MODERN LAND (CHINA) CO., LIMITED

當代置業（中國）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1107)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL RESULTS HIGHLIGHTS

- The contracted sales for the year amounted to approximately RMB22,186.02 million, representing a year-on-year increase of approximately 33.9%, the average selling price was approximately RMB12,162 per sq.m..
- Revenue increased by approximately 0.6% to approximately RMB8,506.33 million.
- Profit for the year of the Group increased by approximately 15.8% to approximately RMB826.54 million.
- The Group's total assets as at 31 December 2017 amounted to RMB45,170.99 million, an increase of approximately 58.5% as compared to that as at 31 December 2016.
- As at 31 December 2017, bank balances and cash (including restricted cash) was RMB10,409.96 million, an increase of approximately 53.9% as compared to the figure as at 31 December 2016.
- The weighted average borrowing cost of the Group decreased from 8.07% for the year ended 31 December 2016 to 7.7% for the year ended 31 December 2017.
- Basic earnings per share was RMB25.6 cents (2016: RMB27.9 cents)
- Proposed final dividend of HK3.6 cents per share – including interim dividend, full year dividend was equivalent to HK5.9 cents per share.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors" and each a "Director") of Modern Land (China) Co., Limited (the "Company" or "Modern Land") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 with the comparative figures for the preceding financial year, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Renminbi)

	Note	2017 *RMB'000*	2016 *RMB'000*
Revenue	*4*	**8,506,328**	8,457,903
Cost of sales		**(6,716,111)**	(6,811,651)
Gross profit		**1,790,217**	1,646,252
Other income, gains and losses	*5*	**652,518**	169,678
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties		**27,883**	115,396
Changes in fair value of investment properties, net		**74,307**	80,246
Selling and distribution expenses		**(300,682)**	(303,898)
Administrative expenses		**(479,220)**	(344,151)
Finance costs	*6*	**(393,189)**	(182,093)
Share of losses of joint ventures		**(7,021)**	(98,038)
Share of losses of associates		**(6,898)**	–
Profit before taxation		**1,357,915**	1,083,392
Income tax expense	*7*	**(531,376)**	(369,379)
Profit for the year		**826,539**	714,013

	Note	**2017**	2016
		RMB'000	*RMB'000*
Other comprehensive income for the year:			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of owner-occupied properties upon transfer to investment properties		**5,676**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of nil tax		**(8,268)**	(3,660)
Total comprehensive income for the year		**823,947**	710,353
Profit for the year attributable to:			
Owners of the Company		**705,999**	664,332
Non-controlling interests		**120,540**	49,681
		826,539	714,013
Total comprehensive income attributable to:			
Owners of the Company		**703,407**	660,672
Non-controlling interests		**120,540**	49,681
		823,947	710,353
Earnings per share, in Renminbi cents:			
Basic	*9*	**25.6**	27.9
Diluted	*9*	**25.6**	27.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

(Expressed in Renminbi)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Non-current assets			
Investment properties		**1,965,000**	1,820,000
Property, plant and equipment		**483,613**	517,273
Intangible assets		**2,302**	2,455
Freehold land held for future development		**29,732**	31,564
Interests in associates		**106,664**	99,890
Interests in joint ventures		**2,698,333**	643,355
Loans to joint ventures	*10*	**3,190,116**	2,163,958
Available-for-sale investments		**50,085**	46,350
Deferred tax assets		**421,242**	274,230
		8,947,087	5,599,075
Current assets			
Inventories		**7,263**	4,737
Properties under development for sale		**20,173,043**	10,331,289
Properties held for sale		**2,396,366**	2,277,087
Trade and other receivables, deposits and prepayments	*11*	**3,009,880**	2,775,600
Amounts due from related parties		**227,391**	756,858
Restricted cash		**2,876,247**	2,177,946
Bank balances and cash		**7,533,713**	4,584,391
		36,223,903	22,907,908
Current liabilities			
Trade and other payables, deposits received and accrued charges	*12*	**16,846,552**	9,263,016
Amounts due to related parties		**2,550,226**	2,257,987
Taxation payable		**1,939,709**	1,760,075
Bank and other borrowings – due within one year		**5,234,810**	2,463,064
Senior notes – due within one year		**1,478,140**	–
		28,049,437	15,744,142
Net current assets		**8,174,466**	7,163,766
Total assets less current liabilities		**17,121,553**	12,762,841

	Note	2017 *RMB'000*	2016 *RMB'000*
Capital and reserves			
Share capital	*13*	**173,932**	156,459
Reserves		**5,003,879**	4,491,834
Equity attributable to owners of the Company		**5,177,811**	4,648,293
Non-controlling interests		**1,838,963**	83,173
Total equity		**7,016,774**	4,731,466
Non-current liabilities			
Bank and other borrowings – due after one year		**5,284,320**	3,288,500
Senior notes		**3,215,818**	3,245,630
Corporate bond		**1,027,672**	1,023,769
Long term payables		**334,711**	295,317
Deferred tax liabilities		**242,258**	178,159
		10,104,779	8,031,375
		17,121,553	12,762,841

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

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

The Company and its subsidiaries (collectively, the "Group") are principally engaged in real estate development, property investment, hotel operation, project management, real estate agency services, immigration services and innovative household technology services in the PRC and the United States (the "US").

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

2. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the consolidated financial statements of Modern Land (China) Co., Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2017, but is extracted from those consolidated financial statements.

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

3. APPLICATION OF NEW AND REVISED IFRSs

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these 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. However, additional disclosure will be included in the annual report to satisfy the new disclosure requirements introduced by the amendments to IAS7, statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

4. REVENUE AND SEGMENT INFORMATION

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

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:

	2017	2016
	RMB'000	*RMB'000*
Sale of properties	**8,282,941**	8,234,930
Real estate agency services	**68,690**	73,117
Project management	**13,162**	13,718
Hotel operation	**67,608**	52,107
Property investment	**59,556**	51,747
Immigration services	**2,355**	15,535
Innovative household technology services	**12,016**	16,749
	8,506,328	8,457,903

Geographic information

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

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

5. OTHER INCOME, GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Interest income	**89,620**	107,474
Dividend income from available-for-sale investments	**7,073**	4,051
Government grants	**2,833**	18,688
Remeasurement to fair value of pre-existing interest in acquirees *(note a)*	**116,988**	201,593
Net exchange gain/(loss) *(note b)*	**205,102**	(167,091)
Gain on disposal of a subsidiary	**22,765**	–
Gain on disposal of a joint venture	**42,570**	1,306
Gain on disposal of an associate *(note c)*	**147,195**	–
Gain/(loss) on disposal of property, plant and equipment	**1,283**	(80)
Others	**17,089**	3,737
	652,518	169,678

Notes:

(a) For the year ended 31 December 2017, the Group acquired two subsidiaries which were joint ventures of the Group before the acquisition. The remeasurement to fair value of the Group's pre-existing interest in the acquirees resulted in a gain of RMB116,989,000.

For the year ended 31 December 2016, the Group acquired subsidiaries which were joint ventures of the Group before acquisition. The re-measurement to fair value of the Group's pre-existing interest in these acquirees resulted in a total gain of RMB201,593,000.

(b) The net exchange gain/(loss) for the years ended 31 December 2017 and 2016 mainly arose from retranslation of senior notes issued by the Company denominated in US$ due to appreciation/(depreciation) of RMB against US$.

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

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**(685,178)**	(317,695)
Interest expense on senior notes and corporate bond	**(508,085)**	(577,326)
	(1,193,263)	(895,021)
Less: Amount capitalised in properties under development	**800,074**	712,928
	(393,189)	(182,093)

The borrowing costs have been capitalised at a rate of 1.27%-11.50% (2016: 1.65%-15.18%) per annum.

7. INCOME TAX EXPENSE

	2017	2016
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	**(501,578)**	(121,237)
Land appreciation tax ("LAT")	**(164,343)**	(138,946)
Deferred tax	**128,739**	(109,196)
Over-provision of PRC Corporate Income Tax in respect of prior years	**5,806**	–
Income tax expense	**(531,376)**	(369,379)

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

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

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

No provision for Hong Kong profits tax has been made as the income generated from the Group neither arose in, nor was derived from, Hong Kong for the years ended 31 December 2017 and 2016.

8. DIVIDEND

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

	2017	2016
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK2.3 cents per ordinary share (2016: nil cents per ordinary share)	**49,065**	–
Final dividend proposed after the end of the reporting period of HK3.6 cents per ordinary share (2016: HK6.3 cents per ordinary share)	**80,740**	137,349
	129,805	137,349

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

	2017	2016
	RMB'000	*RMB'000*
Final dividend in respect of previous financial year, approved and paid during the year, of HK6.3 cents per share (2016: HK9.9 cents per share)	**137,349**	173,181

(iii) Bonus issue

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

9. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**705,999**	664,332

	2017	2016
	'000	*'000*
		(Restated)
Number of shares (basic)		
Issued ordinary shares at 1 January	**2,503,405**	2,080,760
Effect of bonus issue *(note a)*	**251,321**	216,365
Effect of issuance of shares	**–**	79,922
Effect of share options exercised	**3,113**	2,967
Weighted average number of ordinary shares at 31 December	**2,757,839**	2,380,014

	2017	2016
	'000	*'000*
		(Restated)
Number of shares (diluted)		
Number of ordinary shares for the purpose of calculating basic earnings per share	**2,757,839**	2,380,014
Effect of dilutive potential ordinary shares:		
– Share options *(note b)*	**5,714**	2,222
Number of ordinary shares for the purpose of calculating diluted earnings per share	**2,763,553**	2,382,236

Notes:

(a) The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2016 has been retrospectively adjusted by 216,365,000 shares for the bonus issue completed during the year ended 31 December 2017.

(b) The computation of the diluted earnings per share for the year ended 31 December 2017 has taken into consideration the weighted average number of 5,714,000 shares (2016: 2,220,000 shares) deemed to be issued at nil consideration as if all outstanding share options had been exercised.

10. INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

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

	At 31 December 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Cost of investment in joint ventures	**2,678,210**	727,916
Share of post-acquisition profits/(losses) and other comprehensive income	**20,123**	(84,561)
	2,698,333	643,355
Loans to joint ventures, gross	**3,241,816**	2,191,607
Less: share of post-acquisition losses that are in excess of cost of the investments	**(51,700)**	(27,649)
	3,190,116	2,163,958

Loans to joint ventures are unsecured, have no fixed term of repayment, out of which RMB79,794,000 (2016: RMB705,003,000) bear interest at fixed rate of 13% (2016: 6% to 13%) per annum, and the remaining balances are interest free. All the loans to joint ventures are expected to be recovered after one year and, in substance, form part of the Group's net investments in these joint ventures.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 31 December 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade receivables, net of allowance	**167,157**	126,764
Other receivables, net of allowance	**1,234,943**	495,639
Guarantee deposits for housing provident fund loans provided to customers *(note)*	**33,796**	19,276
Loans and receivables	**1,435,896**	641,679
Prepayments to suppliers of construction materials	**151,053**	102,087
Deposits paid for acquisition of land use rights	**40,000**	1,617,423
Deposits paid for acquisition of subsidiaries	**428,859**	–
Prepaid LAT and business tax	**954,072**	414,411
	3,009,880	2,775,600

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 agreement date for receivables from properties sold, which approximated the respective revenue recognition dates, at the end of each reporting period:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Less than 1 year	**134,729**	90,940
1 - 2 years	**32,428**	35,824
	167,157	126,764

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.

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

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Trade payables	**1,534,024**	1,298,844
Accrued expenditure on construction	**562,754**	456,309
Amount due to non-controlling interests	**2,306,511**	1,954,588
Accrued interest on senior notes	**80,557**	95,333
Accrued payroll	**31,858**	4,373
Dividend payable	**1,648**	1,121
Other payables	**1,343,128**	544,370
Financial liabilities measured at amortised cost	**5,860,480**	4,354,938
Deposits received and receipt in advance from property sales	**10,796,614**	4,794,689
Other tax payables	**189,458**	113,389
	16,846,552	9,263,016

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 2017 RMB'000	At 31 December 2016 RMB'000
Less than 1 year	**1,037,273**	1,104,793
1 to 2 years	**327,314**	186,240
More than 2 years and up to 3 years	**169,437**	4,037
Over 3 years	**–**	3,774
	1,534,024	1,298,844

13. SHARE CAPITAL

	Number of shares *'000*	Amount *USD'000*	Equivalent to *RMB'000*
Ordinary shares of US$0.01 each			
Authorised:			
At 31 December 2016	3,000,000	30,000	184,404
Increase on 29 June 2017 *(note a)*	5,000,000	50,000	339,610
At 31 December 2017	8,000,000	80,000	524,014
Issued and fully paid:			
At 1 January 2016	2,080,760	20,808	128,094
Issue of shares *(note b)*	416,397	4,164	27,952
Exercise of share options *(note c)*	6,248	62	413
At 31 December 2016 and 1 January 2017	2,503,405	25,034	156,459
Bonus issue of shares *(note d)*	251,321	2,503	16,613
Exercise of share options *(note c)*	13,565	137	860
At 31 December 2017	2,768,291	27,674	173,932

Notes:

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

(b) On 20 September and 14 November 2016, a total of 172,872,000 and 243,525,000 shares were allotted and issued by the Company at HK$1.01 (equivalent to approximately RMB0.83) and HK$1.10 (equivalent to approximately RMB0.83) per share under the general mandate, respectively, and total net proceeds of approximately HK$442,016,000 (equivalent to approximately RMB385,670,000) were raised.

(c) During the year ended 31 December 2017, share options were exercised to subscribe for 2,312,500, 1,070,000, 7,490,000, 1,727,000 and 965,000 ordinary shares of the Company at HK$1.145, HK$1.041, HK$1.252, HK$1.138 and HK$1.045 (equivalent to approximately RMB0.967, RMB0.879, RMB1.057, RMB0.961 and RMB0.882, respectively) per share, respectively, with the aggregate amount of HK$16,115,000 (equivalent to approximately RMB13,608,000). During the year ended 31 December 2016, share options were exercised to subscribe for 6,247,500 ordinary shares of the Company at HK$1.145 (equivalent to approximately RMB0.95) per share, with the aggregate amount of HK$7,360,000 (equivalent to approximately RMB6,090,000).

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the business review of the Group for the year ended 31 December 2017 and its prospects.

RESULTS

For the 12 months ended 31 December 2017, the Group achieved contracted sales of approximately RMB22,186.02 million, of which approximately RMB21,718.79 million was from properties and approximately RMB467.23 million was from car parking spaces. Area of properties under contracted sales was approximately 1,785,718 sq.m. and the average selling price per sq.m. was approximately RMB12,162.

2017 REVIEW

In 2017, the differences in real estate market among cities further escalated. Commercial property market in the first and second tier cities showed a trend of stabilizing price and declining transaction volume, while such market in the third and fourth tier cities located in over-heated metropolitan areas presented a trend of stabilizing price and increasing transaction volume, with increasing price and transaction volume in some third and fourth tier cities. Transaction volume remained at a high level, indicating increasing differentiation among regions and real estate enterprises. Benefiting from our precise business layout and differentiated product roadmap, contracted sales hit a record high during the period, achieving its stage development target.

In 2017, adhering to our regional market penetration strategy and in response to policy implication, the Company passed overheated cities and invested in seven cities including Quanzhou and Wuxi. As at the end of 2017, the Company has made business presence in 27 cities, and acquired land bank at a value of RMB45 billion during the year. The Company also established strategic cooperation with dozens of quality partners, and obtained credit facilities in an aggregate amount of over RMB67.5 billion. Coupled with our market strategy of high turnover, many projects in Hefei, Wuhan, Xi'an, Taiyuan, Jinjiang, Xiantao and other places were sold out soon after their launch, providing solid source of cash flow. Sufficient land bank, balanced city layout and efficient turnover and inventory elimination capability will lay a solid foundation for the healthy development of the Company in the future.

The Company focused on the development of differentiated core competitiveness and stepped up efforts in developing green technology properties, effectively enhancing its influence in the industry. In 2017, the Company was granted 34 green property operation awards, 5 elite technology awards and 8 green certifications, of which, Modern MOMΛ (Beijing) consecutively obtained the "Green Building Three-Star Certification", Modern Wan Guo Fu MOMΛ (Foshan) was among the first batch of enterprises that obtained the WELL Building Three-Star Certification in China, and Modern Land again was accredited as "China Model Green Property Developers in Operation (ranking No.1)".

In 2017, Modern Land paid great attention to the needs of home owners and expanded its new business segments, in an effort to satisfy lifestyle needs of customers at different age groups. In 2017, First Sports, a related company, was listed on the National Equities Exchange and Quotations Co., Ltd. and attracted investments by leading venture capital institutions such as Shenzhen Capital Group, while First Property, a listed company on the National Equities Exchange and Quotations Co., Ltd., obtained investments from CICC, CDH and Cinda Securities, etc. Bigger obtained Series A financing and Bigger Old Dock located in Shanghai was opened, while 51VR obtained financing with SenseTime as the lead investor. Modern Land and related companies in common community operations including green recreation and sports, green office and green space operations strongly boosted price premiums and brand value of products.

OUTLOOK IN 2018

In 2018, property transactions will remain at a high level, with differentiated micro adjustments to certain restrictive policies in some cities. The implementation of control measures in various cities will present a rational property market. Against the backdrop of metropolitan areas with high population density and shortage in residence land resources in cities, and under the policy of "curbing home speculation", a long-term effective and diversified housing mechanism promoting the parallel development of commercial property for sales and for lease will gradually come into shape. A long-term balance will be maintained by focusing on both housing inventory and new supply. With consumption upgrading, customers pursuing for quality lifestyle will become the pillar of our customer base, and the middle class group in China will continue to expand. Under this circumstance, companies with strong operational capability focusing on product quality and green technology will benefit greatly from the favorable government policy.

As to business layout, Modern Land implements the "3+13+M" development strategy in 2018, which is to exploit the three major city agglomerations including Jing-Jin-Ji megalopolis, Yangtze River Delta and Pearl River Delta, penetrate into thirteen core first and second tier cities, and seek opportunity to tap into the typical third and fourth tier cities. The Company has acquired a great quantity of quality land in Beijing, Shanghai and Guangzhou through acquisitions, mergers and purchase at open market during 2015 to 2017, which add to the land value and profit reserve of the Company. In the future, the Company will continue to watch closely for investment opportunity in the first-tier cities, and participate in land auctions at open market when appropriate, so as to capture projects with sufficient cash flow, maintaining our market share and further increasing our brand influence.

On development strategy, the Company will focus on development of the entire industry value chain. Adhering to the operation mode of full life-cycle residential properties featuring “green technology + comfort and energy saving + digital interconnection”, the Company will strive to provide our customers with a healthy and comfortable green lifestyle. A diversified development mode featuring competition and cooperation will also enhance the competitiveness of the Company, taking a unique position in the diversified market landscape.

Looking forward to 2018, we are still confident that a unique enterprise with differentiated core competitiveness will have a more stable and sustainable operation regardless of changes in the market conditions.

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

Zhang Lei
Chairman

22 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Sale of Properties

For the year ended 31 December 2017, the Group's revenue from sale of properties amounted to RMB8,282.9 million, representing an increase of 0.58% as compared to the year ended 31 December 2016. The Group delivered 598,448 sq.m. of property in terms of total gross floor area ("GFA") and 1,840 units of car parking spaces in 2017. Gross profit margin of sale of properties was 19.7%, increased from 17.8% in the corresponding period in 2016. Recognised average selling price ("ASP") was RMB13,554 per sq.m. and that for car parking spaces was RMB93,336 per unit for the year ended 31 December 2017.

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

** After deducting sales tax*

Project name	2017 Revenue	2017 Total saleable GFA or units delivered/(refunded)	2017 ASP	2016 Revenue	2016 Total saleable GFA or units delivered	2016 ASP
	RMB'000	*sq.m. or unit*	*RMB/sq.m. or unit*	*RMB'000*	*sq.m. or unit*	*RMB/sq.m. or unit*
Modern Caiyu Man Ting Chun MOMΛ (Beijing)	**–**	**–**	**–**	45,867	3,554	12,906
Shangdi MOMΛ (Beijing)	**2,297**	**85**	**27,001**	1,503	131	11,503
Modern Land • CIFI Villa (Beijing)	**195,348**	**19,396**	**10,072**	1,630,520	107,971	15,101
Wan Guo Cheng MOMΛ (Taiyuan)	**(5,151)**	**(311)**	**16,583**	165,425	19,270	8,585
Kaifu Man Ting Chun MOMΛ (Changsha)	**21,271**	**2,650**	**8,026**	177,362	20,282	8,745
MOMΛ Modern Plaza (Changsha)	**74,868**	**10,940**	**6,844**	1,035,656	225,983	4,583
Modern Binjiang MOMΛ (Changsha)	**270,237**	**25,504**	**10,596**	895,674	132,648	6,752
Modern MOMΛ (Hefei)	**1,143,077**	**62,269**	**18,357**	1,149,514	76,107	15,104
Modern Wan Guo Fu MOMΛ (Shanghai)	**3,141,173**	**83,821**	**37,475**	–	–	–
Modern Wan Guo Fu MOMΛ (Suzhou)	**1,328,240**	**53,500**	**24,827**	–	–	–
Chun Feng Hu Shang MOMΛ (Wuxi)	**342,601**	**40,237**	**8,515**	–	–	–
Guanggu Man Ting Chun MOMΛ (Wuhan)	**533,360**	**62,014**	**8,601**	755,640	115,682	6,532
Hanyang Man Ting Chun MOMΛ (Wuhan)	**–**	**–**	**–**	247,913	44,600	5,559
Man Ting Chun MOMΛ (Nanchang)	**2,799**	**402**	**6,964**	637	99	6,434
Modern MOMΛ New City (Nanchang)	**14,241**	**2,048**	**6,955**	97,177	15,227	6,382
Modern International MOMΛ (Nanchang)	**25,657**	**1,778**	**14,428**	923,273	137,493	6,715
Man Ting Chun MOMΛ (Jiujiang) *(Note (1))*	**307,629**	**57,329**	**5,366**	696,330	153,728	4,530
Man Ting Chun MOMΛ (Xiantao)	**348,947**	**113,987**	**3,061**	207,698	64,533	3,218
Dongdaihe • Bai Jin Hai MOMΛ (Dongdaihe)	**364,608**	**62,799**	**5,806**	–	–	–
Subtotal	**8,111,202**	**598,448**	**13,554**	8,030,189	1,117,308	7,187
Car parking spaces	**171,739**	**1,840 units**	**93,336/unit**	204,741	2,076 units	98,623/unit
Total	**8,282,941**			8,234,930		

Note:

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

Contracted Sales

For the year ended 31 December 2017, the Group achieved contracted sales of RMB22,186 million, representing an increase of 33.9% as compared to the year ended 31 December 2016. The Group, its joint ventures and associates sold 1,785,718 sq.m. in total GFA and 4,510 units of car parking spaces, representing an increase of 24.6% and 35.2% respectively as compared to the year ended 31 December 2016.

Table 2: Breakdown of contracted sales of the Group

** Before deducting sales tax*

Project name	Attributable interest to the Group	2017 Contracted sales	2017 GFA	2017 ASP	2016 Contracted sales	2016 GFA	2016 ASP
	(%)	*RMB'000*	*(in sq.m.) or units*	*RMB/sq.m. or unit*	*RMB'000*	*(in sq.m.) or units*	*RMB/sq.m. or unit*
Modern MOMΛ (Beijing)	**100%**	**–**	**–**	**–**	–	–	–
Wan Guo Cheng MOMΛ (Beijing)	**100%**	**–**	**–**	**–**	–	–	–
Modern Caiyu Man Ting Chun MOMΛ (Beijing)	**100%**	**–**	**–**	**–**	6,468	589	10,974
Modern Land • CIFI Villa (Beijing)	**50%**	**–**	**–**	**–**	335,794	16,821	19,963
Modern North Star • YUE MOMΛ (Beijing)	**50%**	**–**	**–**	**–**	968,380	28,546	33,923
Shangdi MOMΛ (Beijing)	**100%**	**–**	**–**	**–**	8,552	244	34,981
Modern Tongzhou Wan Guo Fu MOMΛ	**65%**	**2,763,270**	**40,494**	**68,240**	–	–	–
Modern Wan Guo Fu MOMΛ (Shanghai)	**100%**	**115,733**	**4,938**	**23,439**	2,612,165	66,349	39,370
Songjiang Yi Jing Yuan (Shanghai)	**35%**	**–**	**–**	**–**	201,420	7,240	27,820
Modern Wan Guo Fu MOMΛ (Suzhou)	**70%**	**18,922**	**1,230**	**15,381**	1,388,857	53,393	26,012
Modern Suzhou Fu MOMΛ (Suzhou)	**50%**	**352,789**	**10,681**	**33,030**	–	–	–
Xiangcheng Wan Guo Shu MOMΛ (Suzhou)	**50%**	**672,010**	**29.613**	**22,693**	–	–	–
Shishan Modern MOMΛ (Suzhou)	**20%**	**27,763**	**3,195**	**8,689**	700,613	24,805	28,245
Chun Feng Hu Shang MOMΛ(Wuxi)	**100%**	**804,457**	**84,981**	**9,466**	–	–	–
Wan Guo Cheng MOMΛ (Taiyuan)	**100%**	**–**	**–**	**–**	60,060	7,833	7,667
Modern MOMΛ Yan Hu Cheng (Taiyuan)	**51%**	**1,524,194**	**189,310**	**8,051**	–	–	–
Hongsheng Man Ting Chun MOMΛ (Shaanxi) *(Note (3))*	**51%**	**295,173**	**35,861**	**8,231**	772,120	107,612	7,175
Kaifu Man Ting Chun MOMΛ (Changsha)	**100%**	**3,525**	**644**	**5,472**	153,257	18,366	8,344
Modern Binjiang MOMΛ (Changsha)	**100%**	**247,383**	**21,826**	**11,334**	419,687	52,261	8,031
MOMΛ Modern Plaza (Changsha)	**100%**	**63,941**	**7,266**	**8,801**	234,349	42,687	5,490
Modern Furong Wan Guo Cheng MOMΛ (Changsha)	**51%**	**1,302,452**	**164,507**	**7,917**	946,809	138,870	6,818
Hanyang Man Ting Chun MOMΛ(Wuhan)	**99.02%**	**–**	**–**	**–**	72,240	9,472	7,627

Project name	2017				2016		
	Attributable interest to the Group	**Contracted sales**	**GFA**	**ASP**	Contracted sales	GFA	ASP
			(in sq.m.) or units	***RMB/sq.m. or unit***		*(in sq.m.) or units*	*RMB/sq.m. or unit*
	(%)	***RMB'000***			*RMB'000*		
Guanggu Man Ting Chun MOMΛ (Wuhan)	**100%**	**75,688**	**16,358**	**4,627**	930,584	106,123	8,769
North Star-Modern • Guanggu Green Home (Wuhan)	**45%**	**811,846**	**70,949**	**11,443**	794,312	90,231	8,803
Hankou Wan Guo Fu (Wuhan)	**51%**	**924,803**	**29,682**	**31,157**	–	–	–
Hanyang Modern Wan Guo Cheng (Wuhan)	**75%**	**1,358,657**	**90,316**	**15,043**	–	–	–
Yangluo Man Ting Chun MOMΛ (Wuhan)	**20%**	**960,297**	**150,052**	**6,400**	–	–	–
Modern MOMΛ (Hefei)	**100%**	**129,794**	**6,263**	**20,725**	1,456,396	79,807	18,249
Shao Quan Hu City of Future (Hefei)	**100%**	**1,288,528**	**145,227**	**8,873**	1,625,581	207,081	7,850
Swan Lake MOMΛ (Hefei)	**30.6%**	**3,003,030**	**126,815**	**23,680**	–	–	–
Man Ting Chun MOMΛ (Nanchang)	**100%**	**4,432**	**312**	**14,200**	640	98	6,554
Modern MOMΛ New City (Nanchang)	**100%**	**15,312**	**1,594**	**9,605**	65,847	9,350	7,042
Modern International MOMΛ (Nanchang)	**100%**	**18,548**	**1,525**	**12,161**	357,043	43,564	8,196
Modern Wan Guo Fu MOMΛ (Foshan)	**51%**	**1,328,052**	**62,676**	**21,189**	844,912	35,675	23,684
Modern Shang Pin Wan MOMΛ (Foshan)	**100%**	**454,617**	**26,086**	**17,428**	–	–	–
Modern Jinjiang Wan Guo Cheng MOMΛ	**60%**	**1,549,672**	**151,374**	**10,237**	–	–	–
Man Ting Chun MOMΛ (Jiujiang) *(Note (1))*	**100%**	**86,905**	**9,740**	**8,923**	354,617	62,848	5,642
Man Ting Chun MOMΛ (Xiantao)	**100%**	**932,019**	**216,997**	**4,295**	569,306	168,592	3,377
Dongdaihe • Bai Jin Hai MOMΛ (Dongdaihe)	**60%**	**584,976**	**85,206**	**6,865**	366,184	54,151	6,762
Subtotal		**21,718,788**	**1,785,718**	**12,162**	16,246,193	1,432,608	11,340
Car parking spaces		**467,232**	**4,510 units**	**103,599/unit**	326,018	3,337units	97,698/unit
Total		**22,186,020**			16,572,211		

Notes:

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

(2) The contracted sales of the Group as shown in the above table include the contracted sales of its joint ventures and associates.

(3) Hongsheng Man Ting Chun MOMΛ (Shaanxi) has been disposed.

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

For the year ended 31 December 2017, the Group's revenue from property investment amounted to RMB59.6 million, representing an increase of 15.1% as compared to the corresponding period in 2016. The Group's revenue from hotel operations increased by 29.7% to RMB67.6 million in 2017 while the revenue from project management decreased by 4.1% to RMB13.2 million in 2017.

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

The Company had a total of six contracted real estate agency projects in 2017, with a contractual amount of approximately RMB393.7 million. In 2017, the revenue from real estate agency services amounted to approximately RMB68.7 million (2016: approximately RMB73.1 million).

Hotel MOMC, a boutique hotel owned and operated by the Group, has established its presence in Beijing, Taiyuan and Dongdaihe, and its revenue for the year amounted to RMB67.6 million.

Note: The projects of real estate agency services and land bank of the Group 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, Zhenjiang and Zhengzhou.

Land Bank

As at 31 December 2017, total land bank in the PRC (excluding investment properties and properties held for own use) held by the Group was 6,491,646 sq.m.

The geographic spread of the land bank held by the Group was as follows:

Table 3: Land bank held by the Group

Land bank in China

Project name	As at 31 December 2017 **Attributable interest to the Group** *(%)*	**Total GFA unsold** *(Note (1))* *(sq.m.)*	**Aggregated GFA sold but undelivered with sales contracts** *(sq.m.)*
Modern MOMΛ (Beijing)	100%	17,907	–
MOMΛ Forest Forever (Beijing)	100%	7,985	–
Modern Land • CIFI Villa (Beijing)	50%	5,207	–
Modern North Star • YUE MOMΛ (Beijing)	50%	9,731	1,315
Shangdi MOMΛ (Beijing) *(Note (2))*	100%	11,163	–
Modern Yunjing MOMΛ(Beijing)	51%	163,593	–
Modern Xishan Shang Pin Wan MOMΛ	51%	130,030	–
Modern Tongzhou Wan Guo Fu MOMΛ	65%	220,733	40,494
Man Ting Chun MOMΛ (Zhangjiakou)	35%	340,841	–
Modern Wan Guo Fu MOMΛ (Shanghai)	100%	28,545	42
Modern Wan Guo Fu MOMΛ (Foshan)	51%	190,833	98,351
Modern Shang Pin Wan MOMΛ (Foshan)	100%	29,222	26,086
Lishui Shang Pin Wan MOMΛ (Foshan)	100%	37,776	–
Man Tang Yue MOMΛ (Huizhou)	100%	209,700	–
Modern Wan Guo Fu MOMΛ (Suzhou)	70%	13,488	7,471
Modern Suzhou Fu MOMΛ (Suzhou)	50%	24,078	10,681
Xiangcheng Wan Guo Shu MOMΛ (Suzhou)	50%	58,373	29,613
Shishan Modern MOMΛ (Suzhou)	20%	80,511	28,000
Zhongxiang Wan Guo Cheng MOMΛ (Suzhou)	50%	154,294	–
Chun Feng Hu Shang MOMΛ (Wuxi)	100%	62,289	45,399
Wan Guo Cheng MOMΛ (Nanjing)	51%	54,486	–
Wan Guo Cheng MOMΛ (Taiyuan)	100%	49,078	–
Modern MOMΛ Yan Hu Cheng (Taiyuan)	51%	201,600	189,005
Modern MOMΛ Yan Hu Cheng (Taiyuan) (Southern Area)	51%	140,788	–

	As at 31 December 2017		
Project name	**Attributable interest to the Group** *(%)*	**Total GFA unsold** *(Note (1))* *(sq.m.)*	**Aggregated GFA sold but undelivered with sales contracts** *(sq.m.)*
Modern City (Taiyuan)	51%	251,124	–
Kaifu Man Ting Chun MOMΛ (Changsha)	100%	77,199	–
Modern Binjiang MOMΛ (Changsha)	100%	51,227	2,106
MOMΛ Modern Plaza (Changsha)	100%	104,855	26,508
Modern Furong Wan Guo Cheng MOMΛ (Changsha)	51%	325,367	194,772
Modern Zhuzhou Shang Pin Wan MOMΛ	70%	164,595	–
Hanyang Man Ting Chun MOMΛ (Wuhan)	99.02%	12,316	765
Guanggu Man Ting Chun MOMΛ (Wuhan)	100%	42,701	6,967
North Star-Modern • Guanggu Green Home (Wuhan)	45%	72,627	–
Hankou Wan Guo Fu (Wuhan)	51%	39,810	29,682
Hanyang Modern Wan Guo Cheng (Wuhan)	75%	159,944	90,316
Yangluo Man Ting Chun MOMΛ (Wuhan)	20%	268,141	150,052
Modern Man Tang Yue MOMΛ (Jingzhou)	30%	103,473	–
Modern Huangshi Man Tang Yue MOMΛ	51%	214,468	–
Modern MOMΛ (Hefei)	100%	50,697	24,514
Shao Quan Hu City of Future (Hefei)	100%	460,037	352,338
Swan Lake MOMΛ (Hefei)	30.6%	258,402	126,815
Modern Jinjiang Wan Guo Cheng MOMΛ	60%	426,305	151,374
Man Ting Chun MOMΛ (Nanchang)	100%	18,722	–
Modern MOMΛ New City (Nanchang)	100%	22,034	–
Modern International MOMΛ (Nanchang)	100%	36,790	15,652
Man Ting Chun MOMΛ (Jiujiang) *(Note (2))*	100%	28,927	10,426
Man Ting Chun MOMΛ (Xiantao)	100%	491,261	289,170
Dongdaihe • Bai Jin Hai MOMΛ (Dongdaihe)	60%	283,777	93,119
Dongguan Zhuang Project (Guangzhou)	38.25%	284,596	–
Subtotal		6,491,646	2,041,033

Notes:

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

(2) Related information of Wan Guo Cheng MOMΛ (Beijing) is no longer presented separately as it has been consolidated into Modern MOMΛ (Beijing). Related information of iMOMΛ (Beijing) is no longer presented separately as it has been consolidated into Shangdi MOMΛ (Beijing). Related information of Chao Yang Li MOMΛ (Jiujiang) is no longer presented separately as it has been consolidated into Man Ting Chun MOMΛ (Jiujiang).

(3) The land bank held by the Group as shown in the above table includes the land bank of its joint ventures and associates.

Land Acquisitions

In 2017, the Group continued to apply the same conservative and balanced strategy as its general direction towards land acquisitions. In the PRC, the Group purchased a total of 13 land parcels or related interests through various channels, including private negotiation and government-held public tenders, urban redevelopment projects, integrated primary and secondary development and cooperation.

The aggregate consideration for the PRC land acquisitions was approximately RMB10,206 million, with total GFA of approximately 2,902,001 sq.m..

Location	**No. of Land Parcels**	**Approximate Total GFA** *(sq.m.)*
Hebei	1	360,005
Jiangsu	1	154,781
Hunan	1	176,397
Hubei	4	892,791
Shanxi	2	428,233
Fujian	1	514,366
Guangdong	3	375,428
Total	13	2,902,001

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 0.6% to approximately RMB8,506.3 million for the year ended 31 December 2017 from approximately RMB8,457.9 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase in sales revenue from properties in cities such as Shanghai, Suzhou, Hefei and Wuhan. The average sales price of the properties of the Group increased from approximately RMB7,187 per sq.m. for the year ended 31 December 2016 to approximately RMB13,554 per sq.m. for the year ended 31 December 2017.

Cost of Sales

The Group's cost of sales decreased by approximately 1.4% to RMB6,716.1 million in 2017 when compared to the figure in 2016.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately 8.7% to RMB1,790.2 million in 2017 from that in 2016 and the Group's gross profit margin in 2017 was 21.0%.

Other Income, Gains and Loss

Other income, gains and loss for the year ended 31 December 2017 increased to the gains of approximately RMB652.5 million from RMB169.7 million for the year ended 31 December 2016. Such increase was mainly attributable to the gains from re-measurement of fair value of pre-existing investments in the acquiree by the Group in 2017, gains on disposal of an associate, interest income and foreign exchange gains.

Change of Fair Value

Change of fair value includes fair value gain of properties held for sale and properties under development for sale upon transfer to investment properties and changes in fair value of investment properties. The changes in fair value for the year ended 31 December 2017 decreased by approximately 47.8% to RMB102.2 million from RMB195.6 million in 2016, which was mainly attributable to the combined effect of a decrease in the GFA of additional properties held for sale and properties under development for sale upon transfer to investment properties in 2017 as compared to that of 2016 and an increase in the market rental rate for investment properties held in 2017.

Selling and Distribution Expenses

The selling and distribution expenses of the Group for the year ended 31 December 2017 decreased by approximately 1.1% to approximately RMB300.7 million from approximately RMB303.9 million for the year ended 31 December 2016, which was primarily due to the Group's effort to enhance the business presence and scale of its own broker team and reduce the proportion of sale agents under the background of enlarged overall sales scale, leading to the decrease in selling and distribution expenses.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 December 2017 was approximately RMB479.2 million, representing an increase of approximately 39.2% as compared to that for the year ended 31 December 2016. The increase was primarily due to the increase in staff engaged in acquisition and merger activities and additional expenditures at the land acquisitions stage as the Group mainly acquired lands through acquisitions and mergers.

Finance Costs

The finance costs of the Group amounted to approximately RMB393.2 million for the year ended 31 December 2017, representing an increase of approximately 115.9% from approximately RMB182.1 million for the year ended 31 December 2016, which was due to the enlarged financing scale and the fact that the interest costs in respect of part of the financing amount used for cooperation projects were unable to be capitalized.

Income Tax Expense

The income tax expense of the Group for the year ended 31 December 2017 increased by approximately 43.9% to approximately RMB531.4 million from approximately RMB369.4 million for the year ended 31 December 2016, primarily due to the increase in profit before tax.

Profit for the Year

As a result of the foregoing, the profit of the Group for the year ended 31 December 2017 increased by approximately 15.8% to approximately RMB826.5 million from approximately RMB714.0 million for the year ended 31 December 2016.

Profit for the Year Attributable to Owners of the Company

As a result of the foregoing, the profit of the Group attributable to owners of the Group for the year ended 31 December 2017 increased by approximately 6.3% to approximately RMB706.0 million from approximately RMB664.3 million for the year ended 31 December 2016.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2017, the cash, restricted cash and bank balances of the Group increased by approximately 53.9% to approximately RMB10,410.0 million from approximately RMB6,762.3 million as at 31 December 2016.

Borrowings and pledge of the Group's assets

As at 31 December 2017, the Group had total borrowings of approximately RMB16,240.8 million, including bank and other loans of approximately RMB10,519.1 million, senior notes of approximately RMB4,694.0 million and corporate bonds of approximately RMB1,027.7 million. As at 31 December 2017, 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 a carrying amount of approximately RMB13,239.3 million. A majority of the carrying value of all the Group's bank loans was denominated in RMB.

Breakdown of borrowings

By type of borrowings and maturity

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Bank and other loans		
Within one year or on demand	**5,234,810**	2,463,064
Over one year and within two years	**3,344,440**	3,054,000
Over two years and within five years	**1,849,880**	234,500
Over five years	**90,000**	–
Subtotal	**10,519,130**	5,751,564
Senior notes		
Within one year	**1,478,140**	–
Over one year and within two years	**–**	–
Over two years and within five years	**3,215,818**	3,245,630
Subtotal	**4,693,958**	3,245,630
Corporate bonds		
Over two years and within five years	**1,027,672**	1,023,769
TOTAL	**16,240,760**	10,020,963
Less:		
Bank balances and cash (including restricted cash)	**10,409,960**	6,762,337
Net debt	**(5,830,800)**	(3,258,626)
Total equity	**7,016,774**	4,731,466
Net debt to equity	**83.1%**	68.9%

By currency denomination

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
By type of borrowings and maturity		
– Denominated in RMB	**9,221,992**	5,622,269
– Denominated in US$	**5,862,828**	4,220,694
– Denominated in HK$	**1,155,940**	178,000
	16,240,760	10,020,963

Leverage

As at 31 December 2017, the net debt ratio recorded by the Group increased to 83.1% from 68.9% for 2016, which was mainly due to the combined effect of increase in financing and increase in sales collections.

The Group's net current assets (being current assets less current liabilities) increased by approximately 14.1% to approximately RMB8,174.5 million as at 31 December 2017 from approximately RMB7,163.8 million as at 31 December 2016.

Foreign Currency Risk

The functional currency of the major subsidiaries of the Company is RMB. Most of the transactions are denominated in RMB. Transactions of the Group's foreign operations (such as the purchase of land held for future development) and certain expenses incurred are denominated in foreign currencies. As at 31 December 2017, the Group had monetary assets which are denominated in US dollars and Hong Kong dollars of approximately RMB1,161.8 million and approximately RMB331.4 million respectively and liabilities which are denominated in US dollars and Hong Kong dollars of approximately RMB5,862.8 million and approximately RMB1,155.9 million respectively. Those amounts were exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy in place but the management will monitor foreign exchange exposure and will consider to hedge against any significant foreign currency exposure when necessary.

Contingent Liabilities

As at 31 December 2017, the Group had contingent liabilities amounting to approximately RMB9,625.8 million (31 December 2016: approximately RMB7,329.0 million) in relation to guarantees provided to the domestic banks for their mortgage bank loans granted to the Group's customers. Under the terms of the guarantees, if a purchaser has defaulted on mortgage payments, the Group will be liable for the payment of outstanding mortgage principals plus accrued interest and penalties as owed by the defaulted purchasers to the banks, and in such circumstances, the Group will be entitled to take over the legal title and ownership of the relevant properties. These guarantees will be released upon the earlier of: (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property and the completion of registration of other ownership certificates.

The Group provided guarantees in respect of bank loans and other loans of joint ventures amounting to RMB1,898,000,000 as at 31 December 2017 (2016: RMB966,900,000). As at the end of the reporting period, the Directors do not consider it is probable that claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees.

Employees and Compensation Policy

As at 31 December 2017, the Group had 1,705 employees (31 December 2016: 1,103). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make any necessary adjustment in order to be in line with the remuneration levels in the industry norm. In addition to basic salaries, employees may be granted with discretionary bonus and cash awards based on individual performance.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year of 2017, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

FUND AND TREASURY POLICIES AND OBJECTIVES

Executive Directors and president office will hold meeting with finance and operation teams in the first week of every month to discuss the cash position and indebtedness situation. In addition, Board office circulates monthly capital market reports to the Board members so that the Board can assess equity/debt financing opportunities. At project level, all projects are expected to reach the internal rates of return of over 15%-20%, depending on the locations and categories of the projects.

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL OF ASSETS

A summary of the material investment, acquisitions and disposals of the Group during the year ended 31 December 2017 is set out as follows:

1. On 3 March 2017, Tengfei Moma Real Estate (Beijing) Co., Ltd. ("Tengfei Moma"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Mr. Guan Zhiquan and Xizang Yulong Real Estate Co., Ltd., whereby Tengfei Moma agreed to acquire 100% equity interest in Wuhan Zhonglian Shengming Real Estate Company Limited from Mr. Guan Zhiquan and Xizang Yulong Real Estate Co., Ltd. at the consideration of RMB949,850,000.

2. On 5 April 2017, Modern Green Development Group Hongye Benpao Technology (Beijing) Company Limited ("Hongye Benpao"), an indirect wholly-owned subsidiary of the Company, entered into the equity cooperation agreement with Foshan Changxin Tianhao Investment Company Limited ("Tianhao Investment") and Foshan Changxin Hongchuang Real Estate Company Limited ("Hongchuang Real Estate"), pursuant to which Hongye Benpao agreed to acquire the entire equity interest of Hongchuang Real Estate and the sale loans from Tianhao Investment at the consideration of RMB230,877,436.

   On the same day, Zhihui Hongye Real Estate (Beijing) Company Limited ("Zhihui Hongye"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Foshan Changxin Yinhao Investment Company Limited ("Yinhao Investment"), Foshan Nanhai Yongxin Investment Company Limited ("Yongxin Investment") and Foshan Xinlong Real Estate Investment Company Limited ("Xinlong Real Estate"), pursuant to which Zhihui Hongye agreed to acquire the entire equity interest in Xinlong Real Estate and the sale loans from Yinhao Investment and Yongxin Investment at the consideration of RMB202,275,598.

3. On 4 May 2017, Zhanlan Tuozhan Real Estate (Beijing) Co., Ltd. ("Zhanlan Tuozhan") (an indirect wholly-owned subsidiary of the Company), Xiamen Yuelian Real Estate Company Limited ("Xiamen Yuelian"), Xiamen Xinjingdi Group Company Limited ("Xiamen Xinjingdi") and Fujian Shengshi Lianbang Real Estate Development Company Limited ("Shengshi Lianbang") entered into the joint development agreement, pursuant to which Zhanlan Tuozhan, Xiamen Yuelian and Xiamen Xinjingdi agreed to cooperate in the development of the land located in Jinjiang, Fujian Province, the PRC via Shengshi Lianbang. The net consideration was RMB1,800,000,000.

4. On 5 May 2017, Zhanlan MOMA Real Estate (Beijing) Co., Ltd. ("Zhanlan MOMA") and Modern Green Development Co., Ltd. ("Modern Green Development") (both being indirect wholly-owned subsidiaries of the Company) entered into an equity and loan transfer agreement (the "Transfer Agreement") with Jiang Yang Group Co., Ltd. and Ms. Chen Jun (the "Vendors") and Mr. Ding Wenquan, pursuant to which, Zhanlan MOMA agreed to acquire the entire equity interest in the target company, namely Jiangsu Jiang Yang Jin Xin Real Estate Development Co., Ltd. ("Jiang Yang Jin Xin") and settle the outstanding loans owed by Jiang Yang Jin Xin to its external creditor(s) at a total consideration of RMB434,000,000. On 16 June 2017, the parties to the Transfer Agreement entered into the termination agreement to terminate the Transfer Agreement with immediate effect and the Vendors refunded the first instalment of the consideration under the Transfer Agreement to Zhanlan MOMA.

5. On 9 May 2017, Modern Green Development entered into an agreement with Shanghai Zhongcheng Canshuo Investment Center (Limited Partnership), Hongrui (Beijing) Investment Management Company Limited and Shanghai Zhongcheng Allied Investment Management Holdings Limited whereby it was agreed that, among other things, major decisions of the board of directors of Wuhan Moma Development Co., Ltd. (a company held as to 51% by the Company and was accounted for as a joint venture of the Group before the entering into of the said agreement) shall be resolved by a simple majority of the members of the board of directors instead of unanimous approval of all directors.

6. On 22 May 2017, Modern Green Development entered into an agreement with Dingxin Changcheng (Beijing) Investment Management Company Limited, Shengeng Tuozhan Investment (Beijing) Company Limited ("Shengeng Investment") and Yingtan Dingxin Yongchun Investment (Limited Partnership) ("Yingtan Dingxin") whereby it was agreed that, among other things, major decisions of the board of directors of Shengeng Investment (a company held as to 51% and 49% by Modern Green Development and Yingtan Dingxin, respectively, and a non wholly-owned subsidiary of the Company) shall be resolved by an unanimous approval instead of a majority approval.

7. On 29 June 2017, Beijing Modern Green Investment Fund Management Co., Ltd. ("Beijing Modern Green") (an indirect wholly-owned subsidiary of the Company) and Jiaxing Lan Lv Jingshen Equity Investment Fund Enterprise (LLP) ("Jiaxing Lan Lv Jingshen") (a limited partnership established by Modern Green Development) entered into the limited partnership agreement with certain other partners whereby the parties agreed to, among other things, invest in Jiaxing Lan Lv Zhanfang Equity Investment Fund Enterprise (LLP) with an aggregate capital of RMB1,901,000,000 with capital to be contributed by Beijing Modern Green and Jiaxing Lan Lv Jingshen in the amount of RMB1,000,000 and RMB475,000,000, respectively.

8. On 16 August 2017, Sushen Lvse (Beijing) Real Estate Co., Ltd. ("Sushen Lvse") (an indirect wholly-owned subsidiary of the Company), Suzhou Jieneng Technology Co., Ltd. and Mr. Qian Xinghua (collectively, the "Vendors") entered into the equity transfer and debt settlement agreement whereby Sushen Lvse agreed to acquire 100% equity interest of Jiangsu Yuzun Real Estate Development Company Limited from the Vendors at the consideration of RMB469,000,000.

9. On 15 September 2017, Modern Land (HKNo. 6) Co., Limited ("Modern Land No. 6") (a wholly-owned subsidiary of the Company) and Yango Group Co., Ltd. ("Yango Group") entered into the share transfer agreement whereby Modern Land No. 6 agreed to acquire 5,100 shares of Yango Yuegang Limited (representing 51% of the total issued shares thereof) from Yango Group at the consideration of HK$1,828,623,141.

10. On 20 December 2017, Beijing Modern Real Estate Development Co., Ltd. ("Modern Real Estate") (an indirect wholly-owned subsidiary of the Company) and Shaanxi Hongsheng Industrial Group Company Limited ("Hongsheng Industrial") entered into the equity transfer agreement whereby Hongsheng Industrial agreed to acquire 51% of the registered capital of Shaanxi Zhuoli Industrial Company Limited from Modern Real Estate at the consideration of RMB70,200,000, in which RMB20,000,000 will be obtained after specific conditions are met.

11. On 25 December 2017, Modern Green Development, Huzhou Dongfang New Urban Construction Development Company Limited ("Huzhou Dongfang"), Huzhou Dongjun Construction Development Company Limited ("Huzhou Dongjun") and Huzhou Dongju Construction Development Company Limited ("Huzhou Dongju") entered into the cooperation agreement whereby Modern Green Development agreed to acquire from Huzhou Dongfang 89.8% equity interest in Huzhou Dongjun and 84.73% equity interest in Huzhou Dongju and settle all outstanding land premium and taxes in relation to the related property development projects held by the two target companies in the sum of RMB198,957,500 and RMB524,730,500, respectively. The equity transfers in the two target companies were completed on 10 January 2018.

12. On 29 December 2017, Modern Green Development, Jiaxing Lvxin Equity Investment Fund Enterprise (LLP) ("Jiaxing Lvxin"), Huojian Real Estate Investment (Beijing) Co., Ltd. ("Huojian Real Estate") and Hefei Modern Yinghe Real Estate Co., Ltd. entered into the equity transfer agreement (the "Huojian Real Estate ETA") whereby Modern Green Development agreed to acquire 80% equity interest in Huojian Real Estate from Jiaxing Lvxin at the consideration of RMB261,006,185. A supplemental agreement to the Huojian Real Estate ETA was entered into among the parties whereby the contingent valuation with respect to the consideration under the Huojian Real Estate ETA is agreed at RMB54,051,986.80 and the maximum consideration under the Huojian Real Estate ETA shall be RMB315,058,171.80.

SENIOR NOTES

Issuance of Senior Notes

On 6 January 2017, the Company issued guaranteed senior notes due 2019 with principal amount of US$150 million at a coupon rate of 6.875% per annum. For details, please refer to the announcements of the Company dated 29 December 2016 and 10 January 2017.

On 1 June 2017, the Company issued guaranteed private senior fixed rate notes with aggregate nominal value of US$100,000,000 (approximately RMB689,000,000) (the "2017 USD Notes"), at 100% of the principal, which carry fixed interest at 6.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 31 May 2018.

On 29 June 2017, the Company together with some of its subsidiaries entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Zhongtai International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, VTB Capital plc, Shanghai Pudong Development Bank Co., Ltd. Hong Kong Branch and Orient Securities (Hong Kong) Limited in connection with the Company's issuance of secured senior notes due 2018 with principal amount of USD130 million at a coupon rate of 6.5% per annum. For details, please refer to the announcements of the Company dated 29 June and 7 July 2017.

Redemption of Senior Notes

On 15 June 2017, the Company redeemed the senior notes due 2019 with principal amount of US$125 million and coupon rate of 12.75% per annum. The total redemption price paid by the Company is US$140,621,691.44 comprising the outstanding principal amount of US$125 million, applicable premium of US$9,645,128.94 and accrued and unpaid interest of US$5,976,562.50.

BONUS ISSUE AND ADJUSTMENTS TO SHARE OPTIONS

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

EVENTS AFTER THE REPORTING PERIOD

Acquisition of Equity Interest in a PRC Company

On 8 January 2018, Vision Hongye Investment (Beijing) Co., Ltd. ("Vision Hongye") (an indirect wholly-owned subsidiary of the Company), Beijing Fornot Property Management Limited ("Beijing Fornot") and Beijing Ai Lihua Property Management Limited ("Beijing Ai Lihua") entered into the equity transfer agreement whereby Vision Hongye agreed to acquire 100% equity interest and take up the liabilities of Beijing Ai Lihua from Beijing Fornot at the consideration of RMB1,550,000,000, comprising RMB100,000,000 as the consideration for acquiring the equity interest and RMB1,450,000,000 for discharging the liabilities of Beijing Ai Lihua. For details, please refer to the announcement of the Company dated 8 January 2018.

Issuance of Green Senior Notes

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

PROSPECTS

In 2017, local governments intensified the tightening measures for the real estate industry with focus on various city agglomeration areas. By shifting from conventional policy of imposing restrictions on demand end to increasing supply of houses and implementing the policies of purchase restrictions, mortgage restrictions and sales restrictions as well as tightening land auction, coupled with the optimized supply structure, the regulation and control gradually showed positive effects. As the industry has entered into a new development period, it is expected to witness the restructuring of business models and service modes in real estate industry and sustainable growth in the brand enterprises through the consolidation of the entire industry chain. During the year, by upholding the strategy of "Original Green & Blossoming Blue" and focusing on green technology products as core competitiveness, the Group further penetrated into key cities and city agglomerations to achieve sufficient land bank and balanced urban business presence, laying a solid foundation for the healthy development of the Group in the future.

Looking forward into 2018, the real estate policy will still be subject to the macro impact of long-term regulation mechanism. Amidst the market environment where restrictions are imposed on house sales, mortgage loans, prices and purchases and under the policy promoting the "parallel development of housing for sales and for lease", the Group will adhere to the strategy of entire industry value chain development by completing the three upgrades under the real estate development, i.e. transforming from mixed functions, full-life cycle and green technology to urban planning, urban lifestyle and urban environment, with an aim to strengthen its core competitiveness and achieve stable and sustainable development in this market segment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

CORPORATE GOVERNANCE

The Board is of the opinion that the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2017.

ANNUAL GENERAL MEETING

The annual general meeting (the "2018 AGM") will be held on Tuesday, 19 June 2018. The notice of the 2018 AGM will be published and despatched to the Shareholders in due course.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board is pleased to recommend a final dividend of HK3.6 cents per Share for the year ended 31 December 2017. Subject to the approval of the proposed final dividend by the Shareholders at the 2018 AGM, it is expected that the final dividend will be paid on or before Friday, 13 July 2018 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 26 June 2018.

(a) For determining the entitlement of the Shareholders to attend and vote at the 2018 AGM

For determining the entitlement of the Shareholders to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Wednesday, 13 June 2018 to Tuesday, 19 June 2018 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the 2018 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 June 2018.

(b) For determining the entitlement to the proposed final dividend (subject to the Shareholders' approval at the 2018 AGM)

For determining the entitlement to the proposed final dividend (subject to the Shareholders' approval at the 2018 AGM), the register of members of the Company will be closed from Monday, 25 June 2018 to Tuesday, 26 June 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 June 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive Directors who together have substantial experience in the fields of auditing, legal, business, accounting, corporate internal control and regulatory affairs. The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2017.

AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION

This annual results announcement of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.modernland.hk) respectively. The 2017 annual report will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 March 2018

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