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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Modern Land (China) Co., Limited (the "**Company**" or "**Modern Land**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023.

The Group's unaudited consolidated statement of profit or loss and other comprehensive income, unaudited consolidated statement of financial position and explanatory notes as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2023, which has been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 — unaudited

		For the six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**3,334,253**	2,417,356
Cost of sales		**(3,147,128)**	(2,310,915)
Gross profit		**187,125**	106,441
Other income, gains and losses	*4*	**(629,405)**	(876,219)
Selling and distribution expenses		**(140,416)**	(195,464)
Administrative expenses		**(89,791)**	(228,881)
Finance costs	*5*	**(237,684)**	(191,419)
Share of profits less losses of joint ventures		**(73,380)**	46,222
Share of profits less losses of associates		**(2,867)**	(990)
Loss before taxation		**(986,418)**	(1,340,310)
Income tax expense	*6*	**(141,590)**	(143,629)
Loss for the period	*7*	**(1,128,008)**	(1,483,939)

	Note	For the six months ended 30 June **2023** *RMB'000*	2022 *RMB'000*
Other comprehensive income for the period:			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("**FVOCI**") — net movement in fair value reserves (non-recycling), net of RMB1,164,000 (2022: RMB961,000) tax		**(3,493)**	(2,884)
Item that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of nil tax		**(8,454)**	(1,417)
Total comprehensive income for the period		**(1,139,955)**	(1,488,240)
Loss for the period attributable to:			
Owners of the Company		**(1,002,465)**	(1,238,576)
Non-controlling interests		**(125,543)**	(245,363)
		(1,128,008)	(1,483,939)
Total comprehensive income attributable to:			
Owners of the Company		**(1,014,412)**	(1,242,877)
Non-controlling interests		**(125,543)**	(245,363)
		(1,139,955)	(1,488,240)
Losses per share, in Renminbi ("RMB") cents:			
Basic and diluted	*9*	**(35.9)**	(44.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited

	Note	**At 30 June 2023** *RMB'000*	At 31 December 2022 *RMB'000*
Non-current assets			
Investment properties		**2,812,424**	2,762,550
Property, plant and equipment		**340,416**	362,632
Intangible assets		**19,388**	19,613
Freehold land held for future development		**32,878**	31,690
Interests in associates		**62,691**	44,558
Interests in joint ventures	*10*	**2,444,754**	2,576,293
Loans to joint ventures	*10*	**6,664,671**	6,672,926
Equity securities designated at FVOCI		**36,703**	41,360
Deferred tax assets		**901,276**	918,404
		13,315,201	13,430,026
Current assets			
Properties under development for sale		**26,964,301**	29,001,359
Completed properties held for sale		**4,983,967**	4,669,751
Other inventories and contract costs		**849,811**	928,644
Trade and other receivables, deposits and prepayments	*11*	**8,394,453**	8,160,074
Amounts due from related parties		**480,200**	740,371
Restricted cash		**857,900**	1,027,897
Bank balances and cash		**263,301**	542,332
Assets held-for-sale		**210,795**	–
		43,004,728	45,070,428

	Note	At **30 June** **2023** ***RMB'000***	At 31 December 2022 *RMB'000*
Current liabilities			
Trade and other payables, deposits received and accrued charges	*12*	**11,118,899**	10,681,791
Contract liabilities		**15,705,333**	18,512,043
Amounts due to related parties		**1,949,876**	2,099,848
Taxation payable		**3,946,939**	3,692,791
Bank and other borrowings — due within one year		**10,379,235**	10,153,156
Corporate bonds — due within one year		**779,808**	753,111
Senior notes — due within one year		**611,180**	539,484
Liabilities held-for-sale		**157,103**	–
		44,648,373	46,432,224
Net current liabilities		**(1,643,645)**	(1,361,796)
Total assets less current liabilities		**11,671,556**	12,068,230
Capital and reserves			
Share capital		**175,693**	175,693
Reserves		**(1,342,110)**	(328,607)
Equity attributable to owners of the Company		**(1,166,417)**	(152,914)
Non-controlling interests		**913,242**	1,024,617
Total equity		**(253,175)**	871,703
Non-current liabilities			
Bank and other borrowings — due after one year		**1,068,433**	1,040,272
Senior notes — due after one year		**10,494,259**	9,676,871
Deferred tax liabilities		**362,039**	479,384
		11,924,731	11,196,527
		11,671,556	12,068,230

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 STATEMENT OF COMPLIANCE

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 12 September 2023.

2 BASIC OF PREPARATION

(a) Changes in accounting policies

The Group has applied the following amendments to IFRSs for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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

(b) Going concern basis

The Group incurred a loss of RMB1,128,008,000 during the six months ended 30 June 2023 and as at that date, the Group's current liabilities were in excess of current assets by RMB1,643,645,000. Included in the current liabilities were current bank and other borrowings of RMB10,379,235,000, corporate bond of RMB779,808,000, senior notes of RMB611,180,000 and provision for claims and litigations of RMB619,714,000.

On 25 October 2021, the Group defaulted on payment of outstanding principal amount (the "**Default**") of 2019 USD Notes III totaling approximately USD250,002,000 (approximately RMB1,592,948,000) as of that date. The Default also triggered cross-default of other senior notes issued by the Group with carrying amount of USD1,091,500,000 (approximately RMB6,885,733,000) as of 25 October 2021, such that they would become due for immediate redemption once the relevant senior noteholder made the request under the cross-default provision. As a result, all of the senior notes were classified as current liabilities as of 31 December 2021.

On 30 December 2022, the Group restructured all of the outstanding senior notes in default with an aggregate principal amount plus accrued interest of USD1,377,996,000 (approximately RMB9,597,190,000) into five series of notes maturing in 2023 to 2027. The outstanding senior notes in default were cancelled and new senior notes have been issued by the Group to replace the aforementioned senior notes. The new senior notes are listed on the Singapore Stock Exchange and guaranteed by substantially all of the Company's subsidiaries. The interest is payable semi-annually and the Group can elect a paid-in-kind option for its interest payment for the first 2 years, which will capitalise the interest into principal amount and the interest rate per annum will increase by 2%. The first tranche of the new senior notes, of USD80,000,000 will become mature on 30 December 2023.

Moreover, as at 30 June 2023, the Group breached certain covenants relating to bank and other borrowings due after one year of RMB1,142,450,000, and these borrowings became repayable on demand. Therefore, these bank and other borrowings have been classified as current liabilities in the statement of financial position as at 30 June 2023. Further, bank and other borrowings of RMB5,087,094,000 were defaulted as at 30 June 2023. If any of the lenders request immediate repayment of any of these borrowings and the Group cannot fulfill the request, the lenders are entitled to take possession of the assets securing the borrowings.

As at 30 June 2023, the Group's corporate bond with carrying amount of RMB779,808,000 were due on 30 July 2023. The Group subsequently extended the maturity date to 31 October 2023. Subject to approval of corporate bondholders every three months, the corporate bond maturity date can be extended up to 30 July 2024.

In addition, the Group is involved in other various litigation and arbitration cases for various reasons for which the Group has made provision. As at 30 June 2023, provision for claims and litigations amounted to RMB619,714,000 and was recorded in the current liabilities as at 30 June 2023.

During the period ended 30 June 2023, the real estate sector in the PRC continued to experience volatility. This mainly includes the tightened policies adopted towards the real estate sector and the deteriorating consumer sentiment in the PRC, resulting in the whole real estate sector suffering from short-term liquidity pressures. As a result, pre-sale of Chinese property developers has generally decreased in 2023. The Group also experienced a significant decline of its contracted sales in 2023.

The Group's internal funds became increasingly limited. The Group also experienced liquidity pressure due to limited access to external capital to finance its construction projects. The current macroeconomic conditions and the timing of recovery in real estate industry has brought additional material uncertainties to the Group. It may be more challenging for the Group to generate operating cash inflows or refinance senior notes, corporate bond and bank and other borrowings than it has historically been.

All these events or conditions indicate that multiple material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient cash resources to continue as a going concern and pay its debts when they fall due. Certain plans and measures have been taken to enable the Group to have sufficient financial resources to meet its financial commitments as and when they fall due which include, but not limited to, the following:

- With respect to the restructured senior note, management expect that they will elect the paid-in-kind option for its interest payment in the first two years and can successfully obtain consents with senior noteholders to further extend the maturity date. After the restructuring of the senior notes, management continues to stay focused on assessing changes in market conditions and policy changes to remain vigilant to ensure that they continue to implement a longer sustainable financial management plan;

- With respect to the corporate bond with carrying amount of RMB753,111,000, the maturity date was extended to 31 October 2023. Subject to approval of corporate bondholders every three months, the corporate bond maturity date can be extended up to 30 July 2024. Management will liaise with corporate bondholders every three months to obtain their approval to extend the maturity date;

- The Group is actively in discussions with the other existing lenders to renew the Group's certain borrowings and/or not to demand immediate repayment until the Group has successfully completed the property construction projects and generated sufficient cash flows therefrom. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions.

- The Group will continue to maintain active dialogue to secure a continuing and normal business relationship with major constructors and suppliers, including agreement on the payment arrangements with them and to complete the construction progress by them as scheduled;

- The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Subject to the market sentiment, the Group will actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;

- The Group will continue to seek to obtain additional new sources of financing from existing shareholders and potential equity investment partners or to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make them relatively more attractive to potential buyers and retain a higher value in current market conditions;

- The Group will continue to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will also continue to actively assess additional measures to further reduce discretionary spending;

- The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Group has made relevant provisions for litigations and claims and will seek to reach an amicable solution on the charges and payment terms to the claims and litigations which have not yet reached a definite outcome;

The Directors have reviewed the Group's cash flow projections prepared by management which cover a period of not less than eighteen months from 30 June 2023 and consider multiple material uncertainties exist as to whether the Group will be able to achieve the plans and measures as described above. Specifically, whether the Group will be able to continue as a going concern will depend on the following:

- Repayment of principal amount plus accrued interest of each tranche of the senior note at their respective maturity date or successfully obtaining consents from the senior noteholders to further extend the maturity date;

- Obtaining approval from corporate bondholders every three months to further extend corporate bond maturity date to 30 July 2024 and repayment of corporate bond of RMB779,808,000 by the subsequently extended maturity on 30 July 2024;

- Successful negotiation with the existing lenders on the renewal of the Group's certain borrowings and maintenance of the relationship with the Group's current finance providers so that they continue to provide finance to the Group and not to demand immediate repayment of bank and other borrowings until the Group has successfully completed the project construction projects and generated sufficient cash flows therefrom;

- Successful maintenance of a continuing and normal business relationship with major constructors and suppliers to agree the payment arrangements with them and to complete the construction progress as scheduled;

- Successful implementation of measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables;

- Successful obtaining of additional new sources of financing;

- Successful implementation of the Group's business strategy plan and cost control measures so as to improve the Group's working capital and cash flow position; and

- Reaching an amicable solution on the charges and payment terms in respect of the claims and litigations which have not yet reached a definite outcome.

The Directors consider that, assuming the success of all the above-mentioned assumptions, plans and measures, the Group will have sufficient working capital to finance its operations and to meet its obligations as and when they fall due for at least eighteen months from 30 June 2023. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve one or more of the above-mentioned plans and measures on a timely basis, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. These consolidated financial statements do not include any of these adjustments.

3 REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing on (a) sale of properties, (b) property investment, (c) hotel operation, (d) 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.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	**3,283,737**	2,323,626
Real estate agency services	**2,717**	26,520
Hotel operation	**24,778**	19,034
Other services	**2,362**	30,132
	3,313,594	2,399,312
Revenue from other sources		
Property investment	**20,659**	18,044
	3,334,253	2,417,356
Disaggregated by timing of revenue recognition		
Point in time	**2,703,843**	1,488,450
Over time	**630,410**	928,906
	3,334,253	2,417,356

4 OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest income	**3,293**	7,283
Government grants	**160**	1,018
Net exchange gain/(loss)	**(428,130)**	(489,251)
Gain on disposal of property, plant and equipment	**–**	224
Loss on disposal of a joint venture	**(56,471)**	–
Net loss on disposal of subsidiaries	**3,316**	(274,209)
Penalty, claims and litigations charges	**(134,127)**	(165,725)
Others	**(17,446)**	44,441
	(629,405)	(876,219)

5 FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**(430,356)**	(334,665)
Interest expense on senior notes and corporate bonds	**(568,226)**	(571,470)
	(998,582)	(906,135)
Less: Amount capitalised in properties under development for sale and completed properties held for sale	**760,898**	714,716
	(237,684)	(191,419)

6 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**(17,411)**	(32,734)
Land appreciation tax ("**LAT**")	**(156,480)**	(148,279)
	(173,891)	(181,013)
Deferred tax		
PRC Corporate Income Tax	**32,301**	37,384
	32,301	37,384
Income tax expense	**(141,590)**	(143,629)

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

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

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

No provision for Hong Kong profits tax has been made as the income generated from the Group neither arose in, nor was derived from, Hong Kong for the six months ended 30 June 2023 and 2022.

7 LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Loss for the period has been arrived at after charging:		
Depreciation of owned property, plant and equipment	**9,875**	7,685
Write-down of properties under development and completed properties held for sale	**–**	63,835
Operating lease rentals	**605**	5,485

8 DIVIDENDS

No interim dividend was declared and paid to equity shareholders for the interim period

9 LOSSES PER SHARE

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
(Losses)/earnings		
(Losses)/earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**(1,002,465)**	(1,238,576)

	For the six months ended 30 June	
	2023	2022
	'000	*'000*
Number of shares (basic)		
Weighted average number of ordinary shares in issue for the period	**2,794,994**	2,794,994

	For the six months ended 30 June	
	2023	2022
	'000	*'000*
Number of shares (diluted)		
Number of ordinary shares for the purpose of calculating diluted earnings per share	**2,794,994**	2,794,994

Note: The computation of diluted earnings per share for the six months ended 30 June 2023 does not assume the exercise of share options because they are antidilutive for the period.

The computation of diluted earnings per share for the six months ended 30 June 2022 does not assume the exercise of share options because they are antidilutive for the period.

10 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Cost of investment in joint ventures	**2,023,809**	2,408,034
Share of post-acquisition gain and other comprehensive income	**420,945**	168,259
	2,444,754	2,576,293
Loans to joint ventures	**7,110,010**	7,108,367
Less: share of post-acquisition losses that are in excess of cost of investments	**(445,339)**	(435,441)
	6,664,671	6,672,926

Loans to joint ventures are unsecured, interest free, have no fixed term of repayment and expected to be recovered after one year.

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Trade receivables, net of allowance *(note i)*	**340,053**	336,931
Amounts due from non-controlling interests	**2,845,547**	2,935,863
Other receivables, net of allowance *(note ii)*	**2,988,312**	2,678,712
Guarantee deposits for housing provident fund loans provided to customers *(note iii)*	**33,782**	45,110
Financial assets measured at amortised cost		
Loans and receivables	**6,207,694**	5,996,616
Prepayments to suppliers of construction materials	**626,047**	646,865
Deposits paid for acquisition of land use rights	**38,810**	38,810
Prepaid taxation	**1,521,902**	1,477,783
	8,394,453	8,160,074

Notes:

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

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Less than 1 year	**28,133**	56,896
1–2 years	**34,652**	38,825
More than 2 years and up to 3 years	**277,268**	241,210
	340,053	336,931

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

(ii) The amount mainly included refundable deposits for property development projects, proceeds from pre-sales of properties deposited in accounts of local governments and related agencies, and advances made to disposed subsidiaries.

(iii) 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.

12 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Trade and notes payables *(note i)*	**1,830,298**	1,855,824
Accrued expenditure on construction *(note i)*	**3,611,548**	3,368,932
Amount due to non-controlling interests	**1,495,400**	1,758,203
Accrued interest	**501,304**	309,069
Accrued payroll	**20,094**	20,366
Dividend payable	**3,268**	3,166
Provision for claims and litigation	**619,714**	497,108
Other payables *(note ii)*	**2,719,778**	2,735,441
Financial liabilities measured at amortised cost	**10,801,404**	10,548,110
Other tax payables	**317,495**	133,681
	11,118,899	10,681,791

Notes:

(i) Trade and notes 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 and notes payables based on invoice date at the end of the reporting period:

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Less than 1 year	**296,178**	283,092
1–2 years	**265,294**	250,422
More than 2 years and up to 3 years	**1,268,826**	1,322,310
	1,830,298	1,855,824

(ii) Other payables mainly included deposits from customers and cash advanced from potential equity investment partners.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present the business review of the Group for the six months ended 30 June 2023 and its prospects.

SALES RESULTS

As at 30 June 2023, the Company spared no effort to achieve the best possible sales results under the prevailing market environment and operating conditions.

REVIEW OF THE FIRST HALF OF 2023

The real estate industry situation in the first half of the year has continued the sluggish trend from last year, which will be explained based on the following three keywords.

The first keyword is policy dividend. Under the guidance of the policy "houses are for inhabitation, not for speculation", the competent authorities aim to "strengthen the pillars", "increase demand" and "reduce risks", gradually implementing various policy supports. In the first half of the year, more than 300 real estate control policies were released across the country, involving provident funds, housing subsidies, relaxation of purchase restrictions, lower down payments, and reduced mortgage interest rates. It can be said that apart from the first-tier and second-tier cities, the restrictive policies on real estate in third-tier and lower tier cities have essentially been lifted.

The second keyword is sideways market. Despite the stimulus of policies, residents' real estate consumption has not reached the bottom, and continues to follow a sideways trend. The market hit its lowest point in the first quarter, but from the second quarter onwards, the overall trend gradually turned optimistic. In terms of the land market, both supply and demand sides have displayed relatively clear enthusiasm. The transformation from "double concentrated land supply" to the "planned land supply list" model has also increased the willingness of private real estate enterprises to participate in land acquisition.

The third keyword is business downturn. The combination of multiple negative factors has directly resulted in severe liquidity difficulties in the operation of some real estate companies, which has become the core factor restricting the recovery of the real estate market. Simultaneously, risks in real estate companies are accumulating and spreading to state-owned enterprises and even central enterprises. This is reflected in the capital market, where bond prices or comprehensive valuations of private real estate companies have not returned to normal levels.

In the first half of 2023, through various efforts and active communication, the Company promoted the settlement of debts with creditors at the project level in batches and entered the normal operation and sales stage, ensuring a continuous decrease in the debt balance. At the same time, the Company has also made significant progress in the disposal of high-quality assets. The relevant solutions have been gradually refined, leading to important breakthroughs and further enhancing the Company's performance capabilities and debt repayment efforts.

In the first half of 2023, through concerted efforts from top to bottom, the Group's empowerment, and regional advancement, the Company essentially achieved the relevant goals of ensuring delivery, and submitted a relatively satisfactory answer to the government and owners.

In the first half of 2023, the Company continued to pursue new growth opportunities. Building upon our differentiated competencies in green technology, energy conservation and environmental protection, we actively sought new business models and profit margins.We successfully implemented new business models and approaches, so as to accumulate strength and energy for the Company's future development.

OUTLOOK OF THE SECOND HALF OF THE YEAR

In the second half of 2023, we anticipate significant favorable policies in the market. We can already foresee the introduction of new real estate policies that included reduction in interest rates on existing first-house mortgages, decreased down payment ratio of first-house loans, and the implementation of "grant of loans based on buyers' houses" in many cities. These policy changes bring multiple positive developments for the property market. In the short term, these policies are expected to have positive impacts and stimulate market demand, depending on everyone's expectations for the future and confidence in growth. However, we remain a cautiously optimistic outlook regarding the mid- to long-term impact of these policies.

In the second half of the year, the Company will adhere to three major strategies to achieve its strategic business goals.

Continue to be green and strengthen core competitiveness

Being green is the Company's foundation and our unwavering commitment. The Company will firmly adhere to the green technology strategy guided by "double carbon" principles, strengthen the carbon neutrality-related technology system, foster a robust pool of green talent experts, enhance the application scenarios across various business formats, and create a comfortable living experience.

At the same time, the Company will continue to expand the application of green technology in multiple industrial scenarios. We will integrate the concept of "whole-life cycle" into every MOMΛ Living Home, encompassing catering, accommodation, education, elderly care, medical care, career building and other aspects of living and production modes for each age group, realizing our vision of "whole life cycle residential properties" and "whole life cycle industrialized communities".

Adhere to risk control and build a strong corporate safety cushion

The development process of an enterprise is also a journey of confronting the unknown and managing risks. Careless decision-making can hinder the enterprise's progress and cause the company to lose momentum.

In the future, the Company will abandon the high-leverage, high-risk development model and adpot a low-leverage, low-risk development approach. Building upon the effective resolution of existing debt, the Company will closely manage the scale of new debt, establish a reasonable debt level, reduce financing costs, and reinforce the safety buffer for corporate development.

Innovate resolutely and put more efforts into development

Facing an uncertain future, enterprises need to embrace innovation, maintain strategic stability, and further expand and solidify the development axis of the Company.

Regarding the future, despite facing unstable factors in multiple aspects such as policies, markets and enterprises, along with occurrences of "black swan" and "grey rhinoceros", we maintain a strong belief in the vast potential of the real estate market. Our business model and development approach will become more prudent, flexible and resilient. We will continue to explore various areas of the pan-real estate ecosystem, including new ventures such as light asset construction, existing asset operations, and upstream and downstream industry chains. We firmly believe that innovation can foster more sustainable development.

Up to now, the Company is still making every effort to address liquidity risks and achieve breakthroughs. While significant progress and achievements have been made, the Company's development has also been significantly impacted. We kindly request your understanding and support as we require sufficient time and space to recover. We are confident that we will rise again in the future.

During this process, we would like to express our deepest respect to all parties for their strong support and efforts to empower us.

In the future, the company will continue to prioritize strong innovation and exploration while maintaining risk control. We will also adhere to environmentally-friendly practices through multi-scenario approaches. After going through the cycles, we shall be rejuvenated and move to a new chapter of growth and prosperity.

Modern Land (China) Co., Limited
Zhang Peng
Chairman of the Board

13 September 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group's revenue from sale of properties for the six months ended 30 June 2023 amounted to approximately RMB3,283.7 million, representing an increase of approximately 41.3% as compared to the corresponding period in 2022. The increase in revenue from sales of properties was attributable to the increase in gross floor area ("**GFA**") delivered.

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

During the six months ended 30 June 2023, the Group's revenue from property investment increased by approximately 15.0% to approximately RMB20.7 million from approximately RMB18.0 million for the corresponding period of 2022.

For real estate agency services, leveraging on the unique products, brand recognition, management and credibility advantages supported by our MOMΛ green-technology products, the Group offers customised and whole-process entrusted development and operation management solutions to our customers. For the six months ended 30 June 2023, the Group's revenue from real estate agency services decreased by approximately 89.8% to approximately RMB2.7 million from approximately RMB26.5 million for the corresponding period of 2022.

Hotel MoMc, a boutique hotel owned and operated by the Group, has established its presence in Beijing and Taiyuan. The revenue from hotel operation for the six months ended 30 June 2023 increased by approximately 30.5% to approximately RMB24.8 million from approximately RMB19.0 million for the corresponding period of 2022. During the six months ended 30 June 2023, the revenue from other services was approximately RMB2.4 million, representing a decrease of approximately 92.0% as compared to that of approximately RMB30.1 million for the corresponding period of 2022.

Contracted Sales

During the six months ended 30 June 2023, the Group, its joint ventures and associates achieved contracted sales of approximately RMB3,325.3 million, representing an increase of approximately 14.4% as compared to the corresponding period in 2022. The Group, its joint ventures and associates sold 297,769 square metres ("**sq.m.**") in total GFA and 604 units of car parking spaces, representing a decrease of approximately 16.1% and 78.6%, respectively, as compared to the corresponding period in 2022.

Table 1: Breakdown of contracted sales of the Group, its joint ventures and associates

	Six months ended 30 June					
	2023			2022		
Province/Municipality/ Autonomous Region	**Contracted Sales**	**GFA**	**Average Selling Price**	Contracted Sales	GFA	Average Selling Price
	RMB'000	*(in sq.m.) or units*	*RMB/sq.m. or unit*	*RMB'000*	*(in sq.m.) or units*	*RMB/sq.m. or unit*
Anhui	**159,070**	**18,822**	**8,451**	128,995	26,254	4,913
Beijing	**47,164**	**1,314**	**35,893**	153,942	6,088	25,286
Fujian	**–**	**–**	**–**	36,634	1,896	19,322
Guangdong	**51,263**	**5,931**	**8,643**	9,519	441	21,585
Chongqing	**686,041**	**8,801**	**77,950**	60,205	7,614	7,907
Guizhou	**83,894**	**13,428**	**6,248**	80,667	16,077	5,018
Hebei	**140,399**	**13,659**	**10,279**	326,743	43,194	7,565
Henan	**–**	**–**	**–**	35,795	6,319	5,665
Hubei	**795,389**	**127,133**	**6,256**	730,362	132,605	5,508
Hunan	**70,093**	**13,302**	**5,269**	369,794	43,650	8,472
Inner Mongolia	**166,456**	**16,128**	**10,321**	168,307	15,103	11,144
Jiangsu	**134,554**	**8,680**	**15,502**	171,743	14,208	12,088
Jiangxi	**30,434**	**2,934**	**10,373**	89,225	8,753	10,194
Liaoning	**–**	**–**	**–**	–	–	–
Shaanxi	**681,865**	**36,823**	**18,517**	34,441	4,724	7,291
Shandong	**25,473**	**3,702**	**6,881**	67,417	12,661	5,325
Shanxi	**212,172**	**27,112**	**7,826**	106,694	9,498	11,233
Tianjin	**–**	**–**	**–**	–	–	–
Zhejiang	**–**	**–**	**–**	40,819	5,912	6,904
Properties Sub-total	**3,284,267**	**297,769**	**11,030**	2,611,302	354,997	7,356
Car Parking Spaces	**41,068**	**604 units**	**67,993/unit**	296,789	2,822 units	105,170/unit
Total	**3,325,335**			2,908,091		

Land Bank

As at 30 June 2023, total GFA of land bank in the People's Republic of China (excluding investment properties and properties held for own use) held by the Group, its joint ventures and associates was 11,482,128 sq.m..

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

Table 2: Land bank held by the Group, its joint ventures and associates

Province/Municipality/Autonomous Region	**As at 30 June 2023 Total GFA unsold*** *(sq.m.)*
Anhui	**750,555**
Beijing	**471,607**
Chongqing	**1,123,957**
Fujian	**97,684**
Guangdong	**460,324**
Guizhou	**710,048**
Hebei	**757,422**
Hubei	**3,296,296**
Hunan	**506,012**
Inner Mongolia	**79,149**
Jiangsu	**137,676**
Jiangxi	**215,488**
Liaoning	**101,895**
Shaanxi	**1,221,283**
Shandong	**553,431**
Shanghai	**17,704**
Shanxi	**766,721**
Tianjin	**193,441**
Zhejiang	**21,435**
Total	**11,482,128**

* *Aggregated GFA sold but undelivered with sales contracts was included.*

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 37.9% to approximately RMB3,334.3 million for the six months ended 30 June 2023 from approximately RMB2,417.4 million for the corresponding period of 2022, which was mainly attributable to the increase in area delivered, with a period-on-period increase of approximately RMB960.1 million in revenue from sale of properties.

Cost of sales

The Group's cost of sales amounted to approximately RMB3,147.1 million for the six months ended 30 June 2023, representing an increase of approximately 36.2% as compared to the corresponding period of 2022.

Gross profit and gross profit margin

For the six months ended 30 June 2023, the Group's gross profit was approximately RMB187.1 million and the gross profit margin was 5.6%, representing an increase of approximately 1.2 percentage points as compared to that of approximately 4.4% for the corresponding period of 2022.

Other income, gains and losses

The Group's other income, gains and losses recorded a net loss of approximately RMB629.4 million during the six months ended 30 June 2023 as compared to a net loss of approximately RMB876.2 million for the six months ended 30 June 2022, which was mainly due to the loss from the rise of RMB to USD exchange rate.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately 28.2% to approximately RMB140.4 million for the six months ended 30 June 2023 from approximately RMB195.5 million for the corresponding period of 2022, primarily due to the reducing scale of sales.

Administrative expenses

The administrative expenses of the Group amounted to approximately RMB89.8 million for the six months ended 30 June 2023, representing a decrease of approximately 60.8% as compared to the corresponding period of 2022, primarily due to the decrease in the business and management scale of the Group.

Finance costs

The finance costs of the Group amounted to approximately RMB237.7 million for the six months ended 30 June 2023, representing an increase of approximately 24.2% from approximately RMB191.4 million for the six months ended 30 June 2022.

Loss before taxation and loss for the period

The loss before taxation of the Group for the six months ended 30 June 2023 amounted to approximately RMB986.4 million, as compared to approximately RMB1,340.3 million for the six months ended 30 June 2022, and loss for the period amounted to approximately RMB1,128.0 million as compared to approximately RMB1,483.9 million for the six months end 30 June 2022.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2023, the Group had cash, restricted cash and bank balances of approximately RMB1,121.2 million, representing a decrease of approximately 28.6% as compared to that of approximately RMB1,570.2 million as at 31 December 2022.

Borrowings and pledge of the Group's assets

As at 30 June 2023, the Group had aggregate remaining balance of approximately RMB23,332.9 million, including bank and other borrowings of approximately RMB11,447.7 million, senior notes of approximately RMB11,105.4 million and corporate bond of approximately RMB779.8 million, representing an increase of approximately 5.3% as compared to that of approximately RMB22,162.9 million as at 31 December 2022. As at 30 June 2023, 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, completed properties held for sale, property, plant and equipment, equity interests in subsidiaries and bank deposits, which had a carrying amount of approximately RMB15,277.8 million (31 December 2022: approximately RMB15,304.9 million). A majority of the carrying value of the Group's bank loans was denominated in RMB.

The Group breached certain covenants relating to bank and other borrowings of RMB1,142,450,000, and these borrowings became repayable on demand as at 30 June 2023. For details, please refer to note 2(b) of the unaudited financial statement in this announcement.

Breakdown of indebtedness

By type of borrowings and maturity

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Bank and other loans		
within one year or on demand	**10,379,235**	10,153,156
more than one year, but not exceeding two years	**266,412**	121,500
more than two years, but not exceeding five years	**731,160**	857,910
more than five years	**70,861**	60,862
Sub-total	**11,447,668**	11,193,428
Senior Notes		
within one year	**611,180**	539,484
more than two years, but not exceeding five years	**10,494,259**	9,676,871
Sub-total	**11,105,439**	10,216,355
Corporate Bond		
within one year	**779,808**	753,111
Sub-total	**779,808**	753,111
TOTAL	**23,332,915**	22,162,894
Less:		
Bank balances and cash (including restricted cash)	**1,121,201**	1,570,229
Net Debt	**(22,211,714)**	(20,592,665)
Total Equity	**(253,175)**	871,703
By currency denomination		
— Denominated in RMB	**12,061,283**	11,786,353
— Denominated in USD	**11,271,632**	10,376,541
	23,332,915	22,162,894

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 30 June 2023, the Group had monetary assets denominated in US dollars and Hong Kong dollars of approximately RMB7.7 million and approximately RMB3.5 million, respectively, as well as liabilities denominated in US dollars of approximately RMB11,271.6 million. 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 six months ended 30 June 2023, the Group currently has no foreign currency hedging policy in place yet, but the management will constantly monitor foreign exchange exposure and identify a policy that will be appropriate to the Group. The Group will consider hedging against any significant foreign currency exposure when necessary.

Contingent liabilities

As at 30 June 2023, the Group had provided guarantees amounting to approximately RMB15,698,593,000 (31 December 2022: approximately RMB17,688,867,000) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the respective properties. The guarantee period commences from the date of grant of the relevant mortgage loans and ends when these purchasers obtain the individual property ownership certificate.

Additionally, a subsidiary of the Company has issued joint guarantee in respect of banking facility (the "**Facility**") made by a bank to a joint venture. In December 2021, due to the delay of a construction project, the Facility became overdue and the bank filed a claim against the joint venture and the joint guarantors which include the subsidiary of the Company. The Directors do not consider that the Group needs to bear the responsibility to repay the debt owed to the bank as the joint venture has sufficient assets to settle the amount. The maximum liability of the Group as at 30 June 2023 under the guarantees issued amounted to RMB1,125,000,000 (31 December 2022: RMB1,125,000,000), being the outstanding amount of the Facility utilised by the joint venture.

As at 30 June 2023, the Group was the defendant in various on-going litigations and arbitration cases primarily initiated by its creditors. In most of the cases, the creditors demanded immediate repayment of the debts owed to them, together with an interest and/or a penalty as a compensation. Our management has assessed the likelihood of the outcome of these cases and estimated the probable compensation that the Group may be liable to for each of these cases after taking into account of all available facts and circumstances and relevant legal advice. Based on the result of those assessments and estimation, RMB619,714,000 was accounted for as provision for these claims and litigations in the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 (31 December 2022: RMB497,108,000).

Employees and compensation policy

As at 30 June 2023, the Group had 1,652 employees (31 December 2022: 1,450 employees). Employee's remuneration is determined based on his or her performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make any necessary adjustment in order to be in line with the remuneration levels in the industry. In addition to basic salaries, employees may be granted with share options, discretionary bonus and cash awards based on individual performance.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Extension of maturity date of corporate bond

In July 2023, the Group reached an agreement with corporate bondholders of RMB corporate bond with carrying amount of RMB779,808,000 as at 30 June 2023. Pursuant to the agreement, the repayment date of the corporate bond was extended to 31 October 2023. Subject to approval of corporate bondholders every 3 months, the corporate bond maturity can be extended up to 30 July 2024.

PROSPECT

In the second half of 2023, we anticipate significant favorable policies in the market. We can already foresee the introduction of new real estate policies that included reduction in interest rates on existing first-house mortgages, decreased down payment ratio of first-house loans, and the implementation of "grant of loans based on buyers' houses" in many cities. These policy changes bring multiple positive developments for the property market. In the short term, these policies are expected to have positive impacts and stimulate market demand, depending on everyone's expectations for the future and confidence in growth. However, we remain a cautiously optimistic outlook regarding the mid- to long-term impact of these policies.

In the second half of the year, the Company will adhere to three major strategies to achieve its strategic business goals.

Continue to be green and strengthen core competitiveness

Adhere to risk control and build a strong corporate safety cushion

Innovate resolutely and put more efforts into development

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

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three 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 had reviewed the interim results of the Group for the six months ended 30 June 2023.

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**") to govern securities transactions by Directors. Further to the specific enquiries made by the Company to the Directors, all the Directors have confirmed their compliance with the Model Code for the six months ended 30 June 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance. Save as disclosed below, the Company has complied with the code provisions in Part 2 — Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2023 and, where appropriate, adopted the recommended best practices set out in the CG Code.

Code provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company has not held an annual general meeting since 18 June 2021. Accordingly, none of the Directors retired at the annual general meeting nor re-elected by the Shareholders. The Company will hold an annual general meeting at which the Directors will retire and offer themselves for re-election.

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhang Peng has served as both the chairman of the Board and the president of the Company since 9 November 2022, with the division of responsibilities between chairman and president clearly established and set out in writing.

Code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The Company has not held an annual general meeting since 18 June 2021.

RESUMPTION PROGRESS

The Company has applied to the Stock Exchange for the resumption of its shares on the Stock Exchange and will update the progress thereof as and when appropriate.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company is published on the Company's website at www.modernland.hk and the website of the Stock Exchange at www.hkexnews.hk respectively. The 2023 interim report of the Company will be published on the said websites and despatched to the shareholders of the Company in due course.

Shareholders and other investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 13 September 2023

As at the date of this announcement, the Board comprises eight Directors, namely executive Directors: Mr. Zhang Peng, Mr. Zhang Lei and Mr. Chen Yin; non-executive Directors: Mr. Tang Lunfei and Mr. Zeng Qiang; and independent non-executive Directors: Mr. Cui Jian, Mr. Hui Chun Ho, Eric and Mr. Gao Zhikai.