders as a whole, the said project management agreement is only subject to the reporting and announcement requirements, and is exempted from the circular, independent financial advice and independent shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules. For details, please refer to the announcement of the Company dated 5 December 2019.

DIRECTORS' REPORT

Continuing Connected Transactions

(i) Property Management Services

During the year ended 31 December 2019, certain subsidiaries of First Moma Asset provided property management services to the Group. First Moma Asset is directly and 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 the First Moma Asset Group and the Group constitute continuing connected transactions of the Company.

On 8 August 2017, First Moma Asset and the Company entered into a renewed master agreement for the provision of property management services by the First Moma Asset Group to the Group commenced on 8 August 2017 and ended on 31 December 2019 (the "Previous Master Property Management Agreement"). On 4 December 2019, First Property and the Company entered into a renewed master agreement for the provision of property management services by the First Property Group to the Group commenced on 1 January 2020 and ending on 31 December 2022 (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 the First Property 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 shall 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 the First Property Group.

It is expected that the aggregate annual property management fees payable by the Group to the First Property Group in relation to the Master Property Management Agreement for each of the three years ending 31 December 2020, 2021 and 2022 will not exceed RMB115 million, RMB120 million and RMB125 million, respectively. The annual caps for the Master Property Management Agreement for the three years ending 31 December 2020, 2021 and 2022 were determined by the Directors with reference to the historical management fees and a number of factors including the fair market price, the costs associated with the expected area of the projects to be completed by the Group, such as 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 and costs of operation. 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 RMB123.64 million for the year ended 31 December 2019, which did not exceed the annual cap for the year ended 31 December 2019 for this transaction.

DIRECTORS' REPORT

(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 MOMA, Beijing

First Property is owned directly and indirectly as to more than 30% by Mr. Zhang Lei and hence a connected person of the Company. Modern Green entered into a tenancy agreement with Beijing First Estate on 28 March 2013, pursuant to which Modern Green agreed to let the property at 3rd floor, Block 8, Wan Guo Cheng MOMA, 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 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 as to more than 30% 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 the First Moma Asset Group

On 8 August 2017, 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 8 August 2017 and ended on 31 December 2019 (the "Previous Master Lease Agreement"). On 4 December 2019, First Property and the Company entered into a renewed master agreement for the leasing of certain properties of the Group to members of the First Property Group commenced on 1 January 2020 and ending on 31 December 2022 (the "Master Lease Agreement") whilst the Previous Master Lease Agreement was terminated.

DIRECTORS' REPORT

On 1 April 2020, the Company, the First Property and the First Moma Asset entered into a supplemental agreement (the "Supplemental Agreement") to amend and supplement the Master Lease Agreement pursuant to which the parties thereto agreed that the First Moma Asset shall replace the First Property as the signatory of the Master Lease Agreement and members of the First Moma Asset Group (excluding members of the First Property Group) shall substitute members of the First Property Group as lessee of the properties. Following the entering into of the Supplemental Agreement, members of the Group will enter into individual lease agreements with and lease properties to members of the First Moma Asset Group (excluding members of the First Property Group) for the period between 1 January 2020 and 31 December 2022.

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 (excluding members of the First Property Group), which will set out specific terms and conditions such as relevant property, rental fees and rental period. The rental fees shall be determined in a fair and reasonable manner and shall reflect the prevailing market rentals of similar or comparable premises in neighbouring areas based on available property rental market comparables, actual gross floor area of each of the leased properties and their potential appreciation in value.

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 2020, 2021 and 2022 will not exceed RMB13 million, RMB14 million and RMB15 million, respectively, which have been determined by reference to the historical rental fees and a number of factors including the rental fees of comparable properties in the locality as well as similar locations, the prevailing market rates, the estimated increase of rental area and expected growth of rental fee in the PRC property market.

The aggregate rental fee received by the Group was approximately RMB1.41 million for the year ended 31 December 2019, which did not exceed the annual cap for the year ended 31 December 2019 for this transaction.

(iii) Contracting Services

During the year ended 31 December 2019, First Moma Renju Construction Engineering (Beijing) Co., Ltd. ("First Moma Renju Construction") and certain subsidiaries of First Moma Renju Environmental Technology (Beijing) Co., Ltd. ("First Moma Renju Environmental Technology", together with its subsidiaries, the "First Moma Renju Group") 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 by the First Moma Renju Group to the Group commenced on 8 August 2017 and ending on 31 December 2019 (the "Previous Master Contracting Services Agreement"). On 4 December 2019, the same parties entered into a renewed master contracting services agreement for the provision of contracting services by members of the First Moma Renju Group to members of the Group commenced on 1 January 2020 and ending on 31 December 2022 (the "Master Contracting Services Agreement") whilst the Previous Master Contracting Services Agreement was terminated.

DIRECTORS' REPORT

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 shall 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 the First Moma Renju Group.

It is expected that the aggregate annual contracting services fees payable by the Group to the First Moma Renju Group in relation to the Renewed Master Contracting Services Agreement for the three years ending 31 December 2020, 2021 and 2022 will not exceed RMB30 million, RMB31 million and RMB32 million, respectively. The annual caps for the Master Contracting Service Agreement for the three years ending 31 December 2020, 2021 and 2022 were determined by the Directors with reference to the historical service fees and a number of factors including 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 labour.

The aggregate amounts of the contracting services fees paid by the Group was RMB13.16 million for the year ended 31 December 2019, which did not exceed the annual cap for the year ended 31 December 2019 for this transaction.

(iv) Energy-saving Advisory

During the year ended 31 December 2019, the First Moma Renju Group 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 by the First Moma Renju Group to the Group commenced on 8 August 2017 and ending on 31 December 2019 (the "Previous Master Energy-saving Advisory Agreement"). On 4 December 2019, the same parties entered into a renewed master energy-advisory agreement for the provision of energy-saving technology advisory by members of the First Moma Renju Group to members of the Group commenced on 1 January 2020 and ending on 31 December 2022 (the "Renewed Master Energy-saving Advisory Agreement") whilst the Previous Master Energy-saving Advisory Agreement was terminated.

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 the 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 the First Moma Renju Group.

DIRECTORS' REPORT

It is expected that the aggregate annual advisory services fees payable by the Group to the First Moma Renju Group in relation to the Master Energy-saving Advisory Agreement for the three years ending 31 December 2020, 2021 and 2022 will not exceed RMB30 million, RMB31 million and RMB32 million, respectively. The annual caps for the Master Energy-saving Advisory Agreement for the three years ending 31 December 2020, 2021 and 2022 were determined by the Directors with reference to the historical service fees and a number of factors including 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 RMB16.46 million for the year ended 31 December 2019, which did not exceed the annual cap for the year ended 31 December 2019 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.

DIRECTORS' REPORT

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 37 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 2019, 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 under the Listing Rules during the year and up to the date of this report.

DIRECTORS' REPORT

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

Mr. Zhong Bin, an independent non-executive Director, has been an independent non-executive director of Walvax Biotechnology Co., Ltd. (Shenzhen Stock Code: 300142) since August 2019.

Save as disclosed above, after all reasonable inquiries, the Board is not aware of any information required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules since the date of the Company's annual report for 2018.

BANK AND OTHER BORROWINGS, SENIOR NOTES AND CORPORATE BOND

Particulars of bank and other borrowings, senior notes and corporate bonds of the Group as at 31 December 2019 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 10 to 15 and pages 18 to 42 of this report.

The future development of the Group's business is discussed throughout this report including the Chairman's Statement from pages 10 to 15 of this report and the Management Discussion and Analysis section from pages 18 to 42 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, the Management Discussion and Analysis section and the Environmental, Social and Governance Report which will be published on the websites of the Company and the Stock Exchange. 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.

DIRECTORS' REPORT

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 under review.

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 2019.

AUDITOR

KPMG will retire and, being eligible, will offer themselves for re-appointment as auditor of the Company. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the 2020 AGM.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 42 to the consolidated financial statements.

On behalf of the Board

Zhang Lei

Chairman

17 April 2020

* *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 199, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 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 (“HKSA”) 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.

INDEPENDENT AUDITOR'S REPORT

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.

Valuation of investment properties

Refer to Note 13 to the consolidated financial statements and the accounting policies on page 115.

The Key Audit Matter

The Group held investment properties with a total carrying amount of RMB2,656 million as at 31 December 2019, which accounted for 3.9% 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 13.4% of the Group's profit before taxation for the year ended 31 December 2019.

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 2019 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.

How the matter was addressed in our audit

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 115.

The Key Audit Matter

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.

How the matter was addressed in our audit

- 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 pages 119 and 120.

The Key Audit Matter

The carrying value of properties under development for sale and properties held for sale totalled RMB36,536 million as at 31 December 2019, which accounted for 53.3% 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.

How the matter was addressed in our audit

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 pages 119 and 120.

The Key Audit Matter

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.

How the matter was addressed in our audit

- 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 2019 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 HKSA's 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 HKSA's, 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

17 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Revenue	5	14,551,683	9,337,650
Cost of sales		(10,844,359)	(7,167,052)
Gross profit		3,707,324	2,170,598
Other income, gains and losses	6	269,521	206,814
Recognition of changes in fair value of completed properties held for sale and properties under development for sale upon transfer to investment properties	13	294,419	65,150
Changes in fair value of investment properties, net	13	63,054	67,072
Selling and distribution expenses		(530,141)	(432,719)
Administrative expenses		(681,494)	(574,141)
Finance costs	7	(420,065)	(257,845)
Share of profits less losses of joint ventures	16	(31,075)	161,809
Share of profits less losses of associates	15	(1,278)	(1,833)
Profit before taxation		2,670,265	1,404,905
Income tax expense	8	(1,615,818)	(742,644)
Profit for the year	9	1,054,447	662,261

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Other comprehensive income for the year:			
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserves (non-recycling), net of RMB3,861,000 tax		(11,583)	—
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations, net of nil tax		(2,978)	19,480
Total comprehensive income for the year		1,039,886	681,741
Profit for the year attributable to:			
Owners of the Company		730,672	524,791
Non-controlling interests		323,775	137,470
		1,054,447	662,261
Total comprehensive income attributable to:			
Owners of the Company		716,111	544,271
Non-controlling interests		323,775	137,470
		1,039,886	681,741
Earnings per share, in Renminbi cents:			
Basic	12	26.2	18.9
Diluted	12	26.1	18.8

Note: Details of dividends payable to owners of the Company attributable to the profit for the year are set out in Note 11.

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Investment properties	13	2,656,360	2,128,610
Property, plant and equipment	14	453,554	472,477
Intangible assets		8,149	2,436
Freehold land held for future development		32,507	31,980
Interests in associates	15	33,003	112,984
Interests in joint ventures	16	2,449,415	2,430,885
Loans to joint ventures	16	5,161,445	5,455,094
Equity investments at FVOCI	17	44,641	60,085
Deferred tax assets	18	980,251	751,306
		11,819,325	11,445,857
Current assets			
Properties under development for sale	19	33,242,482	23,764,203
Completed properties held for sale	20	3,293,758	2,314,191
Other inventories and contract costs		158,579	64,924
Trade and other receivables, deposits and prepayments	22	7,875,236	5,969,034
Amounts due from related parties	37(a)	764,883	353,541
Restricted cash	23	3,523,971	2,983,945
Bank balances and cash	24(a)	7,858,655	6,733,265
		56,717,564	42,183,103
Current liabilities			
Trade and other payables, deposits received and accrued charges	25	13,398,451	9,094,513
Contract liabilities	21	20,724,982	16,918,562
Amounts due to related parties	37(b)	3,516,909	1,564,072
Taxation payable	26	3,232,194	2,285,403
Bank and other borrowings — due within one year	27	7,087,864	5,550,716
Senior notes — due within one year	28	2,379,120	3,286,031
		50,339,520	38,699,297
Net current assets		6,378,044	3,483,806
Total assets less current liabilities		18,197,369	14,929,663

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Capital and reserves			
Share capital	30	175,693	175,341
Reserves		5,983,938	5,498,341
Equity attributable to owners of the Company		6,159,631	5,673,682
Non-controlling interests		2,444,682	1,908,277
Total equity		8,604,313	7,581,959
Non-current liabilities			
Bank and other borrowings — due after one year	27	3,700,812	3,731,390
Senior notes — due after one year	28	4,305,879	2,327,846
Corporate bonds	29	1,022,303	1,032,175
Deferred tax liabilities	18	564,062	256,293
		9,593,056	7,347,704
		18,197,369	14,929,663

Approved and authorised for issue by the board of directors on 17 April 2020.

Zhang Lei

Director

Zhang Peng

Director

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Attributable to owners of the Company											Total equity RMB'000
	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	Fair value reserve (non-recycling) RMB'000	Retained profits (Note) RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2019	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
Equity investments at FVOCI — net movement in fair value reserves (non-recycling)	-	-	-	-	-	-	-	(11,583)	-	(11,583)	-	(11,583)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(2,978)	-	-	(2,978)	-	(2,978)
Other comprehensive income	-	-	-	-	-	-	(2,978)	(11,583)	-	(14,561)	-	(14,561)
Profit for the year	-	-	-	-	-	-	-	-	730,672	730,672	323,775	1,054,447
Total comprehensive income for the year	-	-	-	-	-	-	(2,978)	(11,583)	730,672	716,111	323,775	1,039,886
Share-based payment	-	-	-	-	(13,615)	-	-	-	6,058	(7,557)	-	(7,557)
Issue of shares on exercises of share options (Note 30)	352	5,355	-	-	(1,022)	-	-	-	-	4,685	-	4,685
Contribution from a company controlled by a shareholder (note b)	-	-	407	-	-	-	-	-	-	407	-	407
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	236,824	236,824
Acquisition of additional interest in subsidiaries	-	-	(85,471)	-	-	-	-	-	-	(85,471)	(176,968)	(262,439)
Return of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(13,985)	(13,985)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	166,760	166,760
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Appropriations to reserves (note c)	-	-	-	-	-	78,846	-	-	(78,846)	-	-	-
Dividend (Note 11)	-	-	-	-	-	-	-	-	(142,226)	(142,226)	-	(142,226)
At 31 December 2019	175,693	825,711	258,002	40,060	1,560	663,900	10,808	(11,583)	4,195,480	6,159,631	2,444,682	8,604,313

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 – (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 (Note) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 30)	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

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 – (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") and an employee of Modern Green, 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 2019 (2018: 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 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Profit before taxation		2,670,265	1,404,905
Adjustments for:			
Finance costs	7	420,065	257,845
Interest income	6	(89,712)	(110,147)
Depreciation of property, plant and equipment	9(b)	35,607	25,993
Amortisation of intangible assets	9(b)	494	278
Share-based payment	9(a)	(7,557)	(3,406)
Gain on disposal of subsidiaries	6	–	(20,386)
Gain on disposal of joint ventures	6	(3,983)	(213,346)
Gain on disposal of an associate	6	(63,733)	–
Gain on acquisition of subsidiaries		(2,749)	(12,680)
Fair value gain upon transfer from properties held for sale and properties under development for sale to investment properties	13	(294,419)	(65,150)
Changes in fair value of investment properties, net	13	(63,054)	(67,072)
(Reversal of)/allowance for doubtful debts	9(b)	(61)	38
Gain on disposal of property, plant and equipment		(47)	(29)
Contribution from a company controlled by a shareholder, recognised as staff cost		407	407
Share of losses of associates		1,278	1,833
Share of losses/(profits) of joint ventures		31,075	(148,529)
Gain on re-measurement to fair value of pre-existing interest in an acquiree	6	(293,669)	–
Gain on disposal of investment properties		(8,386)	(4,343)
Unrealised exchange loss, net		247,343	214,522
Operating cash flows before movements in working capital		2,579,164	1,260,733

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 – (Expressed in Renminbi)

	2019 RMB'000	2018 RMB'000
Movements in working capital:		
Increase in properties under development for sale and completed properties held for sale	(2,991,384)	(2,905,249)
Increase in other inventories and contract costs	(93,655)	(25,536)
Increase in trade and other receivables, deposits and prepayments	(1,779,287)	(2,259,433)
(Increase)/decrease in amounts due from related parties	(381,868)	7,247
Increase in contract liabilities	709,701	6,121,948
Increase in trade and other payables, deposits received and accrued charges	1,587,128	2,956,952
Increase in amounts due to related parties	43,854	4,229
Cash generated from operating activities	(326,347)	5,160,891
Income tax paid	(1,284,345)	(782,143)
Net cash (used in)/generated from operating activities	(1,610,692)	4,378,748
Investing activities		
Interest received	89,712	106,732
Purchase of equity investments at FVOCI	–	(10,000)
Purchase of property, plant and equipment	(18,817)	(16,358)
Purchase of intangible assets	(6,200)	(412)
Proceeds on disposal of property, plant and equipment	3,301	1,579
Net cash inflow from disposal of interests in joint ventures	114,000	373,000
Net cash inflow/(outflow) from acquisition of subsidiaries	560,821	(190,000)
Net cash (outflow)/inflow from disposals of subsidiaries	(1)	8,386
Net cash outflow from acquisition of an associate	(5,023)	–
Investment in joint ventures	(71,084)	(47,622)
Proceeds on return of capital from a joint venture	38,919	318,996
Net cash inflow from disposal of an associate	141,220	–
Loans to joint ventures	(1,187,042)	(2,700,010)
Repayments from joint ventures	764,995	560,155
Advances to related parties	(38,741)	(232,619)
Repayments from related parties	9,267	99,223
Proceeds on disposal of investment properties	40,716	56,343
Increase in investment properties	–	(8,853)
Increase in restricted cash, net	(540,026)	(107,698)
Net cash used in investing activities	(103,983)	(1,789,158)

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Financing activities			
Interest paid	24(b)	(1,754,671)	(1,264,558)
Dividend paid to owners of the Company		(141,828)	(140,587)
Dividend paid to non-controlling interests		–	(68,000)
Repayments of bank borrowings	24(b)	(4,923,596)	(3,225,533)
Repayments of other borrowings	24(b)	(3,724,790)	(2,631,380)
New bank borrowings raised	24(b)	2,032,236	1,492,792
New other borrowings raised	24(b)	6,554,640	3,088,780
Net proceeds from issue of senior notes	24(b)	3,709,479	2,198,839
Net proceeds from issue of corporate bonds	24(b)	868,625	–
Repayments of senior notes	24(b)	(2,827,704)	(1,475,942)
Repayments of corporate bond	24(b)	(881,762)	–
Repayments to related parties	24(b)	(522,676)	(1,482,852)
Advances from related parties	24(b)	2,372,413	492,469
Advances from non-controlling interests	24(b)	2,728,853	709,454
Repayments to non-controlling interests	24(b)	(581,894)	(1,070,063)
Proceeds from issue of shares upon exercise of share options	30	4,685	20,263
Return of capital to non-controlling interests		(203,193)	(188,000)
Capital contribution from non-controlling interests		134,260	141,835
Net cash generated from/(used in) financing activities		2,843,077	(3,402,483)
Net increase/(decrease) in cash and cash equivalents		1,128,402	(812,893)
Cash and cash equivalents at the beginning of the year		6,733,265	7,533,713
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3,012)	12,445
Cash balance and cash equivalents at the end of the year		7,858,655	6,733,265

The notes on pages 107 to 199 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

The Company’s 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, 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 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to IAS 1 and IAS 8, <i>Definition of material</i>	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, <i>Reform of interbank offered rates (IBOR)</i>	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

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 new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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 disposal 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, when 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 2019

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 2019

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. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 3(p)(i)).

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 2019

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income (Continued)

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 accrued 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 accreted 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)).

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(q), if significant.

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. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income (Continued)

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.

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 2019

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 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Lease assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 3(h) and 3(p)(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value.
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Lease assets (Continued)

(i) As a lessee (Continued)

Policy applicable from 1 January 2019 (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

Policy applicable prior to 1 January 2019

In comparative period, as a lessee the Group classified leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

When a lease included both land and building elements, the Group assessed 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 had been transferred to the Group, unless it was clear that both elements were operating leases, in which case the entire lease was classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) were 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 was accounted for as an operating lease was 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 were classified and accounted for as investment properties under the fair value model. When the lease payments could not be allocated reliably between the land and building elements, the entire lease was generally classified as a finance lease and accounted for as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Lease assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at least inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 3(f).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 3(j)(i), then the Group classifies the sub-lease as an operating lease.

(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.

(l) Inventories

Inventories are assets which are properties under development for sale or held for sale in the ordinary course of business.

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 interests in freehold and leasehold 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(q)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories (Continued)

— 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Other contract costs (Continued)

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).

(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 equity securities

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

Investments in 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 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Other investments in equity securities (Continued)

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).

(p) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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 receivables and other receivables, restricted cash and amounts due from related parties).

Other financial assets measured at fair value, including units in bond funds, equity and debt 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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

- fixed-rate financial assets, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

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.

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 past due event;
- 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 2019

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, including right-of-use assets (other than property carried at revalued amount);
- 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 2019

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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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 entity 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).

(s) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Taxation (Continued)

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.

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).

(t) 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 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) 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.

(w) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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.
- (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 2019

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 2019

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

(c) Income tax expense

Deferred tax assets of approximately RMB980,251,000 (2018: RMB751,306,000) mainly in relation to tax losses, land appreciation tax provisions, temporary differences on property sales and cost of sales have been recognised at 31 December 2019 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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) real estate agency services and (e) other services. The operating segment has been identified on the basis of internal management reports reviewed by chief operating decision maker of the Group ("CODM"), Mr. Zhang Peng, who is the President of the Group. The CODM mainly reviews the revenue information on sales of properties from property development, leasing of properties from property investment, hotel operation, 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 organisation structure of the Group as a whole to make decision about resources allocation. Accordingly, no analysis of this single reportable and operating segment is presented.

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

Entity-wide information

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

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	14,018,259	9,043,504
Real estate agency services	370,354	156,310
Hotel operation	71,085	71,813
Other services	35,242	1,928
	14,494,940	9,273,555
Revenue from other sources		
Property investment	56,743	64,095
	14,551,683	9,337,650
Disaggregated by timing of revenue recognition		
Point in time	12,022,720	7,832,707
Over time	2,528,963	1,504,943
	14,551,683	9,337,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION (Continued)

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 years ended 31 December 2019 and 2018.

6 OTHER INCOME, GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Interest income	89,712	110,147
Government grants (note a)	6,962	1,510
Remeasurement to fair value of pre-existing interest in an acquiree (note b)	293,669	–
Net exchange loss (note c)	(205,219)	(205,237)
Gain on disposal of subsidiaries	–	20,386
Gain on disposal of joint ventures (note d)	3,983	212,746
Gain on disposal of an associate (note e)	63,733	–
Others	16,681	67,262
	269,521	206,814

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 2019, the Group acquired a subsidiary which was a joint venture of the Group before the acquisition. The fair value remeasurement of the Group's pre-existing interest in the acquiree resulted in a gain of RMB293,669,000. See Note 32(a).
- (c) The net exchange loss for the years ended 31 December 2019 and 2018 mainly arose from retranslation of senior notes issued by the Company denominated in US\$ due to depreciation of RMB against US\$.
- (d) For the year ended 31 December 2019, the Group disposed of the interest in a joint venture for a consideration of RMB114,000,000, which resulted in a gain of RMB3,983,000.

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.

- (e) For the year ended 31 December 2019, the Group disposed of the interest in an associate for a consideration of RMB145,745,000, which resulted in a gain of RMB63,733,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7 FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings	(834,441)	(755,662)
Interest on senior notes and corporate bonds	(969,302)	(572,139)
	(1,803,743)	(1,327,801)
Less: Amount capitalised in properties under development for sale	1,383,678	1,069,956
	(420,065)	(257,845)

The borrowing costs have been capitalised at a rate of 2.2%–15.0% (2018: 2.1%–13.4%) per annum.

8 INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax		
PRC Corporate Income Tax	(1,075,949)	(791,072)
Land Appreciation Tax ("LAT")	(688,135)	(357,725)
Deferred tax (Note 18)	137,680	395,484
Over-provision of PRC Corporate Income Tax in respect of prior years	10,586	10,669
Income tax expense	(1,615,818)	(742,644)

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 2019

8 INCOME TAX EXPENSE (Continued)

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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 2019 and 2018.

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	2,670,265	1,404,905
PRC corporate income tax at 25%	(667,566)	(351,226)
Provision for LAT	(688,135)	(357,725)
Tax effect of LAT deductible for PRC Corporate Income Tax	172,034	89,431
Tax effect of share of (losses)/gains of joint ventures	(7,769)	40,452
Tax effect of share of losses of associates	(320)	(458)
Tax effect of non-deductible expenses	(450,753)	(209,496)
Tax effect of non-taxable income	79,945	65,233
Tax effect of unused tax losses not recognised	(63,840)	(29,524)
Over provision of PRC Corporate Income Tax in respect of prior years	10,586	10,669
Actual tax expense	(1,615,818)	(742,644)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9 PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging/(crediting):		
(a) Staff cost		
Salaries, wages and other benefits	478,826	404,197
Reversal of share based payment expenses (Note 36)	(7,557)	(3,406)
	471,269	400,791
(b) Other items		
Depreciation charge		
— owned property, plant and equipment	35,607	25,993
Amortisation cost of intangible assets	494	278
Auditors' remuneration		
— Audit services	5,150	6,010
— Non-audit services	180	180
(Reversal of)/allowance for doubtful debts	(61)	38
Cost of properties held for sale	10,757,469	7,069,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019						
Name of director						
Executive Directors						
Zhang Lei	-	2,787	2,497	73	140	5,497
Zhang Peng	-	2,604	2,460	86	140	5,290
Chen Yin	-	966	611	-	-	1,577
Non-executive Directors						
Fan Qingguo	160	-	-	-	-	160
Chen Zhiwei	-	-	-	-	-	-
Chen Anhua (resigned on 30 September 2019)	-	-	-	-	-	-
Tian Jiong (appointed on 30 September 2019)	-	-	-	-	-	-
Independent non-executive Directors						
Cui Jian	180	-	-	-	-	180
Hui Chun Ho, Eric	180	-	-	-	-	180
Qin Youguo	180	-	-	-	-	180
Zhong Bin	180	-	-	-	-	180
	880	6,357	5,568	159	280	13,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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(u) 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 2019 and 2018.

Five highest paid individuals

The five highest paid individuals included 2 directors for the year ended 31 December 2019 (2018: 2 directors). The emoluments of the remaining 3 highest paid individuals for the year ended 31 December 2019 (2018: remaining 3 highest paid individuals) are as follows:

	2019 RMB'000	2018 RMB'000
Employees		
Basic salaries and allowances	5,244	3,811
Bonus	905	1,681
Retirement benefit contributions	173	153
Share-based payment	146	409
	6,468	6,054

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 2019

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid individuals (Continued)

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

	2019	2018
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	1	1

11 DIVIDEND

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

	2019 RMB'000	2018 RMB'000
Interim dividend declared and paid of HK3.7 cents per ordinary share (2018: HK2.3 cents per ordinary share)	91,845	56,465
Final dividend proposed after the end of the reporting period of HK3.55 cents per ordinary share (2018: HK1.98 cents per ordinary share)	90,823	48,402
	182,668	104,867

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

	2019 RMB'000	2018 RMB'000
Final dividend in respect of previous financial year, approved and paid during the year, of HK1.98 cents per share (2018: HK3.6 cents per share)	50,381	84,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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:

	2019 RMB'000	2018 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)	730,672	524,791
	2019 '000	2018 '000
Number of shares (basic)		
Issued ordinary shares as 1 January	2,789,919	2,768,291
Effect of share options exercised	2,219	15,010
Weighted average number of ordinary shares at 31 December	2,792,138	2,783,301
Number of shares (diluted)		
Number of ordinary shares for the purpose of calculating basic earnings per share	2,792,138	2,783,301
Effect of dilutive potential ordinary shares: Share options (note)	3,343	16,068
Number of ordinary shares for the purpose of calculating diluted earnings per share	2,795,481	2,799,369

Note: The computation of the diluted earnings per share for the year ended 31 December 2019 has taken into consideration the weighted average number of 3,343,000 shares (2018: 16,068,000 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 2019

13 INVESTMENT PROPERTIES

	Properties under construction RMB'000	Completed properties RMB'000	Total RMB'000
Fair value:			
At 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 and 1 January 2019	–	2,128,610	2,128,610
Transfer from completed properties held for sale	–	497,026	497,026
Net change in fair value recognised in profit or loss	–	63,054	63,054
Disposals	–	(32,330)	(32,330)
At 31 December 2019	–	2,656,360	2,656,360

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 RMB1,260,225,000 (2018: RMB559,232,000) at 31 December 2019 to secure certain banking facilities granted to the Group as set out in Note 33.

At 31 December 2019, the amount transferred from properties held for sale upon change in use included the cost of the properties held for sale amounted to RMB202,607,000 (2018: the cost of the properties held for sale and properties under development for sale amounted to RMB74,535,000) with fair value gain of approximately RMB294,419,000 (2018: RMB65,150,000) based on valuation performed at the respective dates of transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties at the respective dates of transfer and as at 31 December 2019 and 2018 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 2019 and 2018 are as follows:

	Fair value measurements	
	as at 31 December 2019 Level 3 RMB'000	Fair value as at 31 December 2019 RMB'000
Investment properties located in the PRC	2,656,360	2,656,360
	Fair value measurements	
	as at 31 December 2018 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

During the year ended 31 December 2019, there were no transfers into or out of Level 3 during the year (2018: Nil). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties held by the Group in the consolidated statement of financial position	Valuation techniques and key inputs	Significant unobservable inputs	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 3.8% to 6.0% (2018: 3.8% to 6.0%)	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 RMB50 to RMB411 (2018: from RMB49 to RMB416) per sq.m. per month	The higher the unit rent, the higher the market value.

The fair value of investment properties is determined by capitalization rate and unit rent of each project. The valuation mainly made reference to lettings within the subject property as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, maintenance standards, size, time, configuration and other factors.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within one year	73,330	79,176
In the second to fifth year inclusive	190,510	218,104
After five years	192,640	208,982
	456,480	506,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 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 and 1 January 2019	574,005	45,537	21,568	2,494	643,604
Additions	6,219	7,096	5,502	–	18,817
Transfer	2,494	–	–	(2,494)	–
Acquisition of subsidiaries	24	299	764	–	1,087
Disposals	(9,912)	(4,219)	(3,524)	–	(17,655)
Exchange differences	24	5	15	–	44
At 31 December 2019	572,854	48,718	24,325	–	645,897
Accumulated depreciation:					
At 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 and 1 January 2019	128,315	26,919	15,893	–	171,127
Charge for the year	24,434	6,111	5,062	–	35,607
Eliminated on disposals	(7,671)	(4,134)	(2,596)	–	(14,401)
Exchange differences	5	2	3	–	10
At 31 December 2019	145,083	28,898	18,362	–	192,343
Carrying amount:					
At 31 December 2019	427,771	19,820	5,963	–	453,554
At 31 December 2018	445,690	18,618	5,675	2,494	472,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

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 2019, the carrying amount of leasehold land and buildings which were being occupied by the eligible employees under the Scheme was RMB9,240,000 (2018: RMB11,985,000).

The Group has pledged property, plant and equipment of RMB190,620,000 at 31 December 2019 to secure certain banking and other facilities granted to the Group (2018: RMB Nil) as set out in Note 33.

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	19.0%
Electronic equipment and furniture	19.0%–31.7%

15 INTERESTS IN ASSOCIATES

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Share of net assets	33,003	112,984

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:

	2019 RMB'000	2018 RMB'000
Aggregate amounts of the Group's share of those associates' losses and total comprehensive income for the year	(1,278)	(1,833)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019 RMB'000	At 31 December 2018 RMB'000
Cost of investment in joint ventures	2,183,776	2,178,632
Share of post-acquisition profits and other comprehensive income	265,639	252,253
	2,449,415	2,430,885
Loans to joint ventures, gross	5,402,789	5,561,361
Less: Share of post-acquisition losses that are in excess of cost of the investments	(241,344)	(106,267)
	5,161,445	5,455,094

Loans to joint ventures are unsecured, have no fixed term of repayment and all the balances as at December 2019 and 2018 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 2019 are as follows:

Name of company	Place of establishment	Effective interests attributable to the Group		Principal activities
		2019	2018	
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019 RMB'000	At 31 December 2018 RMB'000
Current assets	754,849	1,659,439
Non-current assets	8,651	8,702
Current liabilities	(311,617)	(1,272,856)
Net assets	451,883	395,285
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	125,390	253,681
Trade and other receivables	254,707	557,771
Properties under development for sale	284,935	744,520
Contract liabilities	(67,503)	(555,391)
Trade and other payables	(244,114)	(717,465)
	2019 RMB'000	2018 RMB'000
Revenue	672,763	1,339,398
Profit and total comprehensive income for the year	56,599	175,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Summarised financial information of material joint ventures (Continued)

Changsha Pengyue (Continued)

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 2019 RMB'000	At 31 December 2018 RMB'000
Net assets of Changsha Pengyue	451,883	395,285
Proportion of the Group's ownership interest in Changsha Pengyue	51%	51%
Carrying amount of the Group's interest in Changsha Pengyue	230,460	201,595

Yango Yuegang

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Current assets	7,289,863	6,878,674
Non-current assets	185,716	185,718
Current liabilities	(1,523,283)	(726,785)
Non-current liabilities	(2,157,834)	(2,383,324)
Net assets	3,794,462	3,954,283
Attributable to equity shareholders	2,793,651	2,970,217
Non-controlling interest	1,000,811	984,066
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	35,338	5,761
Trade and other receivables	2,288,799	2,239,145
Properties under development for sale	4,960,055	4,631,885
Non-current financial liabilities	(2,157,834)	(2,157,834)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Summarised financial information of material joint ventures (Continued)

Yango Yuegang (Continued)

	2019 RMB'000	2018 RMB'000
Revenue	–	–
Loss and total comprehensive income for the year attributable to:		
Owners of the company	(5,734)	(32,009)
Non-controlling interest	(1,912)	(10,670)

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 2019 RMB'000	At 31 December 2018 RMB'000
Net assets of Yango Yuegang	2,793,651	2,970,217
Proportion of the Group's ownership interest in Yango Yuegang	51%	51%
Carrying amount of the Group's interest in Yango Yuegang	1,424,762	1,514,811

Aggregate information of joint ventures that are not individually material

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	794,193	714,479
Aggregate amounts of the Group's share of those joint ventures' (losses)/profits and total comprehensive income	(57,016)	88,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17 EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
<i>Equity securities designated at FVOCI</i>		
— Unlisted equity securities	44,641	60,085

18 DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Investment properties RMB'000	Tax losses RMB'000	LAT provision RMB'000	Temporary differences on property sales and cost of sales RMB'000	Properties under development for sale RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	(303,269)	102,766	168,420	296,853	(151,702)	(13,539)	99,529
(Charged)/credited to profit or loss (Note 8)	(25,030)	41,162	(20,902)	263,708	55,453	81,093	395,484
At 31 December 2018 and 1 January 2019	(328,299)	143,928	147,518	560,561	(96,249)	67,554	495,013
(Charged)/credited to profit or loss (Note 8)	(89,368)	25,130	37,040	177,540	30,134	(42,796)	137,680
Acquisition of subsidiaries	—	12,501	—	—	(232,866)	—	(220,365)
Fair value changes of equity investments at FVOCI	—	—	—	—	—	3,861	3,861
At 31 December 2019	(417,667)	181,559	184,558	738,101	(298,981)	28,619	416,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18 DEFERRED TAXATION (Continued)

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 2019 RMB'000	At 31 December 2018 RMB'000
Deferred tax assets	980,251	751,306
Deferred tax liabilities	(564,062)	(256,293)
	416,189	495,013

(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 2019 RMB'000	At 31 December 2018 RMB'000
Expiring on:		
31 December 2019	–	16,426
31 December 2020	63,547	78,521
31 December 2021	98,150	105,705
31 December 2022	145,307	254,212
31 December 2023	94,725	118,096
31 December 2024	410,164	–
Total unused tax losses not recognised as deferred tax assets	811,893	572,960

(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 RMB8,037,598,000 (2018: RMB6,242,704,000) as at 31 December 2019, 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 2019

19 PROPERTIES UNDER DEVELOPMENT FOR SALE

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
At the beginning of the year	23,764,203	20,173,043
Additions	15,319,065	10,677,635
Transfer to properties held for sale upon completion	(11,823,186)	(7,080,211)
Acquisition of subsidiaries	5,982,400	–
Disposal of subsidiaries	–	(6,264)
At the end of the year	33,242,482	23,764,203

The properties under development are located in the PRC with lease terms ranging from 40–70 years as at 31 December 2019. The carrying amount of land use right included in properties under development and completed properties held for sale is RMB19,729,948,000 (2018: RMB15,471,358,000).

The Group has pledged properties under development for sale of RMB14,212,663,000 at 31 December 2019 to secure certain banking and other facilities granted to the Group (2018: RMB9,092,742,000 to secure certain banking and other facilities granted to the Group) as set out in Note 33.

As at 31 December 2019, properties under development for sale with carrying value of RMB11,469,521,000 (2018: RMB8,438,547,000) are expected to be completed after twelve months from the end of the reporting period.

20 COMPLETED PROPERTIES HELD FOR SALE

The Group's completed properties held for sale are stated at cost and situated in the PRC.

As at 31 December 2019, completed properties held for sale of RMB879,866,000 (2018: RMB364,990,000) 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 2019

21 CONTRACT LIABILITIES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Sales deposits	20,724,982	16,918,562
Movements in contract liabilities		
	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Balance at 1 January	16,918,562	10,796,614
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(9,897,526)	(5,732,038)
Acquisition of subsidiaries	3,096,719	–
Increase in contract liabilities as a result of sales deposits	10,607,227	11,853,986
Balance at 31 December	20,724,982	16,918,562

The amount of sales deposits expected to be recognised as income after more than one year is RMB4,365,370,000 (2018: RMB7,469,136,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables, net of allowance	513,786	601,800
Other receivables, net of allowance	4,537,025	3,323,945
Guarantee deposits for housing provident fund loans provided to customers (note)	18,733	16,777
Loans and receivables	5,069,544	3,942,522
Prepayments to suppliers of construction materials	362,674	277,389
Deposits paid for acquisition of land use rights	594,134	374,308
Prepaid taxation	1,848,884	1,374,815
	7,875,236	5,969,034

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 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 year	155,176	554,611
1–2 years	358,610	47,189
	513,786	601,800

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	2019 RMB'000	2018 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:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	3,469	3,431
(Reversed)/provided during the year	(61)	38
At the end of the year	3,408	3,469

23 RESTRICTED CASH

	Note	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Guarantee deposits for mortgage loans provided to customers	i	153,907	116,131
Guarantee deposits for construction of pre-sold properties	ii	2,247,502	1,242,777
Guarantee deposits for bank borrowings	iii	898,254	1,571,286
Guarantee deposits for notes payable		224,308	53,751
Balance of restricted cash		3,523,971	2,983,945

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 which are secured by guarantee deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION

(a) Bank balances and cash

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and in hand	11,382,626	9,717,210
Less: Restricted cash	(3,523,971)	(2,983,945)
	7,858,655	6,733,265

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 0.3%–1.8% per annum as at 31 December 2019 (2018: 0.4%–2.5%).

Bank balances and cash at 31 December 2019 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 2019

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	Senior notes	Corporate bonds	Amounts due to related parties	Amounts due to non-controlling interests	Accrued interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 27)	(Note 28)	(Note 29)	(Note 37(b))	(Note 25)		
At 1 January 2019	9,282,106	5,613,877	1,032,175	1,552,351	1,945,902	118,480	19,544,891
Changes from financing cash flows:							
New bank borrowings raised	2,032,236	-	-	-	-	-	2,032,236
Repayments of bank borrowings	(4,923,596)	-	-	-	-	-	(4,923,596)
New other borrowings raised	6,554,640	-	-	-	-	-	6,554,640
Repayments of other borrowings	(3,724,790)	-	-	-	-	-	(3,724,790)
Net proceeds from issue of senior notes	-	3,709,479	-	-	-	-	3,709,479
Repayments of senior notes	-	(2,827,704)	-	-	-	-	(2,827,704)
Net proceeds from issue of corporate bonds	-	-	868,625	-	-	-	868,625
Repayments of corporate bonds	-	-	(881,762)	-	-	-	(881,762)
Advances from related parties	-	-	-	2,372,413	-	-	2,372,413
Repayments to related parties	-	-	-	(522,676)	-	-	(522,676)
Repayments to non-controlling interests	-	-	-	-	(581,894)	-	(581,894)
Advances from non-controlling interests	-	-	-	-	2,728,853	-	2,728,853
Interest paid	-	-	-	-	-	(1,754,671)	(1,754,671)
	9,220,596	6,495,652	1,019,038	3,402,088	4,092,861	(1,636,191)	22,594,044
Exchange adjustments	68,080	179,790	-	-	-	-	247,870
Other changes:							
Acquisition of subsidiaries	1,500,000	-	-	-	12,306	-	1,512,306
Finance costs	-	9,557	3,265	-	-	407,243	420,065
Amount capitalised in properties under development for sale	-	-	-	-	-	1,383,678	1,383,678
Return of capital to non-controlling interests-non cash	-	-	-	59,246	-	-	59,246
Total other changes	1,500,000	9,557	3,265	59,246	12,306	1,790,921	3,375,295
At 31 December 2019	10,788,676	6,684,999	1,022,303	3,461,334	4,105,167	154,730	26,217,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	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 37(b))	Amounts due to non- controlling interests RMB'000 (Note 25)	Accrued interest RMB'000	Total RMB'000
At 1 January 2018	10,519,130	4,693,958	1,027,672	2,542,734	2,306,511	80,557	21,170,562
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
Interest paid	-	-	-	-	-	(1,264,558)	(1,264,558)
	9,243,789	5,416,855	1,027,672	1,552,351	1,945,902	(1,184,001)	18,002,568
Exchange adjustments	38,317	176,205	-	-	-	-	214,552
Other changes:							
Finance costs	-	20,817	4,503	-	-	232,525	257,845
Amount capitalised in properties under development for sale	-	-	-	-	-	1,069,956	1,069,956
Total other changes	-	20,817	4,503	-	-	1,302,481	25,320
At 31 December 2018	9,282,106	5,613,877	1,032,175	1,552,351	1,945,902	118,480	19,544,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade and notes payables	3,239,103	2,277,935
Accrued expenditure on construction	1,636,329	845,742
Amounts due to non-controlling interests	4,105,167	1,945,902
Accrued interest	154,730	118,480
Accrued payroll	48,640	20,377
Dividend payable	2,483	2,085
Other payables	4,190,580	3,876,792
Financial liabilities measured at amortised cost	13,377,032	9,087,313
Other tax payables	21,419	7,200
	13,398,451	9,094,513

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 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 year	2,454,418	1,935,105
1 to 2 years	617,903	338,346
More than 2 years and up to 3 years	166,782	4,484
	3,239,103	2,277,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26 TAXATION PAYABLE

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
LAT payable	2,057,736	1,475,528
Income tax payable	1,174,458	809,875
	3,232,194	2,285,403

27 BANK AND OTHER BORROWINGS

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans, secured	4,311,427	5,634,706
Other loans, secured	6,363,450	3,647,400
Other loans, unsecured	113,799	–
	10,788,676	9,282,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27 BANK AND OTHER BORROWINGS (Continued)

The borrowings are repayable:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within one year or on demand	7,087,864	5,550,716
More than one year, but not exceeding two years	2,233,706	3,031,390
More than two years, but not exceeding five years	1,417,106	630,000
More than five years	50,000	70,000
	10,788,676	9,282,106
Less: Amount due within one year shown under current liabilities	(7,087,864)	(5,550,716)
Amount due after one year	3,700,812	3,731,390
Analysis of borrowings by currency		
— Denominated in RMB	9,755,848	7,506,531
— Denominated in US\$	551,322	533,590
— Denominated in HK\$	481,506	1,241,985
	10,788,676	9,282,106

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 RMB3,891,117,000 (2018: RMB4,453,828,000) variable rate borrowings which carry interest ranging from 2.9% to 10.0% (2018: 2.1% to 8.5%) per annum as at 31 December 2019, and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rates ranged from 4.6% to 15.0% (2018: 3.8% to 13.4%) per annum as at 31 December 2019, and exposed the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28 SENIOR NOTES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Carrying amount at the beginning of the year	5,613,877	4,693,958
Net proceeds from issuance of 2018 USD Notes (note (a))	–	2,198,839
Net proceeds from issuance of 2019 USD Notes I (note (b))	1,012,714	–
Net proceeds from issuance of 2019 USD Notes II (note (c))	1,349,312	–
Net proceeds from issuance of 2019 USD Notes III (note (d))	1,347,453	–
Exchange loss	179,790	176,205
Other finance costs	9,557	20,817
Redemption	(2,827,704)	(1,475,942)
Carrying amount at the end of the year	6,684,999	5,613,877
Less: Current portion of senior notes	(2,379,120)	(3,286,031)
	4,305,879	2,327,846

(a) 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 100.0% of the principal amount of the 2018 USD Notes, which carry fixed interest at 8.0% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 5 March 2021.

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 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 100.0% of the principal amount of the 2018 USD Notes plus the applicable premium (which is defined as to the greater of (1) 1.0% 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

For the year ended 31 December 2019

28 SENIOR NOTES (Continued)

(a) 2018 USD Notes (Continued)

At any time prior to 5 March 2021, the Company may redeem up to 35.0% of the principal amount of the 2018 USD Notes at a redemption price of 108.0% 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 65.0% 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.

(b) 2019 USD Notes I

On 2 January 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$150,000,000 (approximately RMB1,029,465,000) (the "2019 USD Notes I") at 100.0% of the principal amount, which carry fixed interest at a rate of 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020.

The 2019 USD Notes I are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company's existing subsidiaries 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 asset serving as security.

At any time prior to 2 July 2020, the Company may at its option redeem the 2019 USD Notes I, in whole but not in part, at a price equal to 100.0% of the principal amount of the 2019 USD Notes I plus the applicable premium, which is defined as to the greater of (1) 1.0% 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 equals 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 2 July 2020, the Company may redeem up to 35.0% of the principal amount of the 2019 USD Notes I at a redemption price of 115.5% of the principal amount of the 2019 USD Notes I, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28 SENIOR NOTES (Continued)

(c) 2019 USD Notes II

On 20 February 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$200,000,000 (approximately RMB1,338,020,000) (the "2019 USD Notes II") at 101.7% of the principal amount plus accrued interest from (and including) 2 January 2019 to (but excluding) 27 February 2019, which will be consolidated and form a single series with the 2019 USD Notes I as described in Note 28(b), which carry fixed interest at a rate of 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020.

The 2019 USD Notes II are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company's existing subsidiaries 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 asset serving as security.

At any time prior to 2 July 2020, the Company may at its option redeem the 2019 USD Notes II, in whole but not in part, at a price equal to 100.0% of the principal amount of the 2019 USD Notes II plus the applicable premium, which is defined as to the greater of (1) 1.0% 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 equals 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 2 July 2020, the Company may redeem up to 35.0% of the principal amount of the 2019 USD Notes II at a redemption price of 115.5% of the principal amount of the 2019 USD Notes II, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28 SENIOR NOTES (Continued)

(d) 2019 USD Notes III

On 25 April 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$203,797,000 (approximately RMB1,371,696,000) (the “2019 USD Notes III”) at 100.3% of the principal amount, which carry fixed interest at a rate of 12.9% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 25 October 2021.

The 2019 USD Notes III are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company’s existing subsidiaries 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 asset serving as security.

At any time prior to 25 October 2021, the Company may at its option redeem the 2019 USD Notes III, in whole but not in part, at a price equal to 100.0% of the principal amount of the 2019 USD Notes III plus the applicable premium, which is defined as to the greater of (1) 1.0% 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 25 October 2021, the Company may redeem up to 35.0% of the principal amount of the 2019 USD Notes III at a redemption price of 112.9% of the principal amount of the 2019 USD Notes III, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

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 BONDS

On 24 April 2016, the Group issued corporate bonds to the public with aggregate nominal value of RMB1,000,000,000 at 97.8% of the principal amount, which carry fixed interest of 6.4% per annum (interest payable annually in arrears), out of which the Group redeemed RMB881,762,000 on 28 April 2019 and the remaining balances will be repayable by 20 April 2021.

On 30 July 2019, the Group issued corporate bonds to the public with aggregate nominal value of RMB880,000,000 at 98.7% of the principal amount, which carry fixed interest of 7.8% per annum (interest payable annually in arrears) and will be due on 30 July 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30 SHARE CAPITAL

	Number of shares '000	Amount USD'000	Equivalent to RMB'000
Ordinary shares of US\$0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	8,000,000	80,000	524,014
Issued and fully paid:			
At 1 January 2018	2,768,291	27,674	173,932
Exercise of share options (note)	21,628	216	1,409
At 31 December 2018 and 1 January 2019	2,789,919	27,890	175,341
Exercise of share options (note)	5,075	51	352
At 31 December 2019	2,794,994	27,941	175,693

Note: During the year ended 31 December 2019, share options were exercised to subscribe for 4,635,250 and 440,000 ordinary shares of the Company at HK\$1.041 and HK\$1.045 (equivalent to approximately RMB0.9234 and RMB0.9201) per share, with the aggregate proceeds of HK\$5,285,000 (equivalent to approximately RMB4,685,000). 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, with the aggregate proceeds of HK\$24,365,000 (equivalent to approximately RMB20,263,000). Details of the share options are summarised in Note 36.

31 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.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Beijing Runjin Real Estate Development Co., Ltd. (“Beijing Runjin”)

Beijing Runjin is a property development company. The Group held 50.98% equity interests in Beijing Runjin, with the remaining 49.02% equity interest held by two other independent parties as at 31 December 2018. Pursuant to the Articles of Association of Beijing Runjin, the relevant business activities of Beijing Runjin required unanimous consent of the shareholders and the board of directors. Therefore, Beijing Runjin was accounted for as a joint venture of the Group as at 31 December 2018.

During the year ended 31 December 2019, the Group entered into an agreement with the other two shareholders, whereby it was agreed that, among other things, major decisions of Beijing Runjin shall be resolved at the directions of the Group. Since then, the Group has obtained control over Beijing Runjin, which therefore has become a non-wholly-owned subsidiary of the Group.

The following table summaries the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Total
	RMB'000
Property, plant and equipment	461
Intangible assets	7
Properties under development for sale	5,028,400
Trade and other receivables, deposits and prepayments	1,755,026
Bank balances and cash	652,094
Trade and other payables, deposits received and accrued charges	(2,590,832)
Contract liabilities	(2,626,730)
Bank and other borrowings	(1,500,000)
Deferred tax liabilities	(206,749)
Identifiable net assets acquired	511,677
Fair value of pre-existing interests in joint ventures (note)	(260,853)
Non-controlling interests	(250,824)
Total consideration satisfied by cash	–
Net cash inflow arising on acquisitions:	
Cash paid	–
Bank balances and cash acquired	652,094
	652,094

Note: The remeasurement to fair value of the Group's pre-existing interest in these acquiree resulted in a gain of RMB293,669,000, which has been included in “Other income, gain and losses”(see Note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32 ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Heze Haigang Real Estate Development Co., Ltd. (“Heze Haigang”)

Heze Haigang is a property development company. The Group acquired 100% equity interests in Heze Haigang from a third party as at 31 December 2019.

The following table summaries the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Total RMB'000
Property, plant and equipment	626
Properties under development for sale	954,000
Deferred tax assets	12,501
Trade and other receivables, deposits and prepayments	149,310
Bank balances and cash	16,630
Trade and other payables, deposits received and accrued charges	(552,432)
Contract liabilities	(469,989)
Deferred tax liabilities	(26,117)
Identifiable net assets acquired	84,529
Total consideration satisfied by cash	81,780
Net cash inflow arising on acquisitions:	
Cash paid	(81,780)
Bank balances and cash acquired	16,630
	(65,150)

The difference between consideration transferred and fair value of identified net assets resulted in a gain of RMB2,749,000, which has been included in “Other income, gain and losses”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019 RMB'000	At 31 December 2018 RMB'000
Investment properties	1,260,225	559,232
Properties under development for sale	14,212,663	9,092,742
Completed properties held for sale	879,866	364,990
Property, plant and equipment	190,620	–
Equity interests in subsidiaries	2,348,660	475,828
Restricted cash	1,276,469	1,741,168
Guarantee deposits for housing provident fund loans provided to customers	18,733	16,777
	20,187,236	12,250,737

34 CAPITAL AND OTHER COMMITMENTS

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Contracted but not provided for in the consolidated financial statements:		
Expenditure in respect of properties under development for sale	15,453,216	7,864,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019 RMB'000	At 31 December 2018 RMB'000
Mortgage guarantees	13,474,323	11,587,338

- (b) The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMBnil at 31 December 2019 (2018: RMB998,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36 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 279,084,340 shares, representing 10.0% 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 18 June 2019, being 2,790,843,400 shares.

The maximum entitlement of each participant under the scheme in any 12-month period up to the date of grant shall not exceed 1.0% 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.

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 1.6% 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 3.4% 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 2.6% 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 1.9% of the shares issued by the Company as at the date of grant.

At 31 December 2019, the number of shares in respect of which options has been granted and remained outstanding under the Share Option Scheme was 24,912,500 (31 December 2018: 63,092,000), representing 0.9% (31 December 2018: 2.3%) of the shares of the Company in issue at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36 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 2018	36,389,500		
Exercisable at 31 December 2019	17,130,000		

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 2019

36 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 2019 and 2018:

Option type	Exercise price	Outstanding at 1 January 2019	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2019
2014	HK\$1.041	17,444,500	(4,635,250)	-	(12,809,250)	-
2015 Plan B	HK\$1.138	15,400,000	-	(2,750,000)	(12,650,000)	-
2016	HK\$1.045	30,247,500	(440,000)	(4,895,000)	-	24,912,500
		63,092,000	(5,075,250)	(7,645,000)	(25,459,250)	24,912,500

Option type	Exercise price	Outstanding at 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 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 weighted average share price at the date of exercise for share options exercised during the year is HK\$1.041 (2018: HK\$1.383).

The Group reversed total expense of RMB7,557,000 (2018: reversed total expense of RMB3,406,000) for the year ended 31 December 2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 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 2019 RMB'000	At 31 December 2018 RMB'000
Amount due from companies controlled by Mr. Zhang Lei	8,812	7,703
Amounts due from joint ventures and their subsidiaries	345,383	317,018
Total non-trade balance (note i)	354,195	324,721
Amount due from companies controlled by Mr. Zhang Lei	68,666	16,391
Amounts due from joint ventures and their subsidiaries	342,022	12,429
Total trade balance (note ii)	410,688	28,820
	764,883	353,541
Loans to joint ventures (note iii)	5,161,445	5,455,094

Notes:

- (i) Balances at 31 December 2019 and 2018 are of non-trade nature, unsecured, interest free and repayable on demand.
- (ii) Trade receivables from related parties at 31 December 2019 and 2018 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 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 year	396,918	28,280
1–2 years	13,770	540
	410,688	28,820

- (iii) The terms of loans to joint ventures are disclosed in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 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:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Amounts due to an associate	24,594	–
Amounts due to joint ventures and their subsidiaries	3,436,740	1,552,351
Total non-trade balance (note i)	3,461,334	1,552,351
Amount due to companies controlled by Mr. Zhang Lei	53,603	11,721
Amounts due to joint ventures and their subsidiaries	1,972	–
Total trade balance (note ii)	55,575	11,721
	3,516,909	1,564,072

Notes:

- (i) Balances at 31 December 2019 and 2018 are of non-trade nature, unsecured, interest free and repayable on demand.
- (ii) Trade payables to related parties are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due to related parties of trade nature based on invoice date at the end of each reporting period:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 year	53,962	11,721
1–2 years	1,613	–
	55,575	11,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) During the year, the Group entered into the following transactions with its related parties:

Nature of related party	Nature of transaction	2019 RMB'000	2018 RMB'000
Companies controlled by Mr. Zhang Lei	Rental income	1,412	1,252
Companies controlled by Mr. Zhang Lei	Energy-saving advisory expenses	16,460	7,901
Companies controlled by Mr. Zhang Lei	Property management service expenses	123,639	142,724
Companies controlled by Mr. Zhang Lei	Property contracting service expenses	13,156	4,751
Companies controlled by Mr. Zhang Lei	Sales of properties revenue	11,174	–
Joint venture	Income from provision of technical know-how	–	493
Joint venture	Income from real estate agency services	344,933	13,837
Joint venture	Interest income	–	6,179
Joint venture	Management service income	2,845	10,546

(d) Transaction with key management personnel

	2019 RMB'000	2018 RMB'000
Key management compensation		
Short-term benefits	25,566	19,586
Post-employment benefits	521	369
Share-based payment	426	1,336
	26,513	21,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(e) The Listing Rules relating to connected transactions

The related party transactions in respect of rental income from related parties, and property management service expenses, property contracting service expenses and energy-saving advisory expenses 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.

38 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 bonds 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, senior notes and corporate bonds, 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.

39 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
The Group		
Financial assets		
Loans and receivables (including bank balances and cash)	17,217,054	13,788,271
Equity investments at FVOCI	44,641	60,085
Financial liabilities		
Liabilities measured at amortised cost	35,341,279	26,559,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, other equity investment at FVOCI, restricted cash, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings, senior notes and corporate bonds. 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.

(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, London Interbank Offered Rate and Hongkong Interbank Offered Rate.

The Group's fair value interest rate risk relates primarily to its fixed rate senior notes, corporate bonds 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(1) Interest rate risk (Continued)

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 in interest rate for variable rate borrowings and a 10 basis points increase or decrease in interest rate 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) and retained profits would decrease/increase by approximately RMB1,550,000 (2018: RMB5,982,000) for the year ended 31 December 2019.

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 and retained profits would increase/decrease by approximately RMB8,537,000 (2018: RMB7,288,000) for the year ended 31 December 2019.

(2) Price risk

The Group is exposed to equity price risks through its other non-current financial assets. At 31 December 2019, the management considers that the Group's exposure to fluctuation in equity price is minimal. Accordingly, no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(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	
	2019 RMB'000 equivalent	2018 RMB'000 equivalent	2019 RMB'000 equivalent	2018 RMB'000 equivalent
US\$	82,488	554,663	7,236,321	6,147,467
HK\$	13,830	21,636	481,506	1,241,985

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 5.0% in exchange rate of each foreign currency against RMB while all other variables are held constant. 5.0% 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 5.0% change in foreign currency exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 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:

	2019 RMB'000	2018 RMB'000
(Decrease)/increase in post-tax profit for the year and retained profits		
— if RMB weakens against US\$	(357,692)	(279,640)
— if RMB weakens against HK\$	(23,384)	(61,017)
— if RMB strengthens against US\$	357,692	279,640
— if RMB strengthens against HK\$	23,384	61,017

Credit risk management

At 31 December 2019, 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 80.0% 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 2019

39 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 2018 and 2019, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

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	8.7	16,845,301	-	-	16,845,301	16,845,301
Fixed interest rate instruments	6.8	9,239,525	9,408,720	127,877	18,776,122	14,604,861
Variable interest rate instruments		2,061,842	2,751,716	-	4,813,558	3,891,117
At 31 December 2019		28,146,668	12,160,436	127,877	40,434,981	35,341,279
Financial guarantee contracts		13,227,167	-	-	13,227,167	-
Non-interest bearing	-	10,631,005	-	-	10,631,005	10,631,005
Fixed interest rate instruments	9.4	7,586,516	4,665,470	-	12,251,986	10,639,490
Variable interest rate instruments	5.5	2,549,075	3,343,037	162,507	6,054,619	5,288,668
At 31 December 2018		20,766,596	8,008,507	162,507	28,937,610	26,559,163
Financial guarantee contracts	-	12,585,338	-	-	12,585,338	-

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 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40 FINANCIAL INFORMATION OF THE COMPANY

(a) Financial information of the financial position of the Company:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Non-current assets		
Investments in subsidiaries	14,445,329	13,938,932
Current assets		
Prepayments and other receivables	247,994	246,956
Amounts due from related parties	227,975	222,786
Bank balances and cash	82,117	49,497
	558,086	519,239
Current liabilities		
Accrued charges and other payables	121,587	119,725
Amounts due to subsidiaries	1,266,513	1,406,742
Bank borrowings due within one year	780,685	1,644,146
Senior notes — due within one year	2,379,120	3,286,031
	4,547,905	6,456,644
Net current liabilities	(3,989,819)	(5,937,405)
Total assets less current liabilities	10,465,510	8,001,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40 FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Financial information of the financial position of the Company: (Continued)

	Note	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Capital and reserves			
Share capital		175,693	175,341
Reserves	40(b)	5,983,938	5,498,340
Total equity		6,159,631	5,673,681
Non-current liabilities			
Senior notes — due after one year		4,305,879	2,327,846
		10,465,510	8,001,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40 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 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	30	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 and 1 January 2019		175,341	820,356	16,197	4,661,787	5,673,681
Share-based payment		-	-	(13,615)	6,058	(7,557)
Issue of shares on exercise of share options	30	352	5,355	(1,022)	-	4,685
Profit and total comprehensive income for the year		-	-	-	631,048	631,048
Dividend	11	-	-	-	(142,226)	(142,226)
At 31 December 2019		175,693	825,711	1,560	5,156,667	6,159,631

(c) Distributability of reserves:

At 31 December 2019, the aggregate amount of reserves available for distribution to the owners of the Company was RMB5,982,378,000 (2018: RMB5,482,143,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Indirect 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
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 RMB60,000,00	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
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	82%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Jiujiang Modern Green Development Co., Ltd.* (note i) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
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%	100%	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) 鳳觀(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
Hunan Modern Moma Development Co., Ltd.* (note i) 湖南當代摩碼置業有限公司	PRC 1 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 1 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Foshan Modern Green Development Co., Ltd.* (note i) 佛山當代綠色置業有限公司	PRC 14 January 2016	100%	51%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Hubei Moma Development Co., Ltd.* (note 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
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., Limited.* (note i) 佛山市信隆置業投資有限公司	PRC 10 December 2017	100%	100%	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
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
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	0%	51%	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%	20%	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	0%	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	100%	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
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
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
Lianjing Xianmao Industrial Co., Ltd.* (note i) 連江賢茂實業有限公司	PRC 31 January 2018	51%	51%	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%	75%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Hubei Zhengtian Development Co., Ltd.* (note i) 湖北正天置業有限公司	PRC 6 September 2017	52.5%	52.5%	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%	51%	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%	60%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Huzhou Dongjun Construction and Development Co., Ltd.* (note i) 湖州東馬建設開發有限公司	PRC 18 October 2017	69.15%	69.15%	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%	65.24%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
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%	49%	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%	80%	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%	80%	Registered RMB50,000,000 Paid up capital RMB0	Property development
Anhui Modern Jiuka 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	62.2%	62.2%	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%	74%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
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%	40%	Registered RMB125,000,000 Paid up capital RMB0	Property development
Shandong Green Development Co., Ltd.* (note i) 山東當代原綠置業有限公司	PRC 30 July 2018	100%	100%	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%	51%	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%	70%	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%	70%	Registered RMB160,000,000 Paid up capital RMB160,000,000	Property development
Xuchang Zhanlan Chengjian Development Co., Ltd.* (note i) 許昌綻藍城建置業有限公司	PRC 8 May 2019	60%	0%	Registered RMB16,000,000 Paid up capital RMB0	Property development
Wuhan Green Yinghe Development Co., Ltd.* (note i) 武漢原綠英赫置業有限公司	PRC 7 May 2019	100%	0%	Registered RMB30,000,000 Paid up capital RMB30,000,000	Property development
Linqun Honghao Development Co., Ltd.* (note i) 臨泉洪浩置業有限公司	PRC 11 January 2019	26.01%	0%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Qingdao Modern Ruixiang Development Co., Ltd.* (note i) 青島當代瑞祥置業有限公司	PRC 6 November 2019	34.17%	0%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Heze Haigang Real Estate Development Co., Ltd.* (note i) 菏澤市海港房地產開發有限公司	PRC 29 August 2003	100%	0%	Registered RMB51,000,000 Paid up capital RMB51,000,000	Property development
Changzhou Minghong Development Co., Ltd.* (note i) 常州明宏置業有限公司	PRC 27 September 2019	50%	0%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Wuhan Green Shijia Development Co., Ltd.* (note i) 武漢原綠世嘉置業有限公司	PRC 13 June 2019	100%	0%	Registered RMB100,000,000 Paid up capital RMB0	Property development
Jiangxi Blue Development Co., Ltd.* (note i) 江西深藍置業有限公司	PRC 18 November 2019	51%	0%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Hefei Lvheng MOMA Development Co., Ltd.* (note i) 合肥綠恒摩碼置業有限公司	PRC 11 June 2019	51%	0%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Hunan Modern Gaoko Development Co., Ltd.* (note i) 湖南當代高科置業有限公司	PRC 19 December 2019	56%	0%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Xinyang Jianhai Modern Development Co., Ltd.* (note i) 滎陽市建海當代置業有限公司	PRC 17 June 2019	49%	0%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Hebei Tongfu Green Real Estate Development Co., Ltd.* (note i) 河北同福原綠房地產開發有限公司	PRC 4 June 2019	90%	0%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Tianjin Ninghe Haikuotiankong Development Co., Ltd.* (note i) 天津寧海海關天空建設開發有限公司	PRC 24 December 2014	100%	0%	Registered RMB575,000,000 Paid up capital RMB575,000,000	Property development
Beijing Runjin Real Estate Development Co., Ltd.* (note i) 北京潤錦房地產開發有限公司	PRC 19 November 2010	50.98%	50.98%	Registered RMB204,000,000 Paid up capital RMB100,000,000	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

42 EVENT AFTER THE END OF THE REPORTING PERIOD

(i) Issuance of senior notes

On 19 February 2020, 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 RMB1,400,240,000, approximately), at 98.2% of the principal amount, which carried fixed interest at 11.8% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 26 February 2022. The issuance was completed on 26 February 2020.

On 26 February 2020, 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 RMB1,051,890,000, approximately), at 97.3% of the principal amount, which carried fixed interest at 12.0% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 4 March 2024. The issuance was completed on 4 March 2020.

(ii) Outbreak of Coronavirus Disease 2019 (“COVID-19”)

Following the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. The Group will pay close attention to the development of the COVID-19 outbreak and its impact and will continue to perform relevant assessments on the financial position and operating results of the Group and take proactive measures as appropriate.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 December				
	2019 RMB million	2018 RMB million	2017 RMB million	2016 RMB million	2015 RMB million
RESULT					
Revenue	14,552	9,338	8,506	8,458	6,350
Profit before taxation	2,670	1,405	1,358	1,083	1,340
Income taxes expense	(1,616)	(743)	(531)	(369)	(739)
Profit for the year	1,054	662	827	714	601
Attributable to:					
Owners of the Company	730	525	706	664	578
Non-controlling interests	324	137	121	50	23
	1,054	662	827	714	601
Earning per share (basic), RMB cents	26.2	18.9	25.6	27.9	30.5
ASSETS AND LIABILITIES					
Total assets	68,537	53,629	45,171	28,507	15,723
Total liabilities	(59,933)	(46,047)	(38,154)	(23,776)	(11,948)
	8,604	7,582	7,017	4,731	3,775
Equity attributable to					
owners of the Company	6,159	5,674	5,178	4,648	3,765
Non-controlling interests	2,445	1,908	1,839	83	10
	8,604	7,582	7,017	4,731	3,775