美的置业

美 的 置 業 控 股 有 限 公 司

MIDEA REAL ESTATE HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3990

Annual Report

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Company Profile

Midea Real Estate Holding Limited (the "**Company**" and together with its subsidiaries, the "**Group**" or "**Midea Real Estate**") (Stock Code: 3990.HK) was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 11 October 2018. It is one of the top 30 listed real estate companies in China, one of top 100 private enterprises in Guangdong Province, and a leading smart property manufacturer. Founded in 2004, the Group upholds the brand philosophy of "Smart Life, Midea Life", and aims to create a better lifestyle by building "5M Smart Health Community" with intelligent, industrialised, digital and high-quality construction and services, leveraging its profound manufacturing foundation and technological expertise.

Guided by the policy of "intensive development in focused areas and strategy upgrade", Midea Real Estate has established 278 premium projects in 59 cities in five core economic regions (data as at 31 December 2019), including the Pearl River Delta Economic Region ("**Pearl River Delta**" or "**Pearl River Delta Economic Region**"), the Yangtze River Delta Economic Region ("**Yangtze River Delta**" or "**Yangtze River Delta Economic Region**"), the Midstream of Yangtze River Economic Region ("**Midstream of Yangtze River**" or "**Midstream of Yangtze River Economic Region**"), North China Region and Southwest Economic Region, with presence in national core cities such as Shanghai, Guangzhou, Wuhan, Tianjin, Zhengzhou, Chongqing, and Chengdu. In 2019, Midea Real Estate recorded contracted sales of over RMB100 billion, elevating its development into a new level.

Sticking to real estate development as its core business, Midea Real Estate has formed a business structure of "one principal and two secondary business lines", where the main business covers development of boutique residential properties, development and operation of commercial properties, industry and city integration, and property management services. Among them, residential property development and services closely follow the trend of users' demands for smart and healthy living in the technological era of AIoT (Artificial Intelligence of Things). We create the unique "5M Smart Health Community" strategic product system designed to provide customers with a sophisticated and smart living experience from five dimensions, namely M-Smart, M-Health, M-Quality, M-Service, and M-Life. On the two secondary business lines, the Group has developed intelligent industrialisation and building industrialisation, thereby established a closed loop of the full value chain from research and development, design, production and construction to management, operation and maintenance. It includes the established Smart Life Research Institute and the prefabricated industrial parks, which help establish our advantages in integrated products and services. Midea Real Estate was recognized as the first National Standard Creation Base for Smart Living (國家智慧居住區標準創制基地), and continuously provides smart and green prefabricated integration solutions to third parties.

Looking forward, Midea Real Estate will continue to consolidate its foundation, innovate and reform, strengthen industrial empowerment, and lead the industry development in a smart and healthy manner, so as to provide the national with high-quality residence and create better values for the society.

Business Segments

The Group will continue to focus on new high growth areas of its principal businesses. It will leverage its "Property + Industrial" strategy to drive steady business growth.

Property Development

Property Management Services

Investment and Operation of Commercial Properties

Contents

The total GFA of the Group's land reserves reached 52.63 million square metres, covering 59 cities in 18 provincial-level administrative divisions across China.

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We provide a wide range of property management services forming an integrated service spectrum covering property management, support services for preliminary sales of real estate developments, and other value-added property services. In December 2016, our subsidiary Guangdong Midea Property Management Co., Ltd. ("**Midea Property Management**"), was listed on the National Equities Exchange and Quotations (the "**NEEQ**") in the PRC (Stock code: 839955).

44

Commercial properties which we have developed and operated include urban complexes, community neighbourhood and long-term rental apartments.

45

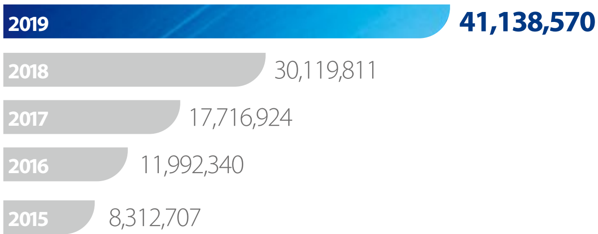
Overview of Results

	For the Year Ended 31 December		
	2019	2018	**Change**
Revenue (RMB million)	**41,138.6**	30,119.8	36.6%
Gross profit (RMB million)	**13,007.5**	9,853.9	32.0%
Gross margin	**31.6%**	32.7%	-1.1%
Net profit (RMB million)	**4,326.6**	3,286.9	31.6%
Net profit margin	**10.5%**	10.9%	-0.4%
Profit attributable to owners of the Company (RMB million)	**4,305.2**	3,210.0	34.1%
Basic earnings per share (RMB)	**3.61**	3.08	17.2%
Proposed final dividend per ordinary share to be distributed (HKD)	**1.60**	1.2253	30.6%

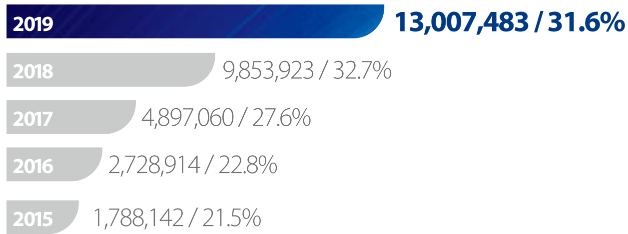
Overview of Balance Sheet

	As at 31 December		
	2019	2018	**Change**
Total assets (RMB million)	**249,713.8**	177,319.1	40.8%
Total cash and bank deposits (RMB million)	**26,935.6**	26,533.1	1.5%
Short-term borrowings (RMB million)	**9,136.2**	16,601.2	-45.0%
Long-term borrowings (RMB million)	**45,515.5**	32,908.1	38.3%
Total equity (RMB million)	**31,138.3**	23,584.4	32.0%
Return on equity	**21.9%**	19.9%	2.0%
Total liabilities/total assets	**87.5%**	86.7%	0.8%
Net gearing ratio	**89.0%**	97.4%	-8.4%

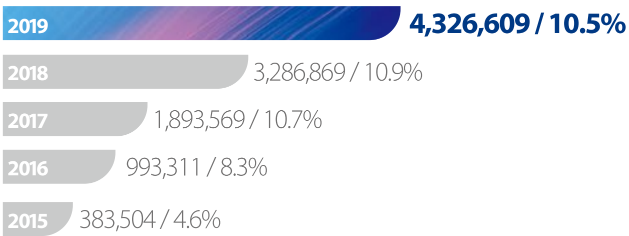
REVENUE
(RMB '000)



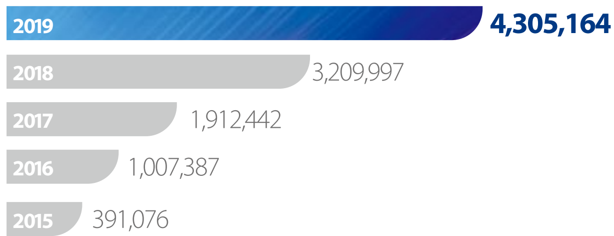
GROSS PROFIT AND GROSS PROFIT MARGIN
(RMB '000/%)



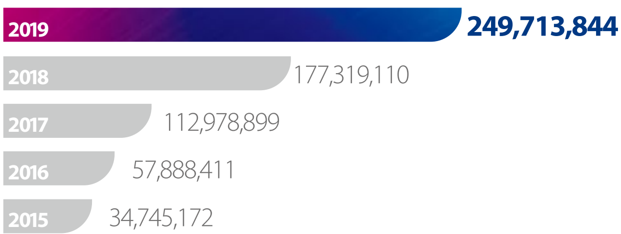
NET PROFIT AND NET PROFIT MARGIN
(RMB '000/%)



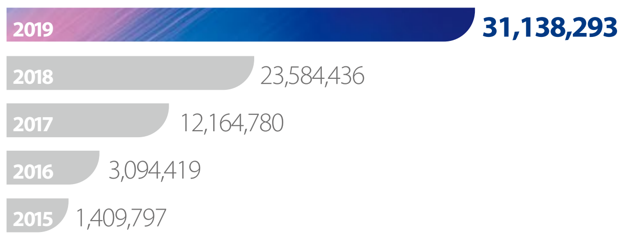
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB '000)



TOTAL ASSETS
(RMB '000)



TOTAL EQUITY
(RMB '000)



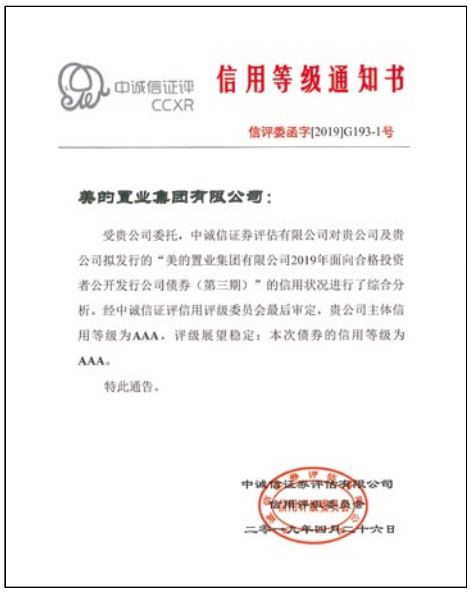
Mar

In March, the Group developed its first real estate project in Tianjin, further upgrading its city level.

Apr

In April, China Chengxin Securities Rating Co., Ltd. raised the issuer credit rating of Midea Real Estate Group Limited ("**Midea Real Estate Group**"), a subsidiary of the Company, to AAA with a stable outlook.

In April, the Group invested in Shenzhen ORVIBO Technologies Co., Ltd. to accelerate the expansion of the Smart Home ecological chain.



中诚信证评 CCXR

信用等级通知书

信评委函字[2019]G193-1号

美的置业集团有限公司：

受贵公司委托，中诚信证券评估有限公司对贵公司及贵公司拟发行的"美的置业集团有限公司2019年面向合格投资者公开发行公司债券（第三期）"的信用状况进行了综合分析。经中诚信证评信用评级委员会最后审定，贵公司主体信用等级为AAA，评级展望稳定；本次债券的信用等级为AAA。

特此通告。

中诚信证券评估有限公司
信用评级委员会
二零一九年四月二十六日

In May, Xuzhou Green Prefabricated Building Industrial Park was officially put into production, and the first batch of PC products for building industrialisation was delivered and completed the first hoisting (吊裝).

May

In July, Smart Home 3.0, the Group's first self-developed smart home control system, was launched.

In July, the Group held the "Intelligence, Empowering the Future" smart ecology conference to build a smart ecology in collaboration with industry leaders such as Alibaba Cloud Computing Co. Ltd. ("**Ali Cloud**", 阿里雲計算有限公司) and Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字技術股份有限公司).

In July, Midea Real Estate Group, a subsidiary of the Company, successfully issued RMB1.7 billion of public corporate bonds with a coupon rate as low as 5.2%.

Jul

In September, the Company was included in the constituent of the Hang Seng Composite LargeCap & MidCap Index and the Hang Seng Stock Connect Greater Bay Area Composite Index.

In September, Guangdong Ruizhu Youka Technology Co., Ltd. ("**Ruizhu Yoka**", 廣東睿住優卡科技有限公司), in which the Group holds interests, officially commenced production, marking the settlement of the China's first self-developed full-automated production line for assembled prefabricated sanitary ware in Gaoming District, Foshan City.

Sep

In October, the Group carried out its first real estate development in Shanghai, further upgrading its city level.

Oct

In November, the Group fully upgraded its product strategy and product system to promote product power innovation, with "5M Smart Health Community" as the foundation and the four main product series, namely "City Mansion (璟睿), Royal Orchid (君蘭), Cloud Mansion (雲築) and Future Town (未來)" as the pillars.

Nov

In December, the Company successfully issued 40 million shares through top-up share placing.

In December, Foshan Midea Wonderful Square, the Group's large shopping centre, opened for business.

Dec

Business Achievements

Top 500 Chinese Private Enterprises, Top 100 Chinese Private Enterprises of Service Industry
(All-China Federation of Industry and Commerce)

Top 30 Chinese Listed Real Estate Companies in 2019
(Guandian Index Academy)

2019 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths
(China Real Estate Association)

2019 China TOP 100 Real Estate Developers, ranking 32nd
(China Real Estate Top 10 Research)*

Top 100 Guangdong Private Enterprises in 2019, ranking 36th
(Guangdong Federation of Industry and Commerce)

Top 20 Competitive Chinese Real Estate Companies in the Guangdong-Hong Kong-Macau Greater Bay Area in 2019
(EH Consulting)

Investment Value and Growth Potential

Listed Companies with Outstanding Growth Value in 2019
(Southern Finance Omnimedia Corporation, 21st Century Business Herald)

Chinese Listed Real Estate Companies with Most Investment Value in 2019
(Gelonghui)

Chinese Real Estate Developers with Most Brand Value in 2019 — Top 10 Companies of Investment Value in Guangdong-Hong Kong-Macau Greater Bay Area
(EH Consulting)

* China Real Estate Top 10 Research, comprising Enterprise Research Institution under the Development Research Centre of the State Council, Real Estate Research Institution of Tsinghua University, and China Index Academy

Smart Property

2019 Comprehensive Competitiveness in Smart Real Estate

(21st Century Media)

Gold Award for Smart Property Brand at 2019 Golden Cicada Cannes International Festival of Creativity

(house.ifeng.com/)

Brand Value

Top 30 Chinese Real Estate Companies of Brand Value in 2019

(EH Consulting)

Product Strength

Top 30 Chinese Real Estate Companies of Product Strength in 2019

(E-House CRIC Research Centre, and CRIC Wishbuild)*

Handan Midea City（邯鄲美的城）project won the "National Quality Project Award in 2019"

(China Association of Construction Enterprise Management)

Six projects including Zhengzhou Midea Grand Joy Mansion（鄭州美的翰悦府）and Ganzhou Midea Royal Orchid Byland（贛州美的君蘭半島）won Kinpan Awards in 2019

(Times House magazine)

Social Responsibilities

Award of Excellence

(The Community Chest of Hong Kong)

* Shanghai Wishbuild Information Technology Co., Ltd.

Dear shareholders:

I am pleased to present to you the annual report of Midea Real Estate Holding Limited and its subsidiaries (the "**Group**") for the year ended 31 December 2019.

Annual Results

During the year, the Group had successfully moved up the higher echelons of the real estate industry. In addition to achievements in its growth in scale, the Group had maintained steady growth in profits and continued to lower leverage. Its achievements had materialised in the development of quality in its operations, products, finances and organisational aspects, resulting in the strengthening of its comprehensive capabilities.

In transforming its business, the Group integrated resources and improved efficiency, and was able to strengthen its refined management model by applying standards adopted in the manufacturing industry, and empower business development by adopting digital capabilities. We had continued to optimise our city layout plans by adding a number of tier-one and strong tier-two cities. We had actively promoted urban renewal projects in the Greater Bay Area, adding a total GFA of 260,000 square meters of urban renewal projects in 2019. We had upgraded our product strategy by focusing on our customers and improving our product strength. We had continued to refine and implement the strategy of having "one principal and two secondary business lines" (一主兩翼). The growing prominence of the advantages of low-cost financing, the inclusion of the Group's shares in the constituent of the Hang Seng Composite LargeCap & MidCap Index and the Hang Seng Stock Connect Greater Bay Area Composite Index; and improvement in the market liquidity of the Company's shares through share placements had, as a whole, caused a steady improvement in market recognition of the Group.

During the year, the Group's revenue was RMB41,138.57 million and the gross profit was RMB13,007.48 million, representing a year-on-year increase of 37% and 32%, respectively; the core net profit* for the year was RMB4,177.77 million, representing a year-on-year increase of 27%. The overall revenue and profit have achieved steady and rapid growth.

(I) Review of the Real Estate Industry

Resilient development of real estate industry under precise and thorough policy control. Operating under the motto of "housing is not for speculation", regulation and control of the real estate industry had been precise and thorough in 2019, with the implementation of policies varying by city, district and situation. Against the backdrop of a complex environment at home and abroad, the real estate industry showed remarkable resilience and maintained a steady growth momentum, with the national sales of commercial housing exceeding RMB15 trillion.

With the tightening of real estate financing, financing costs had increased. The financing environment initially improved then subsequently deteriorated throughout the year, and hence financing became increasingly difficult. Restrictions were placed on traditional financing channels such as overseas debt issuances, trusts, and developer loans thereby increasing the financing costs for real estate enterprises.

Shift in logic for development amidst intensified differentiation in the industry and market. Differentiation intensified in the industry and real estate market owing to precise and thorough regulation of the industry. Customers had consciously become aware of product offerings, the livability of real estate had regained importance, and hence there had been a profound shift in logic for development in the industry ushering in an era where customer-oriented products will pay dividends.

* "Core net profit" represents profit excluding the post-tax gains arising from changes in fair value of and transfer to investment properties.

(II) Sales Performance

Sales grew steadily. During the year, the contracted sales of the Group and its joint ventures and associates reached approximately RMB101.23 billion, representing a year-on-year increase of 28.1%, with a contracted sales area of approximately 10.023 million square metres, representing a year-on-year increase of 26.8%. Having benefited from the tier upgrade of certain cities where we operate, the Group's average selling price increased by 1.1% year-on-year to RMB10,100 per square metre.

Sales grew strongly in national strategic city clusters. As the integration of the Yangtze River Delta becomes a national strategy and the benefits of the Guangdong-Hong Kong-Macao Greater Bay Area materialise, the Group had started to reap dividends from its forward-looking business planning. During the year, the Group achieved approximately RMB36.3 billion in contracted sales in the Yangtze River Delta, representing a year-on-year increase of approximately 43.8%, and achieved approximately RMB18.7 billion in contracted sales in the Pearl River Delta, representing a year-on-year increase of approximately 9.5%. The contracted sales in the Yangtze River Delta and the Pearl River Delta accounted for more than 50% of the Group's total sales.

Results from regional expansion through penetration were showing. During the year, expansion cities had increasingly contributed to the regional results; sales of companies located in the Shanghai-Jiangsu region had exceeded RMB20.0 billion while at the same time, sales in Northern China, Central China and the Pearl River Delta had all exceeded RMB10.0 billion, respectively.

Results from the contribution of higher-tiered cities had increased. Owing to the strategy of tier upgrades of certain cities, during the year, the proportion of contribution of results from higher-tiered cities had increased, with tier-one/strong tier-two cities accounting for 22.8%, and tier-two cities accounting for 42.7%.

(III) Business Layout

During the year, the Group had continued to expand towards the central cities and key tier-one and tier-two cities, and implement the strategies of regional expansion through penetration and city upgrades. As at 31 December 2019, the total gross floor area ("**GFA**") of the Group's land reserves* reached 52.63 million square metres, comprising 278 property development projects, covering 59 cities in 18 provincial-level administrative divisions across China, 61 of which were participated through joint ventures and associates.

The "two secondary business lines" (兩翼) had continued to develop and empower focus to be on the principal business of real estate development. We had achieved breakthroughs in intelligent industrialisation: our self-developed integrated system for smart living was fully launched; the functions of the first phase of the artificial intelligence ("**AI**") community and home hub were developed; a solid foundation for the development and market expansion of multiple smart scenarios was laid by the integration of a system platform integrating equipment, data and business layers; and the building industrialisation strategy was implemented: the Green Prefabricated Building Industrial Parks in Xuzhou and Handan were put into production and trial operation respectively; Guangdong Ruizhu Youka Technology Co., Ltd. (廣東睿住優卡科技有限公司), in which the Company holds interests, launched the first production line for assembled prefabricated sanitary ware in China.

* Properties held by our joint ventures/associates of which the total GFA of the land reserves has been discounted in proportion to ownership percentage.

(IV) Financial Performance

During the year, the Group continued to capitalise on its low-cost financing advantage, expand financing channels, pro-actively lower leverage, and improve financial management efficiency, all to provide sufficient capital support for the Group's stable development.

Strengthening financing competitiveness by reducing financing costs bucking the trend. Midea Real Estate Group Limited, a major subsidiary of the Company, had a company credit rating of AAA with stable rating outlook. During the year, the weighted average effective interest rate of the Group's total borrowings further decreased to 5.87%, of which the weighted average effective interest rate of new borrowings was 5.76%, further consolidating the advantages of low-cost financing. In addition, the Group continued to expand its financing channels to provide sufficient funds for the Group's development.

Strengthening our "capital generation" ability (造血能力) to pro-actively lower leverage. During the year, the Group continuously worked to improve its capital management capabilities by speeding up sales and payment collections to strengthen its "capital generation" ability, achieving a decline in net gearing ratio for three consecutive years. As at 31 December 2019, the net gearing ratio was 89.0%, representing a decline of approximately 8 percentage points as compared to the end of 2018.

Further optimising our debt structure. During the year, the Group continuously optimised its debt structure by using new long-term borrowings to repay its existing short-term borrowings, thereby enhancing its security boundary. As at 31 December 2019, the Group's proportion of bank loans and bonds increased from 62% to 85%, and the proportion of interest-bearing liabilities due within one year decreased from 34% to 17%, respectively, as compared to the beginning of the year.

Ample financial resources. As at the end of the year, the Group had total cash and bank deposits of RMB26,935.62 million, and unused credit facilities from banks of RMB83,240 million.

Enhanced capital operation capability. As its overall strength continued to increase, the Group gained more publicity and recognition in the capital market. During the year, the Company was included in the constituent of Hang Seng Composite LargeCap & MidCap Index and Hang Seng Stock Connect Greater Bay Area Composite Index. It completed share placements to improve the liquidity of its shares in the stock market, and was recognised by a variety of institutions and renowned banks, which raised their target prices of our shares.

(V) Operation Measures

In the new environment where "the real estate industry is the manufacturing industry", the traditional extensive development model is no longer applicable. Having inherited Midea's manufacturing DNA, the Group adopts and adheres to the refined management model of the manufacturing industry to achieve steady and high-quality growth.

Operating Quality

"SIFOB" integration enhanced development efficiency: Guided by refined management, the integration of "Strategy-Investment-Financing-Operation-Business" unifies the entire business process chain from strategy, investment and financing to operation positioning and indicator assessment to comprehensive evaluation of projects, identification of business risks, and improvements in the scientific decision-making of investments and management, thereby achieving comprehensive improvements in development efficiency and operating quality.

Digitisation supports multi-business operations to achieve synergy and inter-connection. Based on the characteristics of the real estate industry, we had applied the refined thinking model of the manufacturing industry to achieve integration and inter-connection in the value chain of the main business flow with the data flow, building up capabilities in the coordinated management and control of business and finance, the efficient management and coordination of large supply chains and costs, and customer-oriented services.

Product Quality

Resolutely promoting safe production management system for projects, and maintaining a solid and safe line of defence. To improve the Group's safety management and control structure, we had established a veto system for safety incidents and implemented a "main contracting management model" to achieve the unified management and control of safety and quality, so as to build a solid foundation for production safety. We had promoted new construction systems and used new technologies, materials and processes to reduce common issues in engineering quality and improve customer satisfaction.

Strengthening the core competitiveness of "Smart Health" products by focusing on customers. We had fully upgraded our product strategy and product system to promote product innovations, having "5M* Smart Health Community" as the foundation and the four main product series as the pillars. We had conducted in-depth customer demand surveys in order to promptly adjust our product strategies and at the same time build up strength in our product lines.

Organisational Quality

Streamlining our headquarters, strengthening our front line, and implementing a three-tiered authorisation structure. Our headquarters was further streamlined and specialised, where the model of detailed management was replaced with dynamic monitoring and results-based evaluation, thereby achieving aspects of professional, mechanism and process delegation to the regional companies. At the same time, by continuously improving decision-making and assessment mechanisms, we were able to maintain control and risk management functions over the regional companies.

Transforming the organisation to empower development. In switching to the model of manufacturing thinking, promptly upgrading the organisational structure, redesigning the organisation and processes to align with strategic transformation and upgrades, creating a long-term oriented symbiotic organisational structure, as well as adapting to strategic transformations and changes in the external environment, this will achieve the integrated development of quality, efficiency, structure and size.

* 5M: M-Smart, M-Health, M-Quality, M-Service, M-Life.

Business Outlook For 2020

Market Outlook

Affected by the outbreak of the novel coronavirus ("**COVID-19**"), China's economy and the real estate industry will face greater uncertainty and a gloomy growth outlook in 2020. However, we believe that COVID-19 will not have any long-term impact on them, and there will be no fundamental change in the trend of maintaining stability in development. As urban areas expand, the demands for purchasing and improving residences continue to be huge. The trend of transition from rapid growth to quality development of the real estate sector, the foundation of China's economy, will become more evident.

We predict that the overall regional development and interconnection between regions and cities through the coordinated development of city clusters will become an inevitable trend in regional development, but differentiation of cities at different levels will continue, and the real estate market of core cities is expected to grow steadily. Competition for talent will continue to intensify everywhere, and more tier-two and stronger tier-three cities are expected to implement such talent policies. Therefore, cities with sound industrial infrastructure and net inflow of population will further demonstrate stronger development potential.

Development Strategy and Outlook

China's real estate industry is undergoing profound changes: its traditional development model, the traditional governance model of real estate enterprises, as well as customer mix and changes in lifestyles are undergoing rapid transformation. The year 2020 is a year of strategic consolidation of the Group. We will consider customers to be our focus, pursuing quality growth as our target, and products and services as the basis for competition. Through digital systems, we will be able to implement refined management, create room for further growth and add new dimensions to our competitiveness.

The Group will study market changes thoroughly, set its investment pace reasonably, expand low-cost land bank through diversified means and continue to enhance its investment blueprint with a focus on investing in and expanding to provincial capitals, tier-two cities, and stronger tier-three cities. For cities that are in line with its deep penetration strategy and possess room for development, the Group will continue to gain further penetration. For cities that have an edge for deep penetration, the Group will strive to attain a leading position in the market, higher brand premium and profit commitments.

We will focus on lean management and strive to build operational, product, service and marketing capabilities. By riding the industry trends in green and healthy residences and keeping in mind users' pain points, we will carry out forward-looking technology research, develop and upgrade products, maintain the core competitiveness of our products in 5M smart and healthy communities, and create new product advantages and development opportunities. We will also strengthen the establishment of our own channels, expand customer base and marketing through multiple channels, scientifically arrange prompt product supply and aggressively achieving profits to make up for the impact of COVID-19 on sales performance in the first quarter of 2020. Through upgrading to total customer relationship with a focus on customers in terms of professionalism, perspective and process in a holistic manner, we will promote the industry's first integrated property service and customer service model, attach importance to community operations and building customer relationship, and achieve the objective of continuously offering value to customer.

We will continue to improve capital operation capabilities, broaden financing channels, strengthen cooperation with banks in credit extension at the head-office level, and increase the proportion of low-cost, long-term financing such as bank loans and direct financing. We will also enhance our debt structure and maintain financing costs with industry competitiveness on an ongoing basis.

We will adhere to the strategy of having one principal and two secondary business lines and continue to promote the introduction of industries under the latter. The strategy of carrying out independent research and development together with ecological construction will be adopted for intelligent industrialisation and building industrialisation to expand the AI capabilities of smart systems of residences in the community, upgrade integrated smart systems, promote the full implementation of Artificial Intelligence of Things (AIoT) and complete coverage of scenarios in smart dwellings, and build a more completed smart hardware and software ecosystem. We have established an industry and product research institute to expedite technology research and development in and layout of the ecosystem of prefabricated interior decoration through the introduction of technologies and materials from Japanese research institutes.

Appreciation

On behalf of the board of directors (the "**Board**" or "**Directors**") of the Company, I would like to take this opportunity to express sincere gratitude to all sectors of the society for your trust and support. The Group will continue to improve in 2020 to create more value for shareholders, investors, partners, customers and the society.

Chairman, Executive Director and President
Hao Hengle

Hong Kong
30 March 2020

Overall Performance

During the year, the Group recorded revenue of RMB41,138.57 million (2018: RMB30,119.81 million), representing a year-on-year increase of 37%. Operating profit amounted to RMB7,903.26 million (2018: RMB6,695.34 million), representing a year-on-year increase of 18%. Profit for the year amounted to RMB4,326.61 million (2018: RMB3,286.87 million), representing a year-on-year increase of 32%. Core net profit for the year increased by 27% to RMB4,177.77 million (2018: RMB3,284.39 million). Profit attributable to owners of the Company reached RMB4,305.16 million (2018: RMB3,210.00 million), representing a year-on-year increase of 34%. Basic and diluted earnings per share reached RMB3.61 (2018: RMB3.08).

Land Reserves

During the year, the Group strategically replenished its land reserves based on market conditions and steadily pushed forward its strategy of deeply penetrating regional markets and expanding to potential upper-tier cities.

As at 31 December 2019, the total GFA of the Group's land reserves reached 52.63 million square metres, covering 59 cities in 18 provincial-level administrative divisions across China. These land reserves are located in five major regions namely the Pearl River Delta Economic Region, Yangtze River Delta Economic Region, Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region.

During the year, the Group adhered to its strategy of expanding to potential upper-tier cities, and tapped into new cities by acquiring land through public tender, auction, listing-for-sale processes, acquisition of equity interests in companies that hold land use rights and urban renewal projects, and the total GFA of the newly acquired land reserves amounted to approximately 14.53 million square metres. The newly acquired land reserves are located at Dongguan, Huizhou, Maoming and other cities in the Pearl River Delta Economic Region; Shanghai, Hangzhou, Nantong, Taizhou and other cities in the Yangtze River Delta Economic Region; Wuhan and other cities in the Midstream of Yangtze River Economic Region; and Tianjin in the North China Region.

List of Newly Acquired Land Reserves

Property development projects of our subsidiaries

Region	City	Project Name	Ownership Percentage*	Land Reserve (Square metres)
Pearl River Delta Economic Region	Foshan City	Foshan Shunde Daliang Midea Real Estate Square (佛山順德大良美的置業廣場)	56%	379,772
		Foshan Chancheng Midea Times (佛山禪城美的時光)	100%	95,569
		Foshan Gaoming Midea Guanlan Mansion (佛山高明美的觀瀾府)	100%	70,368
	Maoming City	Maoming Midea Real Estate Square (茂名美的置業廣場)	51%	690,440
		Maoming Jinke-Midea Jimei Mix (茂名金科美的集美萬象)	50%	318,047
	Jiangmen City	Jiangmen Midea Begonia Residence (江門美的海棠公館)	100%	121,857
		Jiangmen Midea Yueshan Mansion (江門美的樾山府)	100%	155,407
	Huizhou City	Huizhou Midea-CIFI Landscape Residence (惠州美的旭輝江山公館)	50%	154,610
		Huizhou Midea-Redco-Kaisa Cloud Villa Garden (惠州美的力高佳兆業雲築花園)	34%	225,156
Yangtze River Delta Economic Region	Xuzhou City	Xuzhou Midea-Redsun-Bright East Lake Joy Mansion (徐州美的弘陽光明東湖悦府)	34%	228,268
		Xuzhou Midea Skyfame (徐州美的天譽)	100%	965,002
		Xuzhou Midea-Dexin Academician Mansion (徐州美的德信翰林府)	51%	56,100
	Ningbo City	Ningbo Midea-KWG Mingzhou Yunzhu (寧波美的合景明州雲著)	50%	118,677
	Zhenjiang City	Zhenjiang Midea Yuelan Mountain (鎮江美的悦嵐山)	100%	154,890
		Zhenjiang Midea-China Merchants-Seazen Harmony Villa (鎮江美的招商新城雍和雅苑)	34%	88,699
	Quanzhou City	Quanzhou Midea Grand Garden 泉州美的公園天下	51%	137,989
		Quanzhou Julong Midea Junyue Mansion (泉州聚龍美的君悦府)	65%	227,981
		Nan'an Midea Smart City (南安美的智慧城)	86%	456,542

Region	City	Project Name	Ownership Percentage*	Land Reserve (Square metres)
	Yangzhou City	Yangzhou Midea VIP Mansion (揚州美的國賓府)	60%	151,872
	Changzhou City	Changzhou Midea-Jinke Grand Garden (常州美的金科公園天下)	51%	223,797
	Suzhou City	Suzhou Midea Lanyue Villas (蘇州美的瀾悅雅築)	51%	210,692
	Jinhua City	Jinhua Midea Shanghu Huazhang (金華美的上湖華章)	100%	129,715
		Jinhua Midea-Dafa Cloud Villas (金華美的大發雲築)	70%	71,675
	Hangzhou City	Hangzhou Yuhang Jiuqiao Project (杭州余杭九喬項目)	50%	268,241
		Hangzhou Lin'an Jinbei Project (杭州臨安錦北項目)	100%	252,857
	Taizhou City	Taizhou Huahong-Midea Meichen Garden (台州華鴻美的美宸園)	50%	263,467
		Taizhou Midea-Yincheng Royal Orchid Mansion (台州美的銀城君蘭府)	60%	106,150
	Fuyang City	Fuyang Midea Grand Garden (阜陽美的公園天下)	100%	326,284
	Shanghai City	Shanghai Chongming Baodao Road Project (上海崇明寶島路項目)	34%	102,383
		Shanghai Chongming Qiaosong Road South Project (上海崇明喬松路南項目)	34%	116,152
Midstream of Yangtze River Economic Region	Zhuzhou City	Zhuzhou Midea Bay (株洲美的灣)	100%	277,911
		Zhuzhou Midea Platinum Joy Mansion (株洲美的鉑悅府)	100%	245,690
	Changsha City	Changsha CIFI-Midea Dongyue City (長沙旭輝美的東樾城)	50%	240,800
		Changsha Midea Lu Mansion (長沙美的麓府)	73%	168,827
		Changsha Midea Real Estate Square (長沙美的置業廣場)	70%	102,956
	Wuhan City	Wuhan Midea Royal Orchid Byland (武漢美的君蘭半島)	100%	585,225
		Wuhan Midea-Agile Cloud Villas (武漢美的雅居樂雲築)	51%	389,469
	Chenzhou City	Chenzhou Midea-Renda Platinum Joy Mansion (郴州美的仁大鉑悅府)	51%	399,687
	Ganzhou City	Ganzhou Aikang Grand Garden (贛州愛康公園天下)	51%	458,571

Region	City	Project Name	Ownership Percentage*	Land Reserve (Square metres)
	Hengyang City	Hengyang Midea-Jinke Tanyue (衡陽美的金科檀樾)	50%	423,303
	Hengyang City	Hengyang Midea Yunxi Mansion (衡陽美的雲熙府)	100%	116,697
	Hengyang City	Hengyang Midea Egret Bay (衡陽美的白鷺灣)	70%	260,906
North China Region	Handan City	Handan Midea Riverside Mansion (邯鄲美的悦江府)	100%	16,907
North China Region	Handan City	Handan Baijia Street Project (邯鄲百家大街項目)	100%	498,603
North China Region	Shenyang City	Shenyang Midea Junlan (瀋陽美的君瀾)	100%	240,216
North China Region	Shenyang City	Shenyang Midea Han Court (瀋陽美的瀚堂)	100%	153,780
North China Region	Shenyang City	Shenyang Midea East Court (瀋陽美的東堂)	100%	92,758
North China Region	Tianjin City	Tianjin Midea Yunxi Mansion (天津美的雲熙府)	100%	99,175
Southwest Economic Region	Zunyi City	Zunyi Midea Yunxi Mansion Phase II (遵義美的雲熙府二期)	70%	236,785
Southwest Economic Region	Zunyi City	Zunyi Midea Riverside Mansion (遵義美的悦江府)	90%	474,196
Southwest Economic Region	Chongqing City	Chongqing Midea Yunlai (重慶美的雲來)	100%	90,190
Southwest Economic Region	Nanning City	Nanning Midea Riverside Mansion (南寧美的悦江府)	100%	69,561

Properties held by joint ventures/associates**

Region	City	Project Name	Ownership Percentage*	Land Reserve (Square metres)
Pearl River Delta Economic Region	Foshan City	Foshan Midea Yunyue Landscape (佛山美的雲悦江山)	42%	239,434
	Jiangmen City	Jiangmen Agile-Midea Royal Palace (江門雅居樂美的雍逸庭)	49%	48,186
		Jiangmen Midea-K. Wah Crape Myrtle Residence (江門美的嘉華紫薇公館)	65%	65,134
	Guangzhou City	Guangzhou Midea-Huafa Tianbo Garden (廣州美的華髮天珀花園)	50%	55,206
		Guangzhou Nansha Midea-Greentown Parcel No. 8 Project (廣州南沙美的綠城8號地塊項目)	50%	58,121
	Dongguan City	Dongguan Midea-China Merchants Dongyue Garden (東莞美的招商東樾花園)	50%	82,936
Yangtze River Delta Economic Region	Changzhou City	Changzhou Midea-Shimao Cloud Villas (常州美的世茂雲築)	51%	191,872
	Nanjing City	Nanjing Xinyue Shangchen (南京昕悦尚宸)	50%	60,579
		Nanjing Jiangning Fangqian Road Project (南京江寧方前大道項目)	37%	75,077
	Xuzhou City	Xuzhou Midea-Poly-Country Garden-Zhenro Parasol Residence (徐州美的保利碧桂園正榮梧桐公館)	25%	72,549
		Xuzhou Midea-Jinke Cloud Villas (徐州美的金科雲築)	55%	76,632
	Hefei City	Hefei Midea-Jinke Commandery (合肥美的金科郡)	50%	149,666
	Wuxi City	Wuxi Huining Project (無錫惠寧項目)	55%	126,862
	Nantong City	Nantong Midea-Redsun Royal Orchid Tianyue (南通美的弘陽君蘭天悦)	55%	59,074
	Suzhou City	Suzhou Huangdai Chunshen Road Project (蘇州黃埭春申路項目)	49%	34,011
	Zhenjiang City	Zhenjiang Nanxu Road Project (鎮江南徐大道項目)	34%	31,326
Midstream of Yangtze River Economic Region	Nanchang City	Nanchang Nanlian Road Project (南昌南蓮路項目)	49%	39,787
	Jiujiang City	Jiujiang Midea-Jinke Royal Mansion (九江美的金科華府)	49%	58,295

Region	City	Project Name	Ownership Percentage*	Land Reserve (Square metres)
North China Region	Handan City	Handan Midea Roland Valley (Qinyuan) (邯鄲美的羅蘭溪穀(沁園))	51%	50,803
		Handan Yongnian Midea City (邯鄲永年美的城)	20%	78,108
	Tianjin City	Tianjin Midea-CIFI Grand Joy Mansion (天津美的旭輝翰悦府)	49%	193,535
Southwest Economic Region	Chongqing City	Chongqing Jinke-Midea Yuanshang (重慶金科美的原上)	49%	92,978
		Chongqing Shapingba Xishuang Road Project (重慶沙坪壩西雙大道項目)	50%	74,465
	Liuzhou City	Liuzhou Jinke-Midea-Bright Lanshan Palace (柳州金科美的光明攬山庭)	5%	3,640

* "Ownership Percentage" refers to the proportion of the equity interest held by the Company in each project company as at 31 December 2019, and the ownership structures of some projects may be further adjusted according to the cooperation agreements in the future.

** Properties held by our joint ventures/associates of which the land reserves total GFA has been discounted in proportion to ownership percentage.

Financial Review

Revenue

Property Development and Sales

During the year, the Group's recognised revenue from property development and sales increased by 37% to RMB40,430.58 million from RMB29,602.38 million in 2018, primarily due to the increase in the average selling prices ("**ASP**") and the GFA recognised. Total GFA recognised amounted to 4.5624 million square metres, representing an increase of 25% from 3.6369 million square metres in 2018. Recognised ASP increased by 9% to RMB8,862 per square metre in 2019 from RMB8,139 per square metre in 2018.

Property Management Services

During the year, the Group's revenue derived from property management services increased by 37% to RMB485.42 million from RMB355.00 million in 2018, primarily due to an increase in the GFA under management.

Investment and Operation of Commercial Properties

During the year, the Group's revenue from investment and operation of commercial properties increased by 37% to RMB222.57 million from RMB162.43 million in 2018, primarily driven by the further development of property lease business.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from the property development activities, the provision of property management services and other businesses. During the year, the Group's cost of sales increased by 39% to RMB28,131.09 million from RMB20,265.89 million in 2018, primarily due to the increase in recognised GFA of 25% to 4.5624 million square metres from that of 2018.

Gross Profit

During the year, the Group's gross profit increased by 32% to RMB13,007.48 million from RMB9,853.92 million in 2018, primarily driven by the increase in sales revenue. During the year, the Group's gross profit margin decreased by 1.1 percentage points to 31.6% from 32.7% in 2018.

Other Income and Gains—Net

During the year, the Group's other income and gains — net increased by 64% to RMB1,137.24 million from RMB694.81 million in 2018. Other income and gains primarily consist of gains on financial assets at fair value through profit or loss, management and consulting service income, gains arising from changes in fair value of and transfer to investment properties, compensation income, etc.

Selling and Marketing Expenses

During the year, the Group's selling and marketing expenses increased by 66% to RMB2,540.69 million from RMB1,533.91 million in 2018, primarily due to the increase of related selling and marketing expenses along with the Group's further growth in sales of properties.

Administrative Expenses

During the year, the Group's administrative expenses increased by 62% to RMB3,695.20 million from RMB2,285.19 million in 2018, primarily due to the increase in staff costs caused by the continuing expansion of the Group's property development business, and impairment provision for those property development projects subject to risks.

Finance Income—Net

The Group's net finance income primarily consists of interest expenses for bank loans, other borrowings and issued domestic corporate bonds net of capitalised interest relating to properties under development, interest income from bank deposits, as well as foreign exchange gains and losses arising from financing activities. The general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised into the cost of those assets, until such assets are substantially ready for their intended use or sale.

During the year, the Group's net finance income recorded a net gain of RMB152.08 million as compared with RMB55.23 million in 2018, representing an increase of 175%, primarily due to a significant decrease in exchange loss from the Group's financing activities from RMB127.87 million in 2018 to RMB53.96 million during the year.

Profit Attributable to Owners of the Company

During the year, profit attributable to owners of the Company increased by 34% to RMB4,305.16 million from RMB3,210.00 million in 2018.

Liquidity and Capital Resources

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB26,935.62 million as at 31 December 2019 (31 December 2018: RMB26,533.14 million), including RMB19,097.27 million in cash and cash equivalents (31 December 2018: RMB15,439.15 million), RMB141.16 million in term deposits with initial terms of over three months (31 December 2018: RMB3,065.87 million) and RMB7,697.19 million in restricted cash (31 December 2018: RMB8,028.12 million). Several property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 31 December 2019, the Group's unused credit facilities from banks were RMB83,240 million.

Borrowings

As at 31 December 2019, the Group's total borrowings amounted to RMB54,651.72 million. Bank and other borrowings, and corporate bonds were RMB44,164.94 million and RMB10,486.78 million, respectively. As at 31 December 2019, the gearing ratio was 89.0% (31 December 2018: 97.4%). The gearing ratio is calculated based on net borrowings divided by total equity. Net borrowings were calculated as total amount of borrowings less cash and cash equivalents, term deposits with initial terms of over three months and restricted cash. Details of the Group's borrowings for the year are set out in note 28 to the consolidated financial statements.

Borrowing Cost

During the year, the total borrowing costs of the Group amounted to RMB3,527.82 million, representing an increase of RMB851.47 million from RMB2,676.35 million in 2018, mainly due to the increase in the average principal of borrowings during the year.

Contingent Liabilities and Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees were issued from the date of grant of the relevant mortgage loans, and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 31 December 2019, the value of the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB62,687.03 million (31 December 2018: RMB42,105.14 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 31 December 2019, the value of the Group's guarantee for the loans of joint ventures and associates amounted to RMB6,991.18 million (31 December 2018: RMB2,947.42 million).

Commitments

As at 31 December 2019, the Group's capital and property development expenditure commitments amounted to RMB36,197.59 million (31 December 2018: RMB24,781.58 million).

Interest Rate Risk

The Group's interest rate risk arises from interest-bearing bank deposits, corporate bonds, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest rate risk. Corporate bonds, bank and other borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Currency Risk

The Group's businesses are mainly conducted in RMB and most of its assets are denominated in RMB. Non-RMB assets and liabilities are mainly bank deposits and borrowings denominated in Hong Kong dollars and US dollars. The Group is subject to certain foreign exchange risks arising from future commercial transactions and recognised assets and liabilities which are denominated in Hong Kong dollars and US dollars.

Placing and Subscription

On 11 December 2019 (before trading hours), the Company, Midea Development Holding (BVI) Limited (美的發展控股(BVI)有限公司) (the "**Vendor**") and China International Capital Corporation Hong Kong Securities Limited (the "**Placing Agent**") entered into the placing and subscription agreement (the "**Placing and Subscription Agreement**"), pursuant to which, (a) the Vendor has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as the agent to the Vendor to (i) procure purchasers for, or failing which to purchase itself (i.e. on a fully underwritten basis), the placing shares of 31,000,000 existing shares of the Company ("**Shares**"), and (ii) at the option of the Placing Agent, to procure purchasers on a best efforts basis for the optional shares of 9,000,000 Shares in each case at HK$19.10 per share ((i) and (ii) collectively, the "**Placing**"); and (b) the Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Vendor, a total of up to 40,000,000 new Shares at HK$19.10 per share (being the same price as the placing price), upon the terms and subject to the conditions set out in the Placing and Subscription Agreement (the "**Subscription**"). The placing price represented a discount of approximately 6.83% to the closing price of HK$20.50 per Share as quoted on the Stock Exchange on 10 December 2019.

Completion of the Placing and the Subscription took place on 13 December 2019 and 18 December 2019, respectively. A total 40,000,000 Shares (inclusive of the placing shares and the optional shares), with an aggregate nominal value of HK$40,000,000, had been successfully placed at the placing price of HK$19.10 per Share to no fewer than six independent placees, which are professional, institutional or other investors procured by the Placing Agent. A total of 40,000,000 new Shares, representing approximately 3.25% of the enlarged issued share capital of the Company upon completion of the allotment and issue of the new Shares, were subscribed by the Vendor at the net subscription price (after deduction of the expenses incurred by the Vendor and other expenses incurred by the Company in relation to the Placing and the Subscription) of HK$18.89 per Share. Net proceeds of approximately HK$755.5 million were raised which will be used for possible business development or investments in the future when opportunities arise and to supplement the general working capital of the Group. As at 31 December 2019, the Group had applied approximately HK$429 million of the proceeds for general working capital purposes and approximately HK$326.5 million of the proceeds for possible business development or investments. For further details, please refer to the Company's announcements dated 11 December 2019 and 18 December 2019.

Legal Contingencies

The Group may be involved in litigations and other legal proceedings in its ordinary course of business from time to time. The Group believes that the liabilities arising from these legal proceedings will not have a material adverse effect on our business, financial condition or results of operations.

Subsequent Events

On 8 January 2020, China Securities Regulatory Commission (中國證券監督管理委員會) approved the application of Midea Real Estate Group Limited (美的置業集團有限公司), an indirectly wholly-owned subsidiary of the Company, for the public offering of corporate bonds in an aggregate sum not exceeding RMB7.5 billion to qualified investors.

On 25 February 2020, Midea Real Estate Group publicly issued the first tranche of domestic corporate bonds in an aggregate sum of RMB1.44 billion to qualified investors in China with a coupon rate of 4% per annum for a term of four years which will mature in February 2024 (the "**2020 Public Issuance of Domestic Corporate Bonds (First Tranche)**"). Midea Real Estate Group has an option to adjust the coupon rate at the end of the second year, and investors are entitled to sell back. For further details about the 2020 Public Issuance of Domestic Corporate Bonds (First Tranche), please refer to the Company's announcements dated 19 February 2020 and 24 February 2020.

On 26 March 2020, Midea Real Estate Group publicly issued the second tranche of domestic corporate bonds in an aggregate sum of RMB0.984 billion to qualified investors in China with a coupon rate of 4.2% per annum for a term of five years which will mature in March 2025 (the "**2020 Public Issuance of Domestic Corporate Bonds (Second Tranche)**"). Midea Real Estate Group has an option to adjust the coupon rate at the end of the third year, and investors are entitled to sell back. For further details about the 2020 Public Issuance of Domestic Corporate Bonds (Second Tranche), please refer to the Company's announcements dated 23 March 2020 and 25 March 2020.

Since early 2020, COVID-19 has affected the business and economic activities of the Group in the first quarter of year 2020 to some extent. The Group will pay close attention to the development of COVID-19 and evaluate its impact on the financial position and operating results of the Group. As at the date of this report, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of COVID-19.

Use of Proceeds From Initial Public Offering

Trading of shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited commenced on 11 October 2018, and the Company raised net proceeds of approximately RMB2,786.87 million (including the exercise of the over-allotment option), after deducting the underwriting commission and other expenses in connection with the initial public offering ("**IPO**").

As at 31 December 2019, an analysis of the utilisation of IPO proceeds of the Company is as follows:

	Original allocation of IPO proceeds (including the exercise of the over-allotment option)	**Utilised IPO proceeds as at 31 December 2019**	**Unutilised IPO proceeds as at 31 December 2019**
	RMB million	RMB million	RMB million
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	749.09	1,201.72
Land acquisition and construction for prefabricated construction projects	418.03	337.20	80.83
Research and development of Smart Home solutions	139.34	–	139.34
General working capital	278.69	278.69	–
Total	2,786.87	1,364.98	1,421.89

The Company intends to apply the remaining proceeds in the manner set out in the Company's prospectus dated 28 September 2018. Nonetheless, the Board will constantly evaluate the Group's business objectives and may change or modify the plans against changing market conditions as necessary and will make the necessary announcement(s) in compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") where appropriate.

Human Resources

As at 31 December 2019, the Group had employed approximately 14,413 full time employees, most of whom were based in the PRC. Employee's remuneration includes salaries, bonuses and other cash subsidies. The remuneration and bonuses of the employees are determined based on the Group's remuneration and welfare policies, the performance of the employees, the profitability of the Group and market level. The Group will also provide employees with comprehensive welfare plans and career development opportunities, including social insurances, housing provident funds, commercial insurance as well as internal and external training opportunities. Details of the Group's employees' benefit expenses for the year are set out in note 8 to the consolidated financial statements.

Principal Risks and Uncertainties

Principal risks and uncertainties of the Group include:

Uncertainty about the potential impact of COVID-19 on China's property market

COVID-19 is the most concerned topic in the market in the first half of 2020. The epidemic has affected real estate developers. On the one hand, the progress of project construction has slowed down. On the other hand, most real estate companies have temporarily suspended activities at sales offices and turned to online sales until the epidemic ends. As a result, project construction and sales payment collection have been affected to a certain extent. Should the epidemic continue in the future, the profits and liquidity of the Company will be affected to a certain extent.

Uncertainty about China's economic condition and the performance of China's property market

The development of the real estate industry is closely linked to the cycle and operating conditions of the macro economy. Under the pressure of economic downturn, prices in the real estate market may decline, resulting in decreased real estate sales and lower investment expectation. Our business and prospects depend on the economic condition of China and the performance of the Chinese real estate market, especially the market performance of the Pearl River Delta Economic Region and the Yangtze River Delta Economic Region. Should the macro economy continue to fluctuate in the future and adversely affect the real estate market, our business, financial condition and operating results may be adversely affected.

Risks related to project development and operation

The real estate projects of the Group have long development cycles and large investment amounts, involve a wide range of related industries and cooperating companies, and are subject to the approval and supervision of a number of government departments such as planning, land resources, construction, housing management, fire and environmental protection departments. This imposes high demands on our project development and control capabilities. Despite our strong project operation capabilities and rich project operation experience, should there be any defaults from buyers or strategic business partners, insufficient construction risk management, or other peripheral factors, our operations may be adversely affected to varying degrees.

Some of our Residential Projects

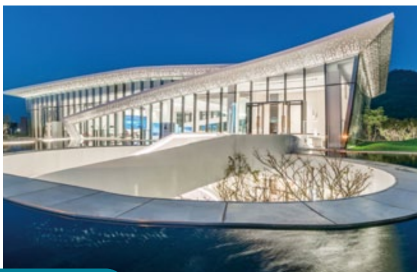
Pearl River Delta Economic Region

Yangjiang – Midea Future Centre

Foshan – Midea Flowerbay City

Foshan – Midea Osmanthus Garden

Yangtze River Delta Economic Region



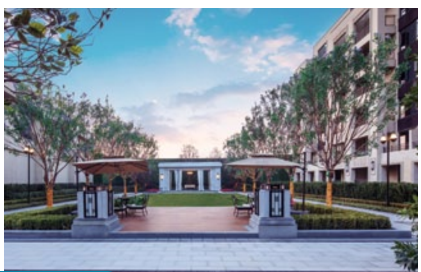
Nan'an – Midea Smart City

Suzhou – Midea Cloud Villas

Changzhou – Midea-Shimao Cloud Villas

Midstream of Yangtze River Economic Region

Wuhan – Midea Royal Orchid Byland

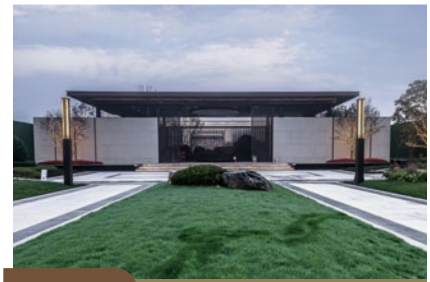


Zhuzhou – Midea Bay

Hengyang – Midea Egret Bay

North China Region

Shenyang – Midea East Court



Handan – Yongnian Midea City

Zhengzhou – Midea Grand Joy Mansion

Southwest Economic Region

Chongqing – Jinke-Midea Yuanshang

Wuzhou – Midea Central Square

Zunyi – Midea Riverside Mansion

Some of our Commercial Projects

Wuzhou – Midea Central Square

Wuhan – Midea Royal Orchid Byland

Xuzhou – Midea Joy City

Xuzhou – CIFI-Midea Tianque

Zhenjiang – Midea Wonderful Square

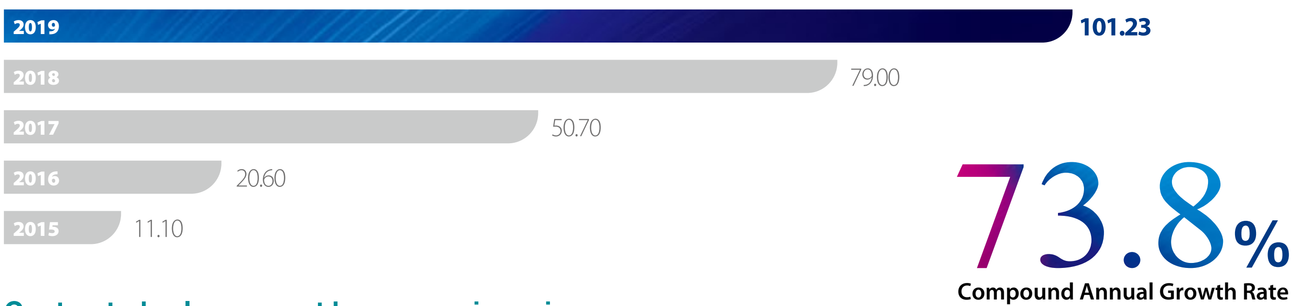
Foshan – Midea Wonderful Square

Contracted sales

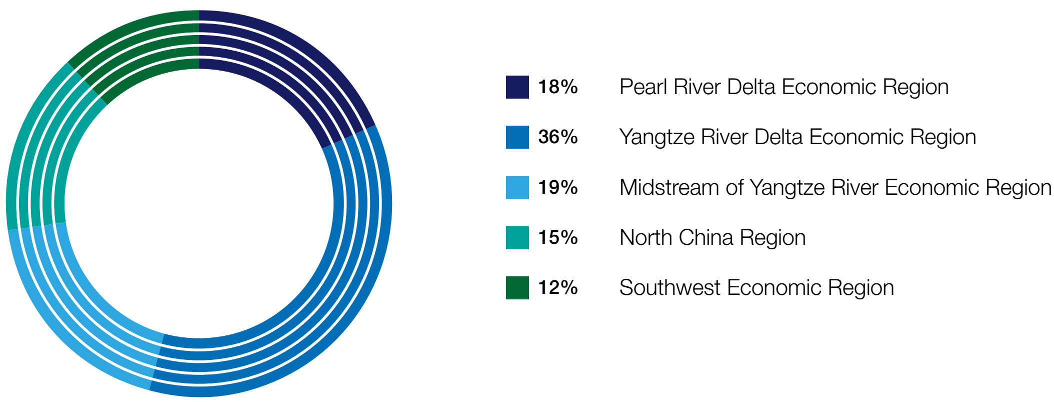
In 2019, the Group, together with its joint ventures and associates, achieved a total contracted sales amount of about RMB101.23 billion, with a contracted sales area of approximately 10.023 million square metres.

From 2015 to 2019, the compound annual growth rate of contracted sales amount of the Group reached 73.8%. In 2019, the contracted sales amount from the Yangtze River Delta, the Midstream of Yangtze River and the Pearl River Delta, accounted for 36%, 19% and 18% (73% in total) of the total contracted sales amount of Group, respectively. Meanwhile, our contracted sales amount in Foshan, Xuzhou and Changzhou ranked top 10 in the local markets. It demonstrates that the Group's business focuses on the most prosperous and active economic zones, as well as the core cities which possess good economic prospects and continuing population inflows.

Contracted sales amount by year (unit: RMB billion)



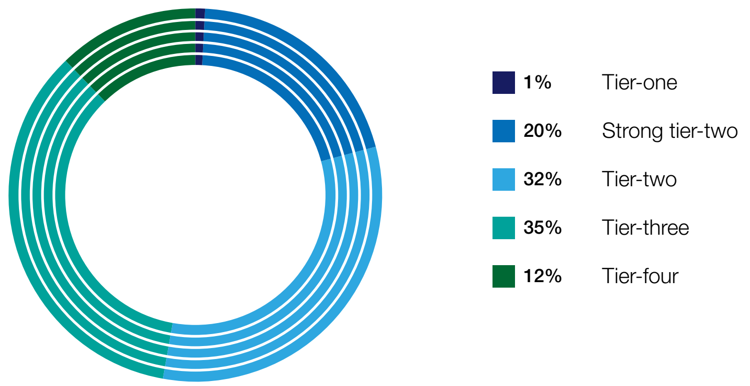
Contracted sales amount by economic region



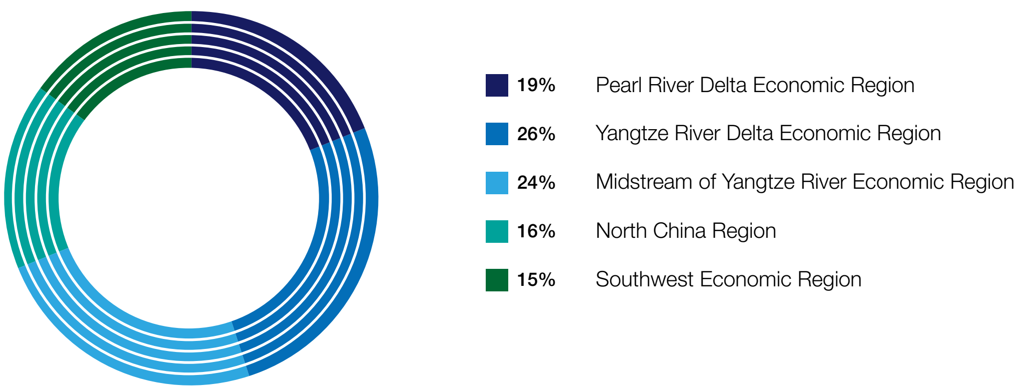
Land reserves

As at 31 December 2019, the total GFA of the Group's land reserves reached 52.63 million square metres, comprising 278 property development projects, covering 59 cities in 18 provincial-level administrative divisions across China, 61 of which were participated through joint ventures and associates.

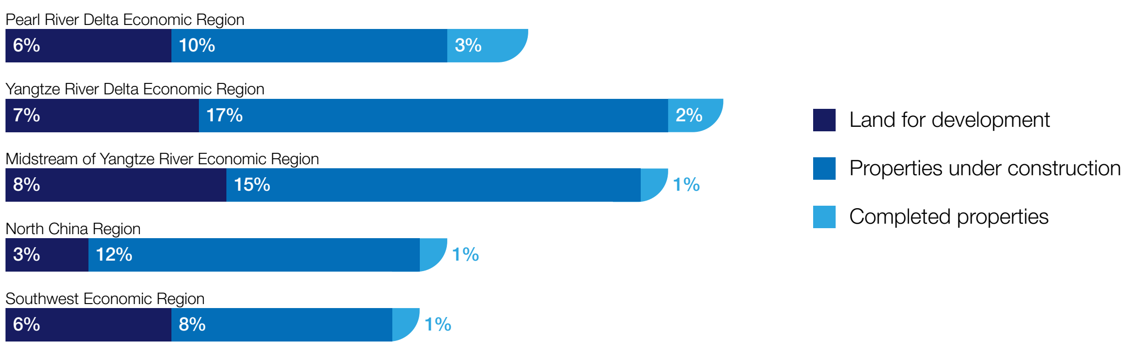
Land reserves by city tier



Land reserves by economic region



Mapping according to project status by region



Properties distribution map

As at 31 December 2019, the total GFA of the Group's land reserves reached 52.63 million square metres, comprising 278 property development projects, covering 59 cities in 18 provincial-level administrative divisions across China, 61 of which were participated through joint ventures and associates. These land reserves are located in five major regions namely the Pearl River Delta Economic Region, Yangtze River Delta Economic Region, Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region.

5

Core Economic Regions

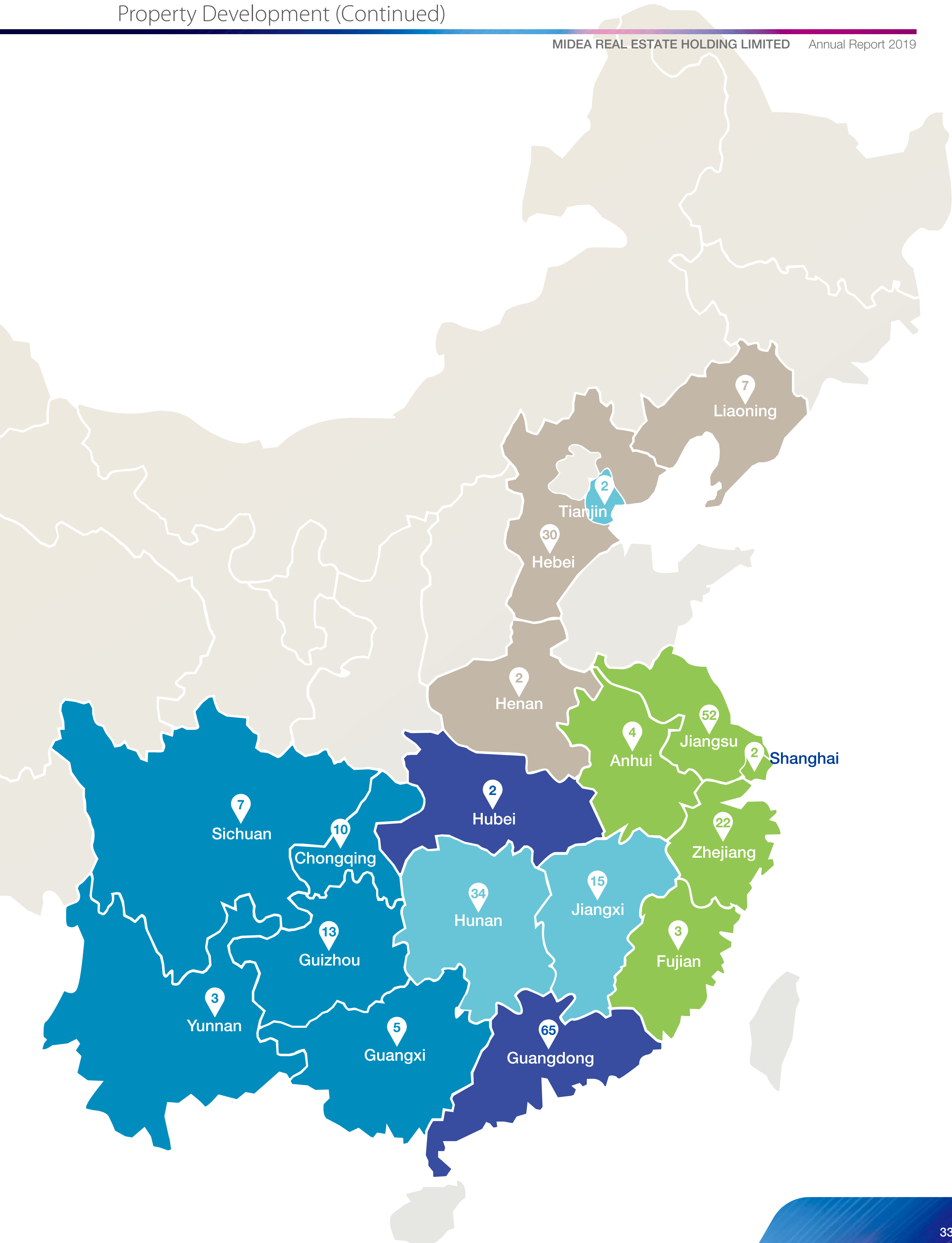
59

Cities

278

Premium Projects*

* Including 61 projects participated through joint ventures and associates.


7
Liaoning
2
Tianjin
30
Hebei
2
Henan
52
Jiangsu
4
Anhui
2
Shanghai
7
Sichuan
10
Chongqing
2
Hubei
22
Zhejiang
34
Hunan
15
Jiangxi
13
Guizhou
3
Fujian
3
Yunnan
5
Guangxi
65
Guangdong

Details of Property Development Projects (as at 31 December 2019)

Property development projects of our subsidiaries

				Completed				Under development				Future development				
Serial number	Project Name	Cities	Land Reserve Area (square metre)	Total Completed GFA (square metre)	Unsaleable GFA and GFA sold (square metre)	GFA available for sale and rentable GFA (square metre)	Completion date	GFA under development (square metre)	GFA pre-sold (square metre)	Actual/ estimated date for obtaining a pre-sale permit	Estimated completion date	Planned GFA with land use rights certificates (square metre)	GFA with land use rights not yet obtained (square metre)	Estimated date for obtaining a pre-sale permit	Estimated completion date	Company's attributable interest
Pearl River Delta Economic Region																
1	Foshan Midea Hancheng	Foshan	213	290,957	290,744	213	2/2015	–	–	–	–	–	–	–	–	100%
2	Foshan Midea Square	Foshan	442	309,651	309,209	442	12/2013	–	–	–	–	–	–	–	–	100%
3	Foshan Midea East Seaside Villa	Foshan	1,133	687,577	686,443	1,133	4/2018	–	–	–	–	–	–	–	–	100%
4	Foshan Midea Xinduhui Mall	Foshan	44,026	142,149	98,123	44,026	9/2016	–	–	–	–	–	–	–	–	100%
5	Foshan Midea Hancheng Grand View	Foshan	530	284,393	283,863	530	8/2017	–	–	–	–	–	–	–	–	100%
6	Foshan Midea Royal Orchid Landscape	Foshan	13,571	528,016	514,444	13,571	2/2018	–	–	–	–	–	–	–	–	100%
7	Foshan Midea Flowerbay City	Foshan	85,586	373,327	287,741	85,586	8/2018	–	–	–	–	–	–	–	–	100%
8	Foshan Shunde Beijiao Midea Wonderful Square	Foshan	281,449	318,732	37,283	281,449	12/2019	–	–	–	–	–	–	–	–	100%
9	Foshan Midea Lakeside Court	Foshan	292,633	327,383	149,721	177,663	10/2019	114,971	47,329	4/2019	7/2020	–	–	–	–	100%
10	Foshan Midea Pioneer Mansion	Foshan	9,366	96,545	87,179	9,366	1/2019	–	–	–	–	–	–	–	–	100%
11	Foshan Midea Elite Residence	Foshan	23,352	252,064	228,712	23,352	8/2019	–	–	–	–	–	–	–	–	60%
12	Foshan Midea Pinnacle Palace	Foshan	68,018	41,007	–	41,007	10/2019	27,011	19,483	4/2019	5/2020	–	–	–	–	100%
13	Foshan Waterfront Garden	Foshan	92,047	–	–	–	–	–	–	–	–	92,047	–	9/2020	3/2022	70%
14	Foshan Phoenix Grand Palace	Foshan	273,615	–	–	–	–	273,615	133,803	8/2018	6/2020	–	–	–	–	50%
15	Foshan Midea-CCCC Hancheng	Foshan	105,699	–	–	–	–	105,699	40,004	8/2018	1/2020	–	–	–	–	70%
16	Foshan Midea Osmanthus Garden	Foshan	87,482	147,086	59,605	87,482	9/2019	–	–	–	–	–	–	–	–	100%
17	Foshan Shui Mu Tsinghua	Foshan	49,540	66,690	17,150	49,540	11/2019	–	–	–	–	–	–	–	–	50%
18	Foshan Midea West River Mansion	Foshan	332,545	155,900	1,497	154,403	8/2019	94,546	–	8/2020	9/2021	83,596	–	3/2022	6/2023	100%
19	Foshan Nanhai Midea Square	Foshan	155,629	–	–	–	–	45,684	–	12/2020	6/2021	109,945	–	12/2021	12/2023	100%
20	Foshan Midea Junhan Grand View	Foshan	71,437	–	–	–	–	71,437	–	8/2020	10/2021	–	–	–	–	100%
21	Foshan Coastal Garden Club	Foshan	6,164	6,164	–	6,164	N/A	–	–	–	–	–	–	–	–	100%
22	Foshan Midea Jiufeng Square	Foshan	118,433	–	–	–	–	118,433	14,395	9/2019	12/2020	–	–	–	–	90%
23	Foshan Shunde Daliang Midea Real Estate Square	Foshan	379,772	–	–	–	–	379,772	–	4/2020	10/2023	–	–	–	–	56%
24	Foshan Chancheng Midea Times	Foshan	95,569	–	–	–	–	95,569	16,363	11/2019	2/2021	–	–	–	–	100%
25	Foshan Midea West Coast	Foshan	19,463	761,975	742,513	19,463	8/2018	–	–	–	–	–	–	–	–	100%
26	Foshan Midea Minghu	Foshan	29,796	327,102	297,306	29,796	6/2019	–	–	–	–	–	–	–	–	100%
27	Foshan Midea Egret Lake Forest Resort	Foshan	1,138,745	452,012	334,132	117,879	9/2019	457,362	170,141	7/2018	4/2022	563,504	–	5/2021	9/2024	90%
28	Foshan Midea Minghu North	Foshan	21,925	166,371	144,446	21,925	12/2018	–	–	–	–	–	–	–	–	48%
29	Foshan Midea City	Foshan	192,182	–	–	–	–	192,182	145,347	4/2018	7/2020	–	–	–	–	100%

				Completed				Under development				Future development				
Serial number	Project Name	Cities	Land Reserve Area (square metre)	Total Completed GFA (square metre)	Unsaleable GFA and GFA sold (square metre)	GFA available for sale and rentable GFA (square metre)	Completion date	GFA under development (square metre)	GFA pre-sold (square metre)	Actual/ estimated date for obtaining a pre-sale permit	Estimated completion date	Planned GFA with land use rights certificates (square metre)	GFA with land use rights not yet obtained (square metre)	Estimated date for obtaining a pre-sale permit	Estimated completion date	Company's attributable interest
30	Foshan Egrets Garden	Foshan	80,666	–	–	–	–	–	–	–	–	80,666	–	3/2021	9/2024	60%
31	Foshan Gaoming Midea Guanlan Mansion	Foshan	70,368	–	–	–	–	70,368	–	3/2020	9/2024	–	–	–	–	100%
32	Yangjiang Midea Future Centre	Yangjiang	917,340	41,677	6,705	34,972	6/2018	79,605	18,092	9/2019	3/2022	802,763	–	6/2020	12/2028	60%
33	Yangjiang Midea Grand View Garden	Yangjiang	289,640	–	–	–	–	225,785	79,164	9/2018	6/2021	63,855	–	12/2020	6/2022	80%
34	Maoming Midea Real Estate Square	Maoming	690,440	–	–	–	–	107,458	11,366	11/2019	12/2022	582,982	–	7/2020	9/2024	51%
35	Maoming Jinke-Midea Jimei Mix	Maoming	318,047	–	–	–	–	87,989	13,847	11/2019	8/2022	230,057	–	1/2021	9/2024	50%
36	Heyuan Midea City	Heyuan	621,157	–	–	–	–	492,822	159,037	10/2018	4/2023	128,335	–	6/2021	12/2023	60%
37	Heyuan Midea Guigu Project	Heyuan	120,000	–	–	–	–	–	–	–	–	120,000	–	9/2020	12/2024	80%
38	Zhaoqing Midea Grand View Garden	Zhaoqing	6,991	109,003	102,013	6,991	5/2019	–	–	–	–	–	–	–	–	100%
39	Zhaoqing Midea Grand Garden	Zhaoqing	156,969	–	–	–	–	156,969	42,342	8/2018	1/2022	–	–	–	–	100%
40	Zhaoqing Midea-Country Garden SkyTeam	Zhaoqing	145,211	–	–	–	–	145,211	36,234	10/2018	6/2021	–	–	–	–	50%
41	Zhaoqing Country Garden-KWG-Midea Riverside Mansion	Zhaoqing	237,308	–	–	–	–	144,937	39,778	1/2019	7/2020	92,371	–	1/2021	8/2022	34%
42	Zhaoqing Midea Yueshan Garden	Zhaoqing	97,707	–	–	–	–	97,707	13,565	9/2019	9/2022	–	–	–	–	100%
43	Jiangmen Midea Grand Garden	Jiangmen	47,795	161,750	113,954	47,795	12/2019	–	–	–	–	–	–	–	–	100%
44	Jiangmen Midea-Excellence Group Skyfame Garden	Jiangmen	122,064	–	–	–	–	122,064	41,646	11/2018	11/2020	–	–	–	–	50%
45	Jiangmen Midea Begonia Residence	Jiangmen	121,857	–	–	–	–	121,857	–	3/2020	12/2023	–	–	–	–	100%
46	Jiangmen Midea Yueshan Mansion	Jiangmen	155,407	–	–	–	–	155,407	–	6/2020	1/2023	–	–	–	–	100%
47	Huizhou Midea-CIFI Landscape Residence	Huizhou	154,610	–	–	–	–	154,610	7,196	8/2020	12/2021	–	–	–	–	50%
48	Huizhou Midea-Redco-Kaisa Cloud Villa Garden	Huizhou	225,156	–	–	–	–	225,156	–	8/2020	12/2021	–	–	–	–	34%
49	Zhongshan Midea Residence	Zhongshan	46,152	59,919	13,767	46,152	7/2019	–	–	–	–	–	–	–	–	100%
50	Zhongshan Midea Joy Mansion	Zhongshan	149,575	58,908	867	58,041	9/2019	91,533	10,445	6/2018	1/2020	–	–	–	–	100%
51	Zhongshan Midea Lanshan	Zhongshan	3,652	47,546	43,894	3,652	1/2019	–	–	–	–	–	–	–	–	100%
52	Guangzhou Nansha Midea Cloud Villas	Guangzhou	137,426	–	–	–	–	82,921	27,515	11/2018	8/2020	54,505	–	8/2020	12/2021	100%
53	Shenzhen Spinning Building (11th Floor)	Shenzhen	636	636	–	636	N/A	–	–	–	–	–	–	–	–	100%

Serial number	Project Name	Cities	Land Reserve Area (square metre)	Completed: Total Completed GFA (square metre)	Completed: Unsaleable GFA and GFA sold (square metre)	Completed: GFA available for sale and rentable GFA (square metre)	Completed: Completion date	Under development: GFA under development (square metre)	Under development: GFA pre-sold (square metre)	Under development: Actual/estimated date for obtaining a pre-sale permit	Under development: Estimated completion date	Future development: Planned GFA with land use rights certificates (square metre)	Future development: GFA with land use rights not yet obtained (square metre)	Future development: Estimated date for obtaining a pre-sale permit	Future development: Estimated completion date	Company's attributable interest
Yangtze River Delta Economic Region																
54	Xuzhou Midea City	Xuzhou	37,143	454,338	417,195	37,143	7/2016	–	–	–	–	–	–	–	–	100%
55	Xuzhou Midea Hancheng	Xuzhou	37,033	507,793	470,760	37,033	9/2017	–	–	–	–	–	–	–	–	100%
56	Xuzhou Midea Times City	Xuzhou	8,980	379,178	370,197	8,980	9/2019	–	–	–	–	–	–	–	–	100%
57	Xuzhou Midea Grand Garden	Xuzhou	277,174	257,547	238,484	19,063	11/2019	258,111	227,587	2/2017	10/2021	–	–	–	–	100%
58	Xuzhou Midea Yunxi Mansion	Xuzhou	31,992	41,420	9,428	31,992	12/2019	–	–	–	–	–	–	–	–	100%
59	Xuzhou Eastern Midea City	Xuzhou	393,432	–	–	–	–	205,090	118,593	4/2018	12/2021	188,342	–	9/2020	7/2024	100%
60	Xuzhou Midea Joy City	Xuzhou	238,133	219,344	198,350	20,994	12/2019	217,138	166,454	1/2017	3/2022	–	–	–	–	100%
61	Xuzhou Midea Greenfields Garden	Xuzhou	93,121	–	–	–	–	93,121	73,551	9/2018	10/2020	–	–	–	–	100%
62	Xuzhou Midea Guantang	Xuzhou	108,391	–	–	–	–	108,391	86,621	11/2018	12/2020	–	–	–	–	51%
63	Xuzhou CIFI-Midea Tianque	Xuzhou	234,622	–	–	–	–	234,622	89,836	5/2019	10/2022	–	–	–	–	51%
64	Xuzhou Midea East Lake Sky City	Xuzhou	432,572	–	–	–	–	220,078	189,048	6/2019	11/2021	212,494	–	4/2020	12/2022	100%
65	Xuzhou Midea-Redsun-Bright East Lake Joy Mansion	Xuzhou	228,268	–	–	–	–	136,632	44,163	12/2019	6/2022	91,636	–	4/2020	6/2022	34%
66	Xuzhou Midea Skyfame	Xuzhou	965,002	–	–	–	–	–	–	–	–	965,002	–	3/2020	5/2024	100%
67	Xuzhou Midea-Dexin Academician Mansion	Xuzhou	56,100	–	–	–	–	–	–	–	–	56,100	–	4/2020	12/2022	51%
68	Ningbo Midea Butterfly Sea	Ningbo	409,068	621,522	545,752	75,771	9/2019	333,297	130,291	5/2018	3/2021	–	–	–	–	100%
69	Ningbo Midea Grand Garden	Ningbo	1,212	147,338	146,125	1,212	7/2018	–	–	–	–	–	–	–	–	100%
70	Ningbo Midea Nine Peak Sky Villa	Ningbo	1,187	79,977	78,791	1,187	6/2019	–	–	–	–	–	–	–	–	100%
71	Ningbo Midea Mingzhou Yard	Ningbo	138,130	185,766	47,636	138,130	12/2019	–	–	–	–	–	–	–	–	100%
72	Ningbo Midea Cichen Mansion	Ningbo	49,157	–	–	–	–	49,157	34,288	9/2018	9/2020	–	–	–	–	100%
73	Ningbo Midea Yinghaichao	Ningbo	341,225	–	–	–	–	205,496	22,358	9/2019	3/2022	135,730	–	6/2020	3/2022	100%
74	Ningbo Meishan Bonded Port Area parcel 41#	Ningbo	275,525	–	–	–	–	38,276	–	7/2021	1/2023	237,249	–	7/2021	1/2023	100%
75	Ningbo Midea-Country Garden Mountainside Villa	Ningbo	68,222	–	–	–	–	68,222	47,320	11/2018	9/2020	–	–	–	–	51%
76	Ningbo Midea Meiyi Garden	Ningbo	32,816	–	–	–	–	32,816	8,419	10/2019	7/2021	–	–	–	–	100%
77	Ningbo Midea-KWG Mingzhou Yunzhu	Ningbo	118,677	–	–	–	–	118,677	–	4/2020	9/2022	–	–	–	–	50%
78	Zhenjiang Midea City	Zhenjiang	452,464	746,815	562,624	184,191	12/2019	268,274	157,137	8/2018	6/2021	–	–	–	–	100%
79	Zhenjiang Jinshan Masterpiece	Zhenjiang	221,266	–	–	–	–	167,506	37,167	11/2018	8/2021	53,760	–	11/2021	4/2024	33%
80	Zhenjiang Midea Royal Orchid Joy	Zhenjiang	309,665	–	–	–	–	165,227	7,453	9/2019	5/2021	144,437	–	9/2021	3/2024	100%
81	Zhenjiang Midea Yuelan Mountain	Zhenjiang	154,890	–	–	–	–	97,567	7,080	9/2019	10/2022	–	57,322	10/2020	6/2023	100%
82	Zhenjiang Midea-China Merchants-Seazen Harmony Villa	Zhenjiang	88,699	–	–	–	–	88,699	2,673	11/2019	8/2021	–	–	–	–	34%
83	Quanzhou Midea Grand Garden	Quanzhou	137,989	–	–	–	–	137,989	31,719	9/2019	6/2021	–	–	–	–	51%

				Completed				Under development				Future development				
Serial number	Project Name	Cities	Land Reserve Area (square metre)	Total Completed GFA (square metre)	Unsaleable GFA and GFA sold (square metre)	GFA available for sale and rentable GFA (square metre)	Completion date	GFA under development (square metre)	GFA pre-sold (square metre)	Actual/ estimated date for obtaining a pre-sale permit	Estimated completion date	Planned GFA with land use rights certificates (square metre)	GFA with land use rights not yet obtained (square metre)	Estimated date for obtaining a pre-sale permit	Estimated completion date	Company's attributable interest
84	Quanzhou Julong Midea Junyue Mansion	Quanzhou	227,981	–	–	–	–	80,533	–	12/2019	6/2022	147,448	–	No plans	No plans	65%
85	Nan'an Midea Smart City	Quanzhou	652,271	–	–	–	–	98,137	–	1/2020	11/2022	554,134	–	No plans	No plans	86%
86	Wuxi Grand Garden	Wuxi	139,369	95,525	72,860	22,665	12/2018	116,704	99,840	5/2018	4/2020	–	–	–	–	59%
87	Wuxi VIP Mansion	Wuxi	130,953	–	–	–	–	130,953	104,305	7/2018	10/2020	–	–	–	–	100%
88	Wuxi Midea-China SCE Royal Bay	Wuxi	301,383	–	–	–	–	301,383	76,711	12/2018	3/2022	–	–	–	–	60%
89	Wuxi Midea Taihu Royal Mansion	Wuxi	289,849	–	–	–	–	289,849	80,154	12/2018	3/2022	–	–	–	–	34%
90	Yangzhou Midea City	Yangzhou	63,203	234,976	171,773	63,203	12/2019	–	–	–	–	–	–	–	–	97%
91	Yangzhou Midea-Vanke Jade Cloud Deck	Yangzhou	538,911	–	–	–	–	239,474	55,304	11/2018	11/2022	299,437	–	4/2021	11/2024	50%
92	Yangzhou Midea VIP Mansion	Yangzhou	151,872	–	–	–	–	151,872	36,866	8/2019	11/2021	–	–	–	–	60%
93	Changzhou VIP Mansion	Changzhou	204,470	–	–	–	–	204,470	137,368	5/2018	9/2020	–	–	–	–	100%
94	Changzhou Midea Academician Mansion Phase I	Changzhou	103,253	–	–	–	–	103,253	61,859	2/2019	2/2021	–	–	–	–	100%
95	Changzhou Midea Academician Mansion Phase II	Changzhou	46,471	–	–	–	–	46,471	16,770	9/2019	10/2021	–	–	–	–	100%
96	Changzhou Midea-Yango Jiangshanyue	Changzhou	96,182	–	–	–	–	96,182	47,108	3/2019	3/2021	–	–	–	–	51%
97	Changzhou Midea-Jinke Grand Garden	Changzhou	223,797	–	–	–	–	223,797	40,657	9/2019	9/2021	–	–	–	–	51%
98	Suzhou Midea Cloud Villas	Suzhou	236,670	–	–	–	–	236,670	66,889	6/2019	7/2022	–	–	–	–	100%
99	Suzhou Midea Ziyu Mansion	Suzhou	196,732	–	–	–	–	196,732	69,716	12/2018	4/2021	–	–	–	–	34%
100	Suzhou Midea Lanyue Villas	Suzhou	210,692	–	–	–	–	210,692	35,223	9/2019	6/2022	–	–	–	–	51%
101	Jinhua Midea Golden Mansion	Jinhua	11,416	125,913	114,497	11,416	7/2019	–	–	–	–	–	–	–	–	100%
102	Jinhua Midea VIP Mansion	Jinhua	44,005	188,005	144,000	44,005	12/2019	–	–	–	–	–	–	–	–	64%
103	Jinhua Midea-Baolong Inheritance Garden	Jinhua	285,517	–	–	–	–	285,517	107,709	8/2018	11/2020	–	–	–	–	50%
104	Jinhua Midea Shanghu Huazhang	Jinhua	129,715	–	–	–	–	129,715	–	1/2020	1/2022	–	–	–	–	100%
105	Jinhua Midea-Dafa Cloud Villas	Jinhua	71,675	–	–	–	–	71,675	–	6/2020	3/2022	–	–	–	–	70%
106	Hangzhou Yuhang Jiuqiao Project	Hangzhou	268,241	–	–	–	–	268,241	–	4/2020	11/2021	–	–	–	–	50%
107	Hangzhou Lin'an Jinbei Project	Hangzhou	252,857	–	–	–	–	147,238	–	1/2020	11/2022	105,619	–	1/2020	11/2022	100%
108	Taizhou Huahong-Midea Meichen Garden	Taizhou	263,467	–	–	–	–	263,467	58,944	4/2019	9/2021	–	–	–	–	50%
109	Taizhou Midea-Yincheng Royal Orchid Mansion	Taizhou	106,150	–	–	–	–	106,150	9,956	11/2019	9/2021	–	–	–	–	60%
110	Fuyang Midea Grand Garden	Fuyang	326,284	–	–	–	–	242,401	30,038	9/2019	4/2022	83,883	–	12/2020	2/2022	100%
111	Hefei Lujiang Midea City	Hefei	188,507	95,574	74,831	20,743	9/2019	167,764	72,847	9/2018	3/2021	–	–	–	–	100%
112	Hefei Midea-KWG Grand Garden	Hefei	85,835	63,161	49,792	13,369	11/2019	72,466	61,655	8/2018	3/2020	–	–	–	–	50%

				Completed				Under development				Future development				
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113	Shanghai Chongming Baodao Road Project	Shanghai	102,383	–	–	–	–	102,383	–	11/2020	4/2022	–	–	–	–	34%
114	Shanghai Chongming Qiaosong Road South Project	Shanghai	116,152	–	–	–	–	116,152	6,758	12/2019	10/2021	–	–	–	–	34%
115	Jingjiang Midea Riverside Mansion	Taizhou	168,405	–	–	–	–	168,405	90,828	6/2019	10/2021	–	–	–	–	100%
116	Zhoushan Midea Grand Garden	Zhoushan	95,489	–	–	–	–	95,489	32,133	12/2018	6/2021	–	–	–	–	100%
117	Nanjing Midea Greenfields Garden	Nanjing	78,983	107,092	28,754	78,338	11/2019	645	–	9/2020	6/2020	–	–	–	–	100%
Midstream of Yangtze River Economic Region																
118	Zhuzhou Midea Blue Valley	Zhuzhou	325,281	515,057	448,917	66,140	12/2019	206,621	178,825	12/2017	4/2022	46,636	5,884	9/2020	12/2022	100%
119	Zhuzhou Midea Times Square	Zhuzhou	83,068	127,776	44,708	83,068	1/2017	–	–	–	–	–	–	–	–	100%
120	Zhuzhou Eastern Midea City	Zhuzhou	240,539	356,500	296,396	60,104	12/2019	180,436	168,002	10/2017	11/2020	–	–	–	–	100%
121	Zhuzhou Midea Hancheng	Zhuzhou	84,607	171,716	152,024	19,691	12/2019	64,915	50,704	11/2017	4/2020	–	–	–	–	100%
122	Zhuzhou Midea Tan Mansion	Zhuzhou	177,540	–	–	–	–	177,540	132,838	2/2018	5/2021	–	–	–	–	80%
123	Zhuzhou Midea Paramount Mansion	Zhuzhou	217,944	–	–	–	–	159,989	97,418	8/2018	11/2021	57,955	–	5/2020	6/2023	100%
124	Zhuzhou Midea Parasol Garden	Zhuzhou	237,247	–	–	–	–	177,925	117,871	9/2018	11/2021	59,321	–	5/2020	6/2023	80%
125	Zhuzhou Midea Purple Cloud Community	Zhuzhou	188,610	–	–	–	–	115,948	39,936	1/2019	4/2022	72,662	–	2/2021	11/2023	100%
126	Zhuzhou Midea Bay	Zhuzhou	277,911	–	–	–	–	99,672	–	12/2019	4/2022	76,287	101,952	2/2021	12/2024	100%
127	Zhuzhou Midea Platinum Joy Mansion	Zhuzhou	245,690	–	–	–	–	72,354	43,450	9/2019	5/2021	173,335	–	1/2020	6/2024	100%
128	Changsha Midea Parasol Garden	Changsha	193,295	–	–	–	–	184,796	63,186	9/2018	4/2022	8,499	–	7/2020	4/2022	100%
129	Changsha Liuyang Midea Phoenix Mountain	Changsha	163,331	–	–	–	–	113,086	48,570	3/2019	4/2021	50,245	–	6/2020	10/2021	100%
130	Changsha CIFI-Midea Dongyue City	Changsha	240,800	–	–	–	–	236,807	69,237	8/2019	12/2020	3,993	–	9/2020	12/2020	50%
131	Changsha Midea Lu Mansion	Changsha	168,827	–	–	–	–	168,066	–	12/2019	7/2022	761	–	6/2022	7/2022	73%
132	Changsha Midea Real Estate Square	Changsha	102,956	–	–	–	–	51,556	–	7/2020	4/2022	51,401	–	3/2021	4/2022	70%
133	Ningxiang Midea City	Changsha	290,351	109,103	94,984	14,119	12/2019	184,211	125,244	9/2017	4/2022	92,020	–	6/2020	9/2022	100%
134	Ningxiang Midea Yard	Changsha	219,339	–	–	–	–	219,339	97,557	8/2018	6/2022	–	–	–	–	100%
135	Ningxiang Midea VIP Mansion	Changsha	612,308	–	–	–	–	226,868	147,507	8/2018	7/2021	385,440	–	6/2020	12/2025	88%
136	Xiangtan Midea VIP Mansion	Xiangtan	375,095	146,352	127,054	19,298	7/2019	96,515	54,325	4/2018	7/2020	259,282	–	5/2020	12/2024	100%
137	Xiangtan Midea Lotus Front Mansion	Xiangtan	731,385	–	–	–	–	145,556	59,997	4/2019	10/2021	585,828	–	6/2020	5/2028	95%
138	Xiangtan Midea Lotus Front Mansion (East Group)	Xiangtan	252,245	–	–	–	–	147,932	43,902	9/2018	8/2022	104,313	–	6/2022	2/2026	100%
139	Wuhan Midea Royal Orchid Byland	Wuhan	585,225	–	–	–	–	196,938	–	3/2020	12/2021	388,287	–	3/2021	12/2023	100%

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140	Wuhan Midea-Agile Cloud Villas	Wuhan	389,469	–	–	–	–	255,909	–	4/2020	6/2022	133,560	–	1/2021	6/2023	51%
141	Chenzhou Midea Yunxi Mansion	Chenzhou	548,856	–	–	–	–	405,562	284,700	3/2018	5/2021	143,293	–	12/2020	9/2023	60%
142	Chenzhou Midea-Renda Platinum Joy Mansion	Chenzhou	399,687	–	–	–	–	184,609	119,695	6/2019	11/2021	215,078	–	6/2020	11/2022	51%
143	Yueyang Midea Parasol Garden	Yueyang	554,221	211,691	170,609	41,082	12/2019	377,570	199,146	4/2018	3/2022	135,569	–	1/2021	1/2023	80%
144	Yueyang Midea-Jinke Commandery	Yueyang	169,738	–	–	–	–	169,738	48,291	5/2019	7/2022	–	–	–	–	50%
145	Yueyang Midea Platinum Joy Mansion	Yueyang	184,341	–	–	–	–	156,293	43,316	7/2019	7/2021	28,048	–	1/2021	1/2023	100%
146	Ganzhou Midea Royal Orchid Byland	Ganzhou	383,574	–	–	–	–	383,574	94,641	1/2019	2/2023	–	–	–	–	60%
147	Ganzhou Aikang Grand Garden	Ganzhou	458,571	–	–	–	–	182,329	56,523	10/2019	10/2021	–	276,242	5/2020	12/2024	51%
148	Hengyang Midea-Jinke Tanyue	Hengyang	423,303	–	–	–	–	106,656	36,268	9/2019	4/2021	316,647	–	5/2020	6/2022	50%
149	Hengyang Midea Yunxi Mansion	Hengyang	116,697	–	–	–	–	116,697	6,504	10/2019	9/2022	–	–	–	–	100%
150	Hengyang Midea Egret Bay	Hengyang	260,906	–	–	–	–	130,431	13,818	6/2019	6/2021	130,476	–	3/2021	12/2023	70%
151	Shangrao Midea-Yango Millan Mansion	Shangrao	127,711	–	–	–	–	127,711	84,116	6/2018	6/2020	–	–	–	–	50%
152	Shangrao Midea-Newpower Emperor Bay	Shangrao	198,662	–	–	–	–	198,662	96,620	11/2018	6/2021	–	–	–	–	34%
153	Shangrao Midea-Country Garden Tianyue	Shangrao	407,299	–	–	–	–	407,299	270,245	6/2018	6/2021	–	–	–	–	33%
154	Jiujiang Midea VIP Mansion	Jiujiang	366,948	101,790	373	101,417	11/2019	265,531	174,149	9/2018	11/2021	–	–	–	–	62%
155	Jiujiang Midea Platinum Joy Mansion	Jiujiang	117,538	–	–	–	–	117,538	88,647	4/2018	5/2020	–	–	–	–	100%
156	Changde Jinke-Midea Willow Leaf Peace Garden	Changde	287,541	–	–	–	–	182,524	52,199	6/2019	11/2021	105,017	–	5/2020	6/2022	50%
157	Nanchang Southern Midea City	Nanchang	101,611	383,539	317,884	65,655	7/2019	35,956	21,068	11/2018	5/2021	–	–	–	–	64%
158	Nanchang Midea Riverside Mansion	Nanchang	193,512	59,820	25,697	34,123	9/2019	105,848	62,496	5/2018	11/2020	53,541	–	No plans	No plans	63%
North China Region																
159	Handan Midea City	Handan	147,211	820,804	724,475	96,329	12/2018	50,882	5,428	9/2014	6/2020	–	–	–	–	100%
160	Handan Times City	Handan	331,034	221,568	172,900	48,668	12/2018	282,366	174,086	7/2016	4/2020	–	–	–	–	100%
161	Handan Roland Spring	Handan	252,265	–	–	–	–	252,265	239,722	3/2017	4/2020	–	–	–	–	100%
162	Handan Orchard Villa	Handan	76,922	–	–	–	–	76,922	72,484	6/2017	5/2020	–	–	–	–	100%
163	Handan Eastern Midea City	Handan	540,704	–	–	–	–	535,835	500,659	9/2017	3/2023	–	4,869	N/A	1/2021	51%
164	Handan Vernal Garden	Handan	52,165	–	–	–	–	52,165	45,436	11/2018	12/2020	–	–	–	–	100%
165	Handan Happy Times	Handan	152,202	–	–	–	–	152,202	139,415	9/2017	6/2021	–	–	–	–	100%
166	Handan Parasol Whisper	Handan	305,242	–	–	–	–	224,098	173,709	6/2017	8/2020	81,144	–	10/2021	12/2024	55%

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167	Handan Western Midea City	Handan	391,447	–	–	–	–	283,811	210,580	8/2019	10/2022	107,636	–	7/2020	3/2023	100%
168	Handan Midea Square	Handan	171,164	–	–	–	–	171,164	54,746	9/2019	7/2021	–	–	–	–	100%
169	Handan Midea Cambridge Commandery	Handan	809,187	–	–	–	–	584,244	148,243	9/2019	9/2023	187,035	37,908	12/2021	12/2025	49%
170	Handan Midea Riverside Mansion	Handan	129,307	–	–	–	–	129,307	108,617	4/2019	4/2022	–	–	–	–	100%
171	Handan Country Garden-Midea Donglin Mansion	Handan	288,428	–	–	–	–	288,428	107,621	1/2019	7/2022	–	–	–	–	45%
172	Handan Midea Kangde Mansion	Handan	78,101	–	–	–	–	78,101	63,191	10/2019	4/2023	–	–	–	–	65%
173	Handan Baijia Street Project	Handan	498,603	–	–	–	–	–	–	–	–	–	498,603	8/2020	3/2024	100%
174	Shenyang Midea City	Shenyang	261,959	806,215	719,539	86,676	12/2019	149,043	112,786	4/2014	12/2020	26,240	–	9/2020	5/2023	100%
175	Shenyang Midea Times City	Shenyang	137,121	185,943	101,631	84,311	12/2019	52,810	36,904	7/2018	6/2020	–	–	–	–	100%
176	Shenyang Midea Grand Joy Mansion	Shenyang	138,460	–	–	–	–	138,460	84,957	8/2018	6/2021	–	–	–	–	100%
177	Shenyang Midea Grand Court	Shenyang	176,775	–	–	–	–	176,775	90,402	7/2018	10/2021	–	–	–	–	100%
178	Shenyang Midea Junlan	Shenyang	240,216	–	–	–	–	109,213	6,871	12/2019	9/2022	131,003	–	9/2020	5/2024	100%
179	Shenyang Midea Han Court	Shenyang	153,780	–	–	–	–	153,780	17,272	10/2019	5/2022	–	–	–	–	100%
180	Shenyang Midea East Court	Shenyang	92,758	–	–	–	–	92,758	14,065	11/2019	5/2022	–	–	–	–	100%
181	Xingtai Midea VIP Mansion South Court	Xingtai	195,373	–	–	–	–	149,698	28,241	3/2019	8/2024	45,675	–	10/2023	12/2026	60%
182	Xingtai Midea VIP Mansion	Xingtai	171,131	–	–	–	–	171,131	112,291	6/2018	12/2021	–	–	–	–	45%
183	Xingtai Midea Grand Garden	Xingtai	197,573	–	–	–	–	95,078	2,045	3/2019	6/2023	102,495	–	6/2021	10/2024	100%
184	Xingtai Midea Times City	Xingtai	116,172	–	–	–	–	116,172	21,339	5/2019	6/2023	–	–	–	–	100%
185	Xingtai Midea Times City Phase II	Xingtai	131,384	–	–	–	–	–	–	–	–	131,384	–	5/2020	3/2024	100%
186	Xingtai Midea Guanlan No. One	Xingtai	197,187	–	–	–	–	93,165	14,338	2/2019	10/2022	104,022	–	7/2020	10/2024	45%
187	Zhengzhou Midea Grand Joy Mansion	Zhengzhou	213,571	–	–	–	–	206,449	50,357	9/2019	12/2022	7,122	–	12/2020	12/2022	100%
188	Kaifeng Midea VIP Mansion	Kaifeng	183,304	–	–	–	–	183,304	33,200	5/2019	9/2022	–	–	–	–	100%
189	Tianjin Midea Yunxi Mansion	Tianjin	99,175	–	–	–	–	3,288	–	N/A	11/2021	–	95,887	5/2020	8/2022	100%
190	Shijiazhuang Yunxi Mansion	Shijiazhuang	88,372	–	–	–	–	88,372	80,004	9/2017	7/2020	–	–	–	–	51%
Southwest Economic Region																
191	Guiyang Midea Lincheng Times Mansion	Guiyang	250,268	1,725,931	1,475,663	250,268	3/2019	–	–	–	–	–	–	–	–	100%
192	Guiyang Midea Yunxi Mansion	Guiyang	26,805	133,920	107,115	26,805	8/2019	–	–	–	–	–	–	–	–	95%
193	Guiyang Midea VIP Mansion	Guiyang	1,010,189	656,760	466,148	190,612	12/2019	300,841	181,657	4/2018	5/2021	518,735	–	1/2021	1/2026	100%
194	Guiyang Midea VIP Mansion Phase II and Phase III	Guiyang	307,000	–	–	–	–	–	–	–	–	307,000	–	1/2021	12/2026	100%
195	Guiyang Midea Square	Guiyang	294,654	–	–	–	–	291,059	55,356	2/2019	6/2023	3,595	–	N/A	6/2023	90%
196	Guiyang Midea Huaxi Yard	Guiyang	152,969	–	–	–	–	152,969	27,348	8/2018	5/2021	–	–	–	–	100%

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197	Zunyi Midea City	Zunyi	136,641	820,238	683,597	136,641	11/2019	–	–	–	–	–	–	–	–	100%
198	Zunyi Midea Grand Garden	Zunyi	116,295	70,662	70,662	–	12/2019	116,295	87,049	2/2018	6/2020	–	–	–	–	100%
199	Zunyi Midea Yunxi Mansion	Zunyi	228,744	–	–	–	–	228,744	156,333	9/2018	11/2020	–	–	–	–	100%
200	Zunyi Midea-Jinke Wanlu Mansion	Zunyi	400,175	–	–	–	–	400,175	23,235	9/2018	12/2024	–	–	–	–	51%
201	Zunyi Midea Yunxi Mansion Phase II	Zunyi	236,785	–	–	–	–	236,785	20,389	10/2019	12/2022	–	–	–	–	70%
202	Zunyi Midea Riverside Mansion	Zunyi	474,196	–	–	–	–	121,150	38,934	9/2019	1/2024	353,046	–	4/2021	1/2024	90%
203	Chongqing Midea-Rongan Grand Garden	Chongqing	124,770	77,921	48,357	29,564	6/2019	95,206	55,698	6/2018	9/2020	–	–	–	–	50%
204	Chongqing Midea-China SCE Yunjing	Chongqing	480,670	–	–	–	–	157,722	19,641	12/2018	10/2021	322,948	–	1/2022	12/2023	50%
205	Chongqing Jinke-Seazen-Midea Daishan Road No. 8	Chongqing	388,993	–	–	–	–	256,273	65,357	12/2018	8/2022	132,721	–	1/2021	8/2022	35%
206	Chongqing Midea Yunlai	Chongqing	90,190	–	–	–	–	90,190	–	1/2020	5/2021	–	–	–	–	100%
207	Wuzhou Midea Central Square	Wuzhou	802,218	–	–	–	–	303,688	102,568	10/2018	5/2021	498,529	–	4/2021	12/2026	100%
208	Chengdu Midea-Seazen Grand Garden	Chengdu	218,013	–	–	–	–	218,013	83,884	7/2018	3/2020	–	–	–	–	70%
209	Chengdu Pengzhou Midea-Country Garden Guanlan Mansion	Chengdu	260,957	–	–	–	–	260,957	103,705	9/2018	5/2022	–	–	–	–	78%
210	Chengdu Midea Bridgefront Commandery	Chengdu	203,693	–	–	–	–	–	–	–	–	203,693	–	6/2020	4/2023	100%
211	Leshan Midea Junyu Mansion	Leshan	314,810	–	–	–	–	126,685	38,816	10/2018	9/2020	188,125	–	7/2020	9/2021	100%
212	Kunming Midea Shuncheng Mansion	Kunming	338,042	288,178	202,029	86,150	9/2019	251,892	96,902	9/2018	10/2022	–	–	–	–	53%
213	Meishan Midea Cloudbay Commandery	Meishan	112,123	–	–	–	–	112,123	49,770	9/2018	3/2022	–	–	–	–	100%
214	Meishan Midea Jinhui Commandery	Meishan	88,700	–	–	–	–	–	–	–	–	88,700	–	6/2020	6/2022	50%
215	Nanning Midea Wisdom City	Nanning	119,978	–	–	–	–	119,978	66,314	11/2018	4/2021	–	–	–	–	100%
216	Nanning Midea Riverside Mansion	Nanning	69,561	–	–	–	–	69,561	–	5/2020	12/2022	–	–	–	–	100%
217	Dali Midea Future City	Dali	148,557	–	–	–	–	–	–	–	–	148,557	–	7/2020	5/2022	50%

Properties held by joint ventures/associates*

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Pearl River Delta Economic Region																
1	Foshan Country Garden-Midea Future City	Foshan	208,704	–	–	–	–	417,408	47,598	4/2019	6/2022	–	–	–	–	50%
2	Foshan Sanshui Midea-CIFI-Agile Changle Mansion	Foshan	118,683	–	–	–	–	260,900	56,351	11/2018	9/2022	88,168	–	5/2021	9/2022	34%
3	Foshan Midea Yunyue Landscape	Foshan	239,434	–	–	–	–	145,896	–	9/2020	8/2023	–	424,185	4/2022	3/2025	42%
4	Foshan Vanke-Midea West River Joy	Foshan	28,326	354,452	291,505	62,948	11/2019	–	–	–	–	–	–	–	–	45%
5	Foshan Midea Minghu North Garden Phase II	Foshan	76,773	34,883	1,540	33,343	7/2019	192,527	108,131	7/2018	9/2021	–	–	–	–	34%
6	Foshan Poly-Midea Yue Mansion	Foshan	66,004	–	–	–	–	264,015	73,748	10/2018	6/2021	–	–	–	–	25%
7	Jiangmen Midea-Agile Briliant Garden	Jiangmen	71,725	–	–	–	–	146,379	67,302	6/2018	6/2021	–	–	–	–	49%
8	Jiangmen Agile-Midea Royal Palace	Jiangmen	48,186	–	–	–	–	98,339	–	6/2020	12/2024	–	–	–	–	49%
9	Jiangmen Midea-K.Wah Crape Myrtle Residence	Jiangmen	65,134	–	–	–	–	–	–	–	–	100,206	–	9/2020	12/2023	65%
10	Guangzhou Midea-Huafa Tianbo Garden	Guangzhou	55,206	–	–	–	–	–	–	–	–	110,411	–	9/2020	2/2023	50%
11	Guangzhou Nansha Midea-Greentown Parcel No. 8 Project	Guangzhou	58,121	–	–	–	–	–	–	–	–	116,243	–	9/2020	10/2022	50%
12	Dongguan Midea-China Merchants Dongyue Garden	Dongguan	82,936	–	–	–	–	165,872	–	8/2020	12/2021	–	–	–	–	50%
Yangtze River Delta Economic Region																
13	Changzhou Midea-CIFI Tianfu	Changzhou	89,038	–	–	–	–	148,401	70,705	11/2018	11/2020	–	–	–	–	60%
14	Changzhou Midea-Shimao Cloud Villas	Changzhou	191,872	–	–	–	–	97,599	6,688	12/2019	4/2022	278,620	–	11/2020	11/2022	51%
15	Nanjing Oriental Golden Garden	Nanjing	168	174,693	173,641	1,052	8/2019	–	–	–	–	–	–	–	–	16%
16	Nanjing Midea-Xiamen C&D Runjin Garden	Nanjing	47,371	–	–	–	–	94,742	4,174	10/2019	6/2021	–	–	–	–	50%
17	Nanjing Xinyue Shangchen	Nanjing	60,579	–	–	–	–	121,159	–	3/2020	3/2022	–	–	–	–	50%
18	Nanjing Jiangning Fangqian Road Project	Nanjing	75,077	–	–	–	–	–	–	–	–	–	202,912	9/2020	12/2022	37%
19	Xuzhou Midea Gongrun Clear Lake	Xuzhou	2,664	157,012	151,683	5,329	4/2019	–	–	–	–	–	–	–	–	50%
20	Xuzhou Midea-Poly-Country Garden-Zhenro Parasol Residence	Xuzhou	72,549	–	–	–	–	167,323	13,774	6/2019	12/2024	122,875	–	3/2021	12/2024	25%
21	Xuzhou Midea-Jinke Cloud Villas	Xuzhou	76,632	–	–	–	–	–	–	–	–	–	139,331	6/2020	12/2022	55%
22	Hefei Midea-Jinke Commandery	Hefei	149,666	–	–	–	–	299,933	71,512	6/2019	12/2023	–	–	–	–	50%
23	Wuxi Languang Yongjinli	Wuxi	21,560	244,061	200,061	44,000	12/2018	–	–	–	–	–	–	–	–	49%
24	Wuxi Huining Project	Wuxi	126,862	–	–	–	–	–	–	–	–	230,659	–	6/2020	12/2020	55%
25	Zhoushan Midea-Dexin Hancheng	Zhoushan	84,649	–	–	–	–	169,299	79,575	3/2019	11/2021	–	–	–	–	50%
26	Jinhua Midea-Ronshine Royal Orchid Landscape	Jinhua	73,096	–	–	–	–	182,740	107,591	12/2017	4/2020	–	–	–	–	40%
27	Nantong Midea-Redsun Royal Orchid Tianyue	Nantong	59,074	–	–	–	–	107,408	15,133	12/2019	9/2021	–	–	–	–	55%
28	Suzhou Riverside Palace Garden	Suzhou	15,264	116,057	85,529	30,528	4/2019	–	–	–	–	–	–	–	–	50%
29	Suzhou Original Work of River City	Suzhou	15,884	–	–	–	–	122,187	84,927	5/2018	1/2020	–	–	–	–	13%
30	Suzhou Huangdai Chunshen Road Project	Suzhou	34,011	–	–	–	–	–	–	–	–	69,410	–	4/2020	12/2021	49%
31	Zhenjiang Nanxu Road Project	Zhenjiang	31,326	–	–	–	–	92,137	–	12/2019	2/2022	–	–	–	–	34%

* Properties held by our joint ventures/associates of which the land reserves total GFA has been discounted in proportion to ownership percentage.

Serial number	Project Name	Cities	Land Reserve Area (square metre)	Completed: Total Completed GFA (square metre)	Completed: Unsaleable GFA and GFA sold (square metre)	Completed: GFA available for sale and rentable GFA (square metre)	Completed: Completion date	Under development: GFA under development (square metre)	Under development: GFA pre-sold (square metre)	Under development: Actual/estimated date for obtaining a pre-sale permit	Under development: Estimated completion date	Future development: Planned GFA with land use rights certificates (square metre)	Future development: GFA with land use rights not yet obtained (square metre)	Future development: Estimated date for obtaining a pre-sale permit	Future development: Estimated completion date	Company's attributable interest
Midstream of Yangtze River Economic Region																
32	Nanchang Midea-Newpower Grand Garden	Nanchang	173,668	–	–	–	–	289,447	37,128	6/2019	10/2022	–	–	–	–	60%
33	Nanchang Midea-Newpower Joint Garden	Nanchang	30,995	185,914	87,431	98,483	12/2019	56,491	–	1/2018	5/2020	–	–	–	–	20%
34	Nanchang Midea Flowerbay City	Nanchang	64,899	–	–	–	–	227,237	81,447	3/2019	8/2022	–	–	–	–	29%
35	Nanchang Nanlian Road Project	Nanchang	39,787	–	–	–	–	–	–	–	–	81,198	–	6/2020	11/2022	49%
36	Changsha Midea Hancheng	Changsha	152,477	–	–	–	–	302,267	130,860	6/2018	11/2021	2,687	–	N/A	5/2020	50%
37	Ningxiang Country Garden-Midea Yard	Changsha	104,293	–	–	–	–	114,485	26,232	6/2019	6/2022	94,102	–	9/2020	6/2023	50%
38	Jiujiang Midea Sky Platinum Bay	Jiujiang	74,874	90,657	90,657	–	12/2019	187,186	143,141	6/2018	6/2021	–	–	–	–	40%
39	Jiujiang Midea-Jinke Royal Mansion	Jiujiang	58,295	–	–	–	–	118,969	22,130	9/2019	10/2021	–	–	–	–	49%
40	Changde Midea-Country Garden Willow Leaves Mansion	Changde	130,891	25,296	25,296	–	7/2019	261,782	182,304	4/2018	11/2021	–	–	–	–	50%
41	Yueyang Midea-Jinke Commandery (parcel 15#)	Yueyang	129,247	–	–	–	–	–	–	–	–	259,012	–	1/2021	11/2023	50%
North China Region																
42	Handan LaDefense	Handan	281,166	575,896	462,894	113,002	11/2018	355,036	171,119	7/2005	12/2021	572	–	N/A	12/2021	60%
43	Handan Millennium City	Handan	294,539	–	–	–	–	499,218	258,494	9/2018	8/2023	–	–	–	–	59%
44	Handan Roland Valley (Fuyuan)	Handan	74,907	–	–	–	–	146,876	80,868	7/2018	4/2022	–	–	–	–	51%
45	Handan Roland Valley (Jinyuan)	Handan	29,404	–	–	–	–	117,617	91,324	8/2018	4/2021	–	–	–	–	25%
46	Handan Midea Roland Valley (Qinyuan)	Handan	50,803	–	–	–	–	26,857	14,672	11/2019	5/2022	72,757	–	6/2020	5/2022	51%
47	Handan Midea Roland Jade	Handan	167,390	–	–	–	–	257,522	39,686	9/2019	5/2023	–	–	–	–	65%
48	Handan Yongnian Midea City	Handan	78,108	–	–	–	–	101,132	16,764	9/2019	11/2022	289,410	–	11/2020	12/2023	20%
49	Tianjin Midea-CIFI Grand Joy Mansion	Tianjin	193,535	–	–	–	–	182,898	3,045	9/2019	12/2021	212,073	–	1/2020	12/2022	49%
50	Xingtai Jasmine Mansion	Xingtai	40,970	–	–	–	–	136,566	98,342	6/2018	12/2020	–	–	–	–	30%
Southwest Economic Region																
51	Chongqing Midea-Jinke Commandery	Chongqing	148,714	240,910	150,311	90,598	12/2019	206,830	–	11/2019	1/2021	–	–	–	–	50%
52	Chongqing Liyue Landscape	Chongqing	19,517	71,787	46,949	24,838	10/2019	60,706	12,567	1/2019	3/2021	12,039	–	3/2021	6/2021	20%
53	Chongqing Midea Wanyun Mansion	Chongqing	38,913	70,776	1,020	69,757	12/2019	124,806	54,532	4/2019	5/2020	–	–	–	–	20%
54	Chongqing Midea Wanlu Mansion	Chongqing	107,367	–	–	–	–	–	–	–	–	134,209	–	8/2020	9/2022	80%
55	Chongqing Jinke-Midea Yuanshang	Chongqing	92,978	–	–	–	–	73,576	423	11/2019	1/2021	116,174	–	9/2020	10/2022	49%
56	Chongqing Shapingba Xishuang Road Project	Chongqing	74,465	–	–	–	–	–	–	–	–	148,929	–	8/2020	3/2022	50%
57	Zunyi Midea-Jinke Wanlu Mansion (parcel 36#)	Zunyi	107,839	–	–	–	–	–	–	–	–	220,079	–	5/2020	7/2022	49%
58	Dali Midea-Agile Yamei Bay	Dali	67,504	–	–	–	–	–	–	–	–	135,008	–	7/2020	5/2022	50%
59	Nanning Midea-CIFI City	Nanning	44,865	–	–	–	–	89,730	42,491	3/2019	7/2021	–	–	–	–	50%
60	Chengdu Academician Top Mansion	Chengdu	29,637	–	–	–	–	169,354	143,113	9/2018	5/2020	–	–	–	–	18%
61	Liuzhou Jinke-Midea-Bright Lanshan Palace	Liuzhou	3,640	–	–	–	–	20,678	–	1/2020	6/2022	52,120	–	12/2020	12/2024	5%

The Group has always grounded on its "service" nature. Leveraging its rich experience in the property management industry and professional capabilities, Midea Property Management provides our customers with "satisfaction + surprise" quality property services on an ongoing basis. Midea Property Management's projects under management mainly involve residential communities, as well as non-residential properties such as commercial properties, office buildings, parks and other public facilities.

In 2019, Midea Property Management accelerated the construction of smart platforms. It launched Smart Community 3.0 and rolled out the Intelligent Command Unified Dispatching Centre IOC platform to achieve visual and digital management in community operation through the online smart operation centre (cloud platform) + offline operation centre (E control centre). By moving community management to the front-end, it improved management capability and service efficiency. We further upgraded the project service centre to the Cloud Home, using artificial intelligence to achieve intelligent and automated operation in certain business scenarios, such as face-recognition passage, vehicle operation analysis, community security AI monitoring, etc., which promoted the transformation of property management services to an efficient and intensive modern service model. We entered into 5G strategic cooperation agreement with China Mobile, taking the lead in using 5G technology to empower smart communities. The application of a series of digital methods has created more intelligent living products and experience scenarios for the owners, greatly improving the quality of property services.

During the year, Midea Property Management joined the Better Life Service Alliance and won "Leading Companies in Residential Property Services" and "Leading Companies in Public Property Services" at the 5th China Property Management Innovation and Development Forum in 2019. In our projects under management, Foshan Midea Hancheng became the first "Health, Culture, and Education Practice Base for Caring for the Next Generation" in China. Handan Midea City was named "Featured Service Project of Property Companies in 2019". Shenyang Midea City was recognised as Liaoning Provincial Property Service Benchmarking Project. Quality service will continue to be the cornerstone of Midea Property Management. We will spare no effort in providing our customers with quality services with higher standards.

Investment and Operation of Commercial Properties

To optimise asset allocation, the Group holds and operates certain commercial properties developed for long-term investment purposes, including shopping malls, offices, hotels and other shops. We hold commercial properties other than hotels for capital appreciation and lease them to generate rental income, whereas hotels are primarily operated under sale-leaseback arrangement.

We continue to improve our capabilities of operating investment properties, focus on the Wonderful ("悦然") series, and launch three major product lines: urban complexes, community neighborhood, and long-term rental apartments, to become a designer and creator for urban development, fully meeting the business needs of different cities and customer groups. As the first and benchmark project of the Wonderful series, Foshan Midea Wonderful Square officially opened for business on 20 December 2019. With its professional planning and strong business solicitation capability, it won the "China Shopping Mall City Advancement Award" and "2019 Rising Star of the Year Award".

As of 31 December 2019, the Group had a total of 13 commercial properties, including 4 in-operation projects, namely Zhuzhou Midea Times Square in Hunan, Xuzhou Midea Square in Jiangsu, Foshan Midea Xinduhui Mall in Guangdong, and Foshan Midea Wonderful Square, which is a benchmark project of Wonderful series.

Smart Home

During the year, the Group implemented the strategy of "one principal and two secondary business" (一主兩翼) by continuously promoting "intelligent industrialisation" and empowering the intelligent upgrade of the real estate business.

We set up the Smart Life Research Institute, which, with "smart life" as its main research object, is designed to provide customers with better one-stop Smart Home solutions through its core functions of product development, system platform planning, product standard formulation, and smart ecological construction.

In July 2019, Midea Real Estate launched its first self-developed Smart Home control system, Smart Home 3.0. Focusing on before-decoration demands, we have designed the product for "sensor-less, integrated, and all-aged" application, and equipped it with the industry's first smart scenario panel with voice function and first set of embedded security products, as well as a smart switch panel with most complete category in the industry.

In December 2019, Cloud Smart Community 3.0 was launched. Through self-developed Intelligence of Things ("**IoT**") edge server and the AI edge server jointly developed with Ali Cloud, we have implemented the "super brain for communities" programme, creating a "cloud-edge-end" smart community AI solution. We have developed six AI functions, including regional intrusion monitoring, key area occupation monitoring, public health management, personal trajectory management, sensor-less traffic identification, and mask removal identification during the epidemic, which play a key role in communities' prevention and control of the COVID–19.

At the same time, through our subsidiary Guangdong Ruizhu Intelligent Technology Co., Ltd. (廣東睿住智能科技有限公司) ("**Ruizhu Intelligent Technology**", formerly known as Foshan Shunde Meijia Intelligent Technology Management Services Co., Ltd.), we have provided high-quality and value-added Smart Home installation services to every family in the residential community by pooling resources from multiple sectors, including our community intelligence on front end design, construction, operation and maintenance, our home intelligence obtained from building various smart homes, and the Cloud Community Application Platform for mutual assistance through IoT.

In 2019, we continued to make headway in the field of smart life: the Smart Life Research Institute participated in the compilation of the national standard "Smart city — Building and Residence Community— Part 1: Smart Community Construction Specifications" (《智慧城市建築及居住區第1部分：智慧社區建設規範》) and the group standard "Smart Senior Care Service Standards" (《智能化養老服務標準》). The smart products developed by it, such as the security kit, infrared curtain body detector, combustible gas alarm, and smart gateways, won the title of "2019 China's Innovative Artificial Intelligence Hardware Product of the Year". Smart products such as infrared curtain body detector, embedded smart gateway, flood sensor, smart door lock, and smart voice console were selected as the white-list products for green smart community by National Technical Committee for Digitisation and Standardisation of Intelligent Buildings and Residential Areas.

Ruizhu Intelligent Technology entered into strategic cooperation agreements with Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司), Honeywell (Tianjin) Co., Ltd. (霍尼韋爾(天津)有限公司), Ningbo Dooya Mechanic & Electronic Technology Co. Ltd. (寧波杜亞機電有限公司), and Tahoe Hotel Group (泰禾酒店集團), respectively, to achieve ecological win-win and bring customers better IoT solutions and Smart Home experiences. Ruizhu Intelligent Technology was awarded High-tech enterprise, First Class Qualification for Specialist Contractor of Electronic and Intelligent Engineering, Good Life Unicorn (美好生活獨角獸), and 2018-2019 Smart Community Pioneer Award.

In the future, we will continue to improve research and development capabilities in relation to Smart Home, strengthen business introduction and expansion of existing partners, and quickly introduce projects and customers based on our existing market recognition and the differentiated competitiveness of the Cloud System. We will accelerate the Group's development in Smart Home ecological chain to support the industry-leading position of our main business — real estate development.

Prefabricated Construction

Building industrialisation is technology-oriented. It applies the mature technologies and experience of modern industrial production to the construction industry, adopting advanced and applicable technologies, processes and equipment to achieve standardised and systematic building, industrial building component production, mechanised construction and scientific building management.

In 2019, Midea Real Estate steadily grew in the prefabricated construction market. We have established industrial parks in Xuzhou and Handan. Xuzhou Industrial Park, Handan Industrial Park, Nan'an Industrial Park and Zhenjiang Industrial Park have all been listed as key projects by local municipal governments. Among them, Xuzhou Project Company was recognised as a company with outstanding contributions by the local government, and was granted with quality and efficiency improvement reward by the government of Jiawang District, Xuzhou City.

We actively promoted cooperation with colleges by entering into strategic cooperation framework agreements with China University of Mining and Technology, Hunan Nonferrous Metals Vocational and Technical College, and Jinan University. In June 2019, the off-campus internship base and postgraduate industry-university-research base of China University of Mining and Technology were set up in Xuzhou.

We attached importance to cultivation of high-quality patents. In terms of research and development, we have moved from isolated innovation to systematic innovation; in terms of patents, we have moved from patent mining to patent planning. Ultimately, we will create a synergetic system of research and development and patents to build our core competitiveness. As of 31 December 2019, Ningbo Liancheng Housing Industrialisation Technology Co., Ltd., a subsidiary of the Company, applied for 100 patents and intellectual property rights throughout the year, obtaining a total of 134 authorisations on a cumulative basis.

Significant progress in operations of existing plants:

Xuzhou Plant

On 2 August 2018, Xuzhou Plant entered into the land transfer contract (229.6 mu). In November, the project commenced. Construction of the first phase of the plant took 6 months and was completed in May 2019, when the plant started production and operation. Xuzhou Plant has passed ISO9001 Quality System certification, and has established a comprehensive quality control system, ERP system and SRM supplier platform system. These systems will be replicated in other factories.

Assembled Sanitary Ware

With the rapid development of prefabricated construction, the prefabricated sanitary ware industry is presented with new opportunities. On 26 September 2019, Guangdong Ruizhu Yoka Technology Co., Ltd., in which Midea Real Estate holds interests, officially started production in Gaoming District, Foshan City. Ruizhu Yoka owns an automatic production lines for three series, namely ceramic tile wall, colored steel plate and SMC. For this production line, Ruizhu Yoka uses the robot technology of the German company KUKA to develop the first fully automatic ceramic tile production line with independent intellectual property rights and the first nano-ceramic chassis automatic spraying line in China. Ruizhu Yoka has built a 5G smart manufacturing plant that achieves the industrialised production of assembled sanitary ware.

Executive Directors

Mr. Hao Hengle (郝恒樂) (alias, He Hengle (赫恒樂)), aged 50, has been a Director since 29 November 2017. Mr. Hao was re-designated as the Chairman and an executive Director and appointed as president of the Company on 15 May 2018. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Hao presides over the Board and is primarily responsible for the overall business direction and day-to-day business and management of the Group. Mr. Hao has extensive experience in the PRC real estate industry. Since joining the Group in May 2004, Mr. Hao has served as a director and the president of Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, since January 2006. Mr. Hao has also assumed multiple directorships in other subsidiaries, including, among others, Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company listed on the NEEQ (stock code: 839955), and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司).

Mr. Hao also served various management positions in Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), a connected person of the Company which was listed in 2013, from July 1998 to December 2005, including the chief legal officer and the chief supervisor of the legal management and audit department where he was primarily responsible for the management of legal affairs. Mr. Hao graduated from Shanghai University of Finance and Economics (上海財經大學) in the PRC with a bachelor's degree of Law in Economic Legal Studies. He also graduated from China Europe International Business School (中歐國際工商學院) in the PRC with an executive master's degree in Business Administration. He has been admitted to practice law in the PRC since April 1995.

Mr. Yao Wei (姚嵬), aged 49, was appointed as an executive Director and as vice president of the Company on 15 May 2018. Mr. Yao is primarily responsible for the overall management of the strategic planning, land investment and development, and legal affairs of the Group. Since joining the Group in March 2010, Mr. Yao has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, including: (i) general manager of the strategic development centre; (ii) vice president since July 2011; and (iii) director since September 2011. Mr. Yao has also assumed multiple directorships in other subsidiaries, including, among others, Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company listed on the NEEQ (stock code: 839955) and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司).

Mr. Yao also served various positions in Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), a connected person of the Company which was listed in 2013, from July 1997 to April 2003, including planning manager in the planning and investment division, head of the management of the information industry department, deputy director and investment director in charge of strategic development, head of general manager office of the kitchen manufacturing division and deputy general manager of domestic sales of the kitchen manufacturing division. Mr. Yao graduated from South-Central University for Nationalities (中南民族大學) in the PRC with a master's degree in Law.

Mr. Lin Ge (林戈), aged 47, was appointed as an executive Director and chief financial officer of the Company on 15 May 2018. Mr. Lin is primarily responsible for the overall management of the financial and treasury affairs, securities business, investor relations, and information management of the Group. Since joining the Group in November 2014, Mr. Lin has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, including: (i) deputy director in charge of finance matters; (ii) general manager of risk management centre; (iii) general manager of finance and capital centre; and (iv) since July 2018, chief financial officer. Mr. Lin has also assumed multiple directorships in other subsidiaries, including, among others, Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company listed on the NEEQ (stock code: 839955) and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司). He has served as a supervisor of certain subsidiaries in the PRC.

Mr. Lin also served various positions in Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), a connected person of the Company which was listed in 2013, from January 2001 to February 2014, including as an accounting manager of the finance management centre, a senior manager of the tax affairs management centre, an assistant to the director of the tax affairs management centre, the deputy director of the finance management department and the director in charge of tax affairs of the finance management department. Mr. Lin graduated from Jinan University (暨南大學) in the PRC with a professional certificate in Accounting.

Ms. Lin Dongna (林冬娜), aged 45, was appointed as an executive Director on 15 May 2018. She is primarily responsible for the overall management of the industry development business, including, among others, the design institute, industrialisation technology and intelligent technology. Since joining the Group in September 2012, Ms. Lin has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, including: (i) head of the design department; (ii) head of the design institute; (iii) general manager of the design management centre; (iv) general manager of the product management centre; (v) assistant to the president since July 2018; and (vi) general manager of the industry development business division since June 2019. Ms. Lin has also assumed multiple directorships in other subsidiaries, including Ningbo Liancheng Housing Industrialisation Technology Co., Ltd. (寧波聯城住工科技有限公司), Guangdong Ruizhu Intelligent Technology Co., Ltd. (廣東睿住智能科技有限公司) and Ruizhu Technology Co., Ltd. (睿住科技有限公司).

Prior to joining the Group, Ms. Lin worked at the Architectural Design and Research Institute of Guangdong Province (廣東省建築設計研究院) from September 2004 to August 2012. Ms. Lin graduated from South China University of Technology (華南理工大學) in the PRC with a bachelor's degree and a master's degree in Architectural Studies, and a doctoral degree in Architectural Design and Theory in April 2019. Ms. Lin is a senior architect conferred by Human Resources and Social Security Department of Guangdong Province.

Non-executive Directors

Mr. He Jianfeng (何劍鋒), aged 52, was appointed as a non-executive Director on 15 May 2018. He is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Mr. He Jianfeng is the chairman and president of Infore Holding Group Co., Ltd. (盈峰控股集團有限公司), and has held multiple directorships and/or senior management position(s) in other companies which are connected persons of the Company, including Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), Midea Holding Co., Ltd. (美的控股有限公司). From October 2007 to November 2016, he had served as the chairman of Infore Environment Technology Group Co., Ltd. (盈峰環境科技集團股份有限公司) (Shenzhen Stock Exchange: 000967). Mr. He Jianfeng graduated from South China University of Technology (華南理工大學) in the PRC with a degree in Industrial Management Engineering. He completed the president programme and the CEO business study programme at Tsinghua University (清華大學) in the PRC, and the CEO programme at Cheung Kong Graduate School of Business (長江商學院) in the PRC. He has also served as the chairman of He Foundation (廣東省和的慈善基金會) and the curator of the He Art Museum (和美術館). Mr. He Jianfeng is the spouse of Ms. Lu Deyan and the son of Mr. He Xiangjian, the controlling shareholders of the Company.

Please refer to page 71 of the Directors' Report for details of Mr. He Jianfeng's interest in the shares of the Company as disclosed under the section headed "Disclosure of Interests".

Mr. Zhao Jun (趙軍), aged 44, has been a Director since 29 November 2017 and was re-designated as a non-executive Director on 15 May 2018. He is also a member of each of the Audit Committee and Remuneration Committee. Mr. Zhao is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group. Since joining the Group in November 2012, Mr. Zhao has been the vice chairman of Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, and assumed multiple directorships in other subsidiaries, including Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司).

Mr. Zhao is the executive president of Midea Holding Co., Ltd. (美的控股有限公司), a connected person of the Company. He has also served as the supervisor of Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333), a connected person of the Company, and a director of Guangzhou SiE Consulting Co., Ltd. (廣州賽意信息科技股份有限公司) (Shenzhen Stock Exchange: 300687). Mr. Zhao graduated from Northeastern University at Qinhuangdao (東北大學秦皇島分校) in the PRC with a bachelor's degree of Economics in Accounting Studies. He graduated from The Chinese University of Hong Kong with a master's degree in Accounting, and from China Europe International Business School (中歐國際工商學院) in the PRC with a master's degree in Business Administration. Mr. Zhao is a certified public accountant conferred by the Treasury Certified Public Accountants Examination Committee (財政部註冊會計師考試委員會).

Independent Non-executive Directors

Mr. Tan Jinsong (譚勁松), aged 55, was appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. He is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Tan has served as a professor of the School of Management of Sun Yatsen University (中山大學) in the PRC, and has extensive experience serving in a number of listed companies, including: (i) an independent director of Guangzhou Hengyun Enterprises Holding Ltd. (廣州恒運企業集團股份有限公司) (Shenzhen Stock Exchange: 000531) since May 2014; (ii) an independent director of Shanghai RAAS Blood Products Co., Ltd. (上海萊士血液製品股份有限公司) (Shenzhen Stock Exchange: 002252) since April 2016; (iii) an independent director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司) (Shanghai Stock Exchange: 600325) since September 2015; (iv) an independent director of COSCO Shipping Specialised Carriers Co., Ltd. (中遠海運特種運輸股份有限公司) (Shanghai Stock Exchange: 600428) since December 2018; and (v) an independent non-executive director of China Southern Airlines Company Limited (中國南方航空股份有限公司) (Stock Exchange: 1055) since December 2013. Mr. Tan was an independent director of Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司) (Shanghai Stock Exchange: 600048) from April 2012 to September 2018 and an independent non-executive director of Welling Holding Limited (威靈控股有限公司) (a company previously listed on the Stock Exchange and was privatised in February 2018) from August 2009 to February 2018. Mr. Tan graduated from Hunan University of Finance and Economics (湖南財經學院) in the PRC with a bachelor's degree of Economics in Accounting Studies. He further obtained a master's degree of Economics and a doctoral degree of Management in Accounting Studies from Renmin University of China (中國人民大學) in the PRC. He is a non-practising senior member of the Chinese Institute of Certified Public Accountants.

Mr. O'Yang Wiley (歐陽偉立), aged 57, was appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also the chairman of the Remuneration Committee and a member of the Audit Committee. He is primarily responsible for providing independent advice on the operation and management of the Group. He has extensive experience in the accounting, finance and legal fields.

Mr. O'Yang is a managing director of Shanggu Securities Limited, a licenced corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities. Prior to joining Shanggu Securities Limited, Mr. O'Yang worked for various investment banks, including CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corporation Limited, Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malayan Banking Berhad, UBS AG, Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited and BNP Paribas Capital (Asia Pacific) Limited and held the positions of managing director and executive director. Prior to those, he was a partner of Richards Butler (currently known as Reed Smith Richards Butler), an international law firm. Mr. O'Yang also served as independent non-executive directors of Hong Kong Economic Times Holdings Limited (Stock Exchange: 423), D&G Technology Holding Company Limited (Stock Exchange: 1301), AB Builders Group Limited (Stock Exchange: 1615) and Tianyun International Holdings Limited (Stock Exchange: 6836), all companies are listed on The Stock Exchange of Hong Kong Limited, since October 2012, May 2019, June 2019 and November 2019 respectively. Mr. O'Yang graduated from The Chinese University of Hong Kong with a bachelor's degree in Social Science and a master's degree in Business Administration. He is also a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Law Society of Hong Kong.

Mr. Lu Qi (陸琦), aged 63, was appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also a member of each of the Remuneration Committee and Nomination Committee. He is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Lu has served as a professor at the School of Architecture of South China University of Technology (華南理工大學) in the PRC. Prior to that, he worked at the Architectural Design and Research Institute of Guangdong Province (廣東省建築設計研究院) and served as the deputy chief architect. From April 2015 to January 2019, Mr. Lu served as an independent director in Huayuan Landscape Architecture Co., Ltd. (廣州華苑園林股份有限公司), a company that focuses on providing engineering and construction services, where he was primarily responsible for providing independent landscape advice on the operations and management of the company. Mr. Lu graduated from the School of Architectural and Engineering of Chongqing Jianzhu University (重慶建築工程學院) (currently known as the Faculty of Architecture and Urban Planning of Chongqing University (重慶大學建築城規學院)) in the PRC with a bachelor's degree of Engineering in Architectural Studies. He further obtained a doctoral degree of Engineering in Architectural History and Theories from South China University of Technology (華南理工大學) in the PRC. Mr. Lu is a Guangdong provincial senior architect (professor grade) conferred by Guangdong Province Personnel Department (廣東省人事廳). He has also served as the vice president of the National Architecture Institute of China (中國民族建築研究會) and a member of the Scholarship Committee of the Yuanmingyuan Society of China (中國圓明園學會學術專業委員會).

Senior Management

Mr. Xu Chuanfu (徐傳甫), aged 51, was appointed as a senior vice president of Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, in June 2019. Mr. Xu is primarily responsible for the businesses of the sales management, operations and cost control, project management, customer services, tendering and procurement. Since joining the Group in March 2005, Mr. Xu has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), including: (i) head of project management; (ii) assistant to the general manager; (iii) general manager of the Southwest regional company since May 2009; and (iv) vice president and general manager of the Shanghai-Jiangsu regional company since June 2018. Mr. Xu has also assumed multiple directorships in other subsidiaries, including, among others, Foshan Midea Real Estate Development Co., Ltd. (佛山市美的房地產發展有限公司), Xuzhou Midea Properties Co., Ltd. (徐州美的置業有限公司) and Xuzhou Midea Times Real Estate Co., Ltd. (徐州美的時代房地產有限公司).

Prior to joining the Group, Mr. Xu served as a manager of project management department, project manager and director. Mr. Xu has extensive experience in real estate development and management. Mr. Xu graduated from Party School of the Central Committee of C.P.C (中共中央黨校) in the PRC with a professional certificate in Economic and Management in December 2000 and from Peking University (北京大學) in the PRC with a master's degree in Business Administration in July 2016. Mr. Xu is a project management professional awarded by Project Management Institute since June 2007.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its corporate governance policies and practices. The Company had complied with the provisions of the CG Code during the year ended 31 December 2019, except for certain deviations as specified with reasons below.

The Company is committed to achieving a high standard of corporate governance so as to enhance the transparency and accountability to the shareholders of the Company. The Board believes that good corporate governance will contribute to maximising the corporate value of the Company to its shareholders. The Board will continue to review and monitor the procedures in place with reference to Appendix 14 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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 Listing Rules as the code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the Model Code during the year ended 31 December 2019.

The Board

The Board is responsible for laying down the Group's future development direction, overall strategies and policies, evaluation of the Group's performance and approval of matters that are of material and substantial in nature. The day-to-day management, administration and operations of the Group are delegated by the Board to the senior management of the Company, who is responsible for implementing the strategies and policies as determined by the Board, and overseeing different businesses and functions of the Group in accordance with their particular areas of expertise. The Board has also delegated various responsibilities to the Board committees. Details of these Board committees are set out below in this report.

Board Composition

As at the date of this annual report, the Board comprised of nine Directors:

Executive Directors

Mr. Hao Hengle (Chairman)
Mr. Yao Wei
Mr. Lin Ge
Ms. Lin Dongna

Non-executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent non-executive Directors

Mr. Tan Jinsong
Mr. O'Yang Wiley
Mr. Lu Qi

During the year ended 31 December 2019, the Company had complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board) including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The biographies of each of the Directors are set out on pages 48 to 51 in this annual report. The Directors have no financial, business, family or other material or relevant relationships with each other.

Chairman and President

Our Chairman is responsible for formulating the overall strategies and policies of the Company and providing leadership for the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. Our Chairman, as chief executive of the Company, is also delegated the authority by the Board to lead the day-to-day operation and business management of the Group in accordance with the objectives, directions and policies laid down by the Board.

According to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2019, Mr. Hao Hengle performed his duties as the chairman and president of the Company. As such, the Company has deviated from code provision A.2.1 of the CG Code. Given Mr. Hao has considerable experience in the PRC real estate industry and the business operations of the Group, and is familiar with Midea's operations and management core values. The Board believes that vesting both roles of chairman and president in Mr. Hao facilitates the execution of the Group's long-term strategic aims and achieving its operations and business objectives, thereby maximising the effectiveness of the Group's operations.

The Board believes that this structure is in the best interest of the Company, and that this situation will not impair the balance of power and authority between the Board and the management of the Company because the Board comprises nine experienced and high-calibre individuals with demonstrated integrity, of which three are independent non-executive Directors. Further, decisions of the Board are collectively made by way of majority voting. The Board will nevertheless review the effectiveness of this structure from time to time.

Board Diversity Policy

The Board has adopted a board diversity policy with effect from 12 September 2018 which sets out the approach to achieve diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. For further details, please refer to the board diversity policy published on the Company's website.

As at 31 December 2019, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:

<table>
<tr><th>No. of Directors</th><th>Gender</th><th>Designation</th><th>Age Group</th><th>Years of Service</th><th>Skills and Knowledge</th></tr>
<tr><td>1</td><td>Female</td><td rowspan="4">Executive Director</td><td>≥ 60</td><td rowspan="2">≥ 10</td><td rowspan="3">General Management and Strategy Development</td></tr>
<tr><td>2</td><td rowspan="8">Male</td><td rowspan="4">50-59</td></tr>
<tr><td>3</td><td rowspan="3">5-9</td></tr>
<tr><td>4</td><td rowspan="3">Accounting and Financial</td></tr>
<tr><td>5</td><td rowspan="2">Non-executive Director</td></tr>
<tr><td>6</td><td rowspan="4">40-49</td><td rowspan="4">0-4</td></tr>
<tr><td>7</td><td rowspan="3">Independent non-executive Director</td><td rowspan="2">Architecture and Design</td></tr>
<tr><td>8</td></tr>
<tr><td>9</td><td>Legal</td></tr>
</table>

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board and confirmed that the Company has maintained a balanced composition with a strong independent element on the Board.

Independent Non-executive Directors

The independent non-executive Directors actively participate in Board meetings to bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will take the lead where potential conflicts of interests of other Directors arise. They serve as members of various Board committees and will scrutinise the performance of the Group in achieving agreed corporate goals and objectives and monitor performance reporting.

Each of the independent non-executive Directors has submitted to the Company the annual confirmation of independence for the year ended 31 December 2019. The Nomination Committee has reviewed such annual confirmation of independence and assessed the independence of each of the independent non-executive Directors based on the guidelines set out in Rule 3.13 of the Listing Rules and considered that all the independent non-executive Directors are independent. The Board adopted the view of the Nomination Committee and confirmed that all the independent non-executive Directors are independent.

Appointments, Re-election and Removal of Directors

The appointment of a new Director is made on the recommendation by the Nomination Committee or by shareholders in a general meeting. Shareholders may propose a person for election as Director in accordance with the articles of association of the Company (the "**Articles of Association**"). For details, please refer to the section headed "Shareholders' Rights" below.

All Directors (including our non-executive Directors and independent non-executive Directors) are appointed for a specific term of three years under their service contracts or letters of appointment (as the case may be). Such term is subject to retirement by rotation and re-election at an annual general meeting of the Company in accordance with the Articles of Association. The Articles of Association provide that any Director who is appointed by the Board to fill a casual vacancy or as an additional member of the Board shall hold office only until the next following annual general meeting and shall be eligible for re-election.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least every three years and one-third (or if their number is not a multiple of three, the number nearest to but not less than one-third) of Directors shall retire from office every year at the Company's annual general meeting.

Pursuant to the CG Code, any further re-appointment of an independent non-executive Director, who has served the Board for more than nine years, will be subject to a separate resolution to be approved by shareholders.

Directors Continuous Training and Development Programme

To ensure that every newly appointed Director has a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities as a Director under all applicable laws and regulations, each Director will receive on appointment a comprehensive, formal and tailored induction and an orientation package containing the information with regard to the duties and responsibilities of Directors under the Listing Rules, relevant laws, regulatory requirements and policies of the Company.

Subsequently, continuous professional development training with relevant updated materials will be provided by the Company to all the Directors when necessary to keep them abreast of the latest changes and development in the legal, regulatory and commercial environment in which the Group operates to develop and refresh their knowledge and skills to facilitate the discharge of their responsibilities as a director of a listed company.

Pursuant to the requirements of the code provision set out in the CG Code, all Directors are required to provide to the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant.

The training record of each Director during the year is as follows:

Name of Directors	Continuous professional development programmes attended
Executive Directors	
Mr. Hao Hengle (Chairman)	Yes
Mr. Yao Wei	Yes
Mr. Lin Ge	Yes
Ms. Lin Dongna	Yes
Non-executive Directors	
Mr. He Jianfeng	Yes
Mr. Zhao Jun	Yes
Independent non-executive Directors	
Mr. Tan Jinsong	Yes
Mr. O'Yang Wiley	Yes
Mr. Lu Qi	Yes

The nature of training included briefing or training courses organised by the professional bodies, e-training introduced by the Stock Exchange and other updates relating to the latest development of applicable rules or businesses of the Company.

Supply of and Access to Information

During the year ended 31 December 2019, all Directors had been provided, on a monthly basis, with the updated management and financial information of the Group, giving them an opportunity to have a balanced and understandable assessment of the Group's latest performance, position and recent developments and facilitating them to discharge their duties under the relevant requirements of the Listing Rules.

Board Committees

The Board has established three Board committees with defined scope of duties in written form. These Board committees are the Audit Committee, the Remuneration Committee, and the Nomination Committee.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to obtain independent professional advice in appropriate circumstances at the expense of the Company if they consider necessary.

Audit Committee

The Audit Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at 31 December 2019, the Audit Committee comprised three members including two independent non-executive Directors, Mr. Tan Jinsong (chairman of the Audit Committee) and Mr. O'Yang Wiley, and one non-executive Director, Mr. Zhao Jun. Mr. Tan Jinsong is the independent non-executive Director who possesses the appropriate professional qualifications and accounting and financial management expertise. None of the members of the Audit Committee is a former partner of the auditor of the Company.

The Audit Committee is responsible for, among other things, reviewing and monitoring the integrity of the consolidated financial statements of the Group, reviewing the effectiveness of the risk management and internal control systems of the Group, reviewing the findings from the works carried out by the internal audit department and monitoring the effectiveness of the Group's internal audit function. The Audit Committee is also responsible for making recommendation to the Board on the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor. Before commencement of annual audit, the Audit Committee will discuss with the external auditor the nature and scope of audit, the significant risk analysis and the impact of the change in accounting policies on the financial statements of the Group. The Audit Committee is required to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

During the year ended 31 December 2019, the Audit Committee held three meetings with the Company's external auditor and duly discharged the above duties. The attendance record of individual Directors at the Audit Committee meetings is set out on page 60 of the annual report below.

The Audit Committee has reviewed the Group's 2019 consolidated financial statements, including the accounting principles and policies adopted by the Group, in conjunction with the Company's external auditor and recommended to the Board for approval of the consolidated financial statements for the year ended 31 December 2019.

The Board agreed with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the year 2020. The recommendation will be put forward for shareholders' approval at the forthcoming annual general meeting of the Company.

Auditor's Remuneration

For the year ended 31 December 2019, the remuneration paid/payable to PricewaterhouseCoopers, the Company's auditor, is set out as follows:

Service rendered	**Amount (RMB)**
Audit services:	
• Annual audit services	7,100,000
Non-audit services:	
• Accounting advisory services	400,000
• Others	625,000
Total	8,125,000

Remuneration Committee

The Remuneration Committee was established by the Board on 12 September 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. As at 31 December 2019, the Remuneration Committee comprised five members including three independent non-executive Directors, Mr. O'Yang Wiley (chairman of the Remuneration Committee), Mr. Tan Jinsong and Mr. Lu Qi, one executive Director, Mr. Hao Hengle, and one non-executive Director, Mr. Zhao Jun.

The Company has adopted the model set out in code provision B.1.2(c)(i) of the CG Code as its Remuneration Committee model under which the Remuneration Committee shall determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

The primary duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to review and determine, with delegated responsibilities and authorisation by the Board, the remuneration packages of individual executive Directors and senior management with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration of independent non-executive Directors;

4. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

5. to review and approve compensation payable to executive Directors and senior management for any loss of termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

6. to review and approve compensative arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

7. to ensure that no Directors or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2019, the Remuneration Committee held one meeting and duly discharged the above duties. The attendance of individual Directors at the Remuneration Committee meetings is set out set out on page 60 of the annual report below.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) by band for the year ended 31 December 2019 is as follows:

Remuneration band	Number of individuals
HK$4,500,001 to HK$5,000,000	1

Details of the Directors' emoluments for the year ended 31 December 2019 are set out in note 39 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with the CG Code. As at 31 December 2019, the Nomination Committee comprised three members including one executive Director, Mr. Hao Hengle (chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Tan Jinsong and Mr. Lu Qi.

The Nomination Committee is mainly responsible for reviewing the structure, size, composition of the Board at least annually, making recommendations to the Board on the appointment or re-appointment of Directors and assessing the independence of independent non-executive Directors.

The Nomination Committee held one meeting during the year ended 31 December 2019 and duly discharged the above duties. The attendance of individual Directors at the Nomination Committee meetings is set out set out on page 60 of the annual report below.

Directors' Attendance Record at Meetings

The number of Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meetings and annual general meeting of the Company held for the year ended 31 December 2019 and the attendance record and tenure of office of each individual Director are set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Number of Meeting(s) held	8	4	1	1	1
Executive Directors					
Mr. Hao Hengle (Chairman)	8/8	–	1/1	1/1	1/1
Mr. Yao Wei	8/8	–	–	–	1/1
Mr. Lin Ge	8/8	–	–	–	1/1
Ms. Lin Dongna	8/8	–	–	–	1/1
Non-executive Directors					
Mr. He Jianfeng	8/8	–	–	–	1/1
Mr. Zhao Jun	8/8	4/4	1/1	–	1/1
Independent non-executive Directors					
Mr. Tan Jinsong	8/8	4/4	1/1	1/1	1/1
Mr. O'Yang Wiley	8/8	4/4	1/1	–	1/1
Mr. Lu Qi	8/8	–	1/1	1/1	1/1

During the year ended 31 December 2019, the Chairman held one meeting with the independent non-executive Directors without the executive Directors present.

Company Secretary

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policies and procedures are duly followed. The Company Secretary reports to the Board through the Chairman on corporate governance matters while all Directors have access to the advice and services of the Company Secretary.

The Board has appointed Mr. Zeng Chaoming ("**Mr. Zeng**") and Ms. Chan Bo Shan ("**Ms. Chan**") as joint company secretaries of the Company. Both Mr. Zeng and Ms. Chan are full time employees of the Company and have day-to-day knowledge of the Company's affairs.

For the year ended 31 December 2019, the joint company secretaries of the Company had completed relevant professional training covering regulatory updates and knowledge about company secretarial duties.

Dividend Policy

The Company has adopted a policy on the payment of dividends (the "**Dividend Policy**") with effect from 1 January 2019.

According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the following factors:

(a) the Company's operating results, actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(e) the Group's expected working capital requirements, capital expenditure requirements, future expansion plans and any statutory fund reserve requirements;

(f) the Group's liquidity position;

(g) general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

Any declaration and payment of dividends under the Dividend Policy will be subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. In addition, the declaration and payment of dividends may be subject to legal restrictions or any applicable laws, rules and regulations and the Articles of Association of the Company.

For the Board's proposed payment of a final dividend for the year ended 31 December 2019, please refer to the paragraph headed "Final Dividend" in the "Directors' Report" section of this report.

Shareholders' Rights

The Company has only one class of shares, all holders of the ordinary shares in the issued share capital of the Company shall have the same rights.

1. Procedures for shareholders to send enquiries to the Company

Shareholders and other stakeholders may, at any time, send their enquiries or concerns to the Company in writing through the following contact details:

The Company's registered office in Hong Kong:	Suites 3906–3910, 39/F, Tower 6 The Gateway, Harbour City No. 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Email of Investor Relations:	investor@midea.com

2. Rights and procedures for shareholders to convene an extraordinary general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board, in accordance with the requirements and procedures set out in Article 64 of the Articles of Association. The written requisition must state the general nature of the business to be dealt with at the meeting and must be signed by the shareholder(s) concerned and deposited at the Company's registered office in Hong Kong.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the shareholder(s) concerned may do so in the same manner, and all reasonable expenses incurred by the shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the shareholder(s) concerned by the Company.

3. Procedures for shareholders to propose a person for election as a Director

Pursuant to Article 113 of the Articles of Association, if a shareholder wishes to propose a person other than a person recommended by the Board for election as a director at the general meeting, such shareholder, who must be entitled to attend and vote at such general meeting, should lodge a notice in writing of his or her intention to propose such person for election together with the notice signed by the proposed person of his or her willingness to be elected to the Company's registered office in Hong Kong for the attention of the Company Secretary. The nominating shareholder should also provide to the Company biographical details of the person he or she proposes to be elected as a director required under Rule 13.51(2) of the Listing Rules.

The notices should be given within the period commencing on the day after the despatch of the notice of the general meeting appointed for such election of directors and ending no later than 7 days prior to the date of such general meeting and such period shall be at least 7 days.

Upon receipt of the above notices after the despatch of the notice of the general meeting, the Company shall publish an announcement or issue a supplementary circular disclosing the particulars of the proposed director pursuant to Rule 13.51(2) of the Listing Rules prior to the general meeting in accordance with Rule 13.70 of the Listing Rules.

Communication with Shareholders

The Board believes that general meeting is an open forum for communication between the Board and the shareholders. Shareholders are encouraged to attend general meetings of the Company and give valuable advice to the Company through this direct communication platform. The Company will convene an annual general meeting every year and convene any other general meetings as required. Sufficient notice for annual general meeting and other general meetings will be given to shareholders in compliance with the requirements of the Articles of Association, the Listing Rules and applicable laws and regulations. The Chairman of the Board will attend annual general meeting and invite the chairman of Audit Committee, Remuneration Committee, Nomination Committee and other Board Committees, in their absence, other members of these Board Committees, to attend annual general meeting. They will be available to answer questions raised by shareholders at annual general meeting. The chairman or other members of the independent board committee (if any) will be available to answer questions at any general meetings for the approval of connected transaction(s) or any other transaction(s) by independent shareholders. External auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

To facilitate enforcement of shareholders' rights, substantially different issues are dealt with under separate resolutions at general meetings of the Company.

Annual and interim reports and any significant events of the Company fall to be disclosed in accordance with the disclosure requirements under the Listing Rules and other applicable regulatory requirements will be published in a timely manner through the Company's website so as to safeguard the shareholders' rights of information.

The Company's website provides timely and updated information on investor relations, corporate governance and other latest news of the Company to enable shareholders and investors to have timely access to information about the Group.

The designated staff are responsible for handling the communications with our investors, they will regularly organise road shows and one-on-one meetings with institutional investors and financial analysts to promote better understanding of the Company and keep continuous dialogues with professional investors.

The Company has established the shareholders communication policy which is available on the Company's website.

Constitutional Documents

There were no changes in the Company's Memorandum and Articles of Association during the year ended 31 December 2019.

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledged their responsibility for the preparation of the consolidated financial statements of the Company which give a true and fair view of the state of affairs of the Group on a going concern basis in accordance with Hong Kong Financial Reporting Standards and the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

The statements of the Directors and the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 78 to 83 of this annual report.

Risk Management and Internal Control

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly. The Board acknowledges its responsibility for maintaining effective risk management and internal control systems of the Group and reviewing the effectiveness of these systems. The Company adopts risk management and internal control systems to enhance the accountability and communication of identified risks with management, measure the impact of the identified risks and facilitate implementation of mitigation measures proactively. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage, but not eliminate, risks of failure in achieving the Group's objective.

Risk Management and Internal Control Systems

The Group's risk management and internal control systems include a defined structure with specified limits of authority and responsibility. Each of the business departments acts as the primary unit of risk prevention and control, responsible for the implementation of daily risk management and internal controls, identification and collection of internal and external risk information and assisting the auditing and risk control centre in performing regular risk assessments. The senior management is responsible for setting appropriate principles and values, performing risk assessments, owning the design, implementation and maintenance of internal controls, as well as giving confirmation to the Board on the effectiveness of the risk management and internal controls. The Board and the Audit Committee oversee the actions of the management and monitor the overall effectiveness of the control systems.

Particular features of our risk management system include the following:

- Our risk management process begins with identifying the major risks associated with our corporate strategies, goals and objectives. We have established a three-level matrix-structured risk management system. The operational department at each level of the Group, the regional level companies and the city-level companies are required to report the identified potential risks both to the higher levels and to responsible persons at the same level. Under the guidance and instruction from the higher levels, each operational department makes and executes the mitigation plan paired with each risk identified. For example, with respect to our financial risks, our finance department, together with the audit department and other relevant departments, shall follow the manuals regarding cost control, settlement auditing and investment management, conduct monthly risk analyses, and prepare monthly financial risk reports including risk profiles and proposed risk control measurements for our management and the Chairman to review.

- For particular operational and market risks, control measures are adopted at an operational level. For example, for major construction risks, we engage qualified construction contractors with strict contractual requirements and continue to build and improve our all-rounded professional supplier evaluation mechanism to evaluate their performance. Quantitative indicators are adopted for appraisal measurement to oversee their routine operations. For significant safety risks, a four-level safety monitoring and control framework is in place. We employ full-time and part-time safety inspectors from headquarters, regions, cities and projects and keep on building our training mechanisms on safety systems, standardisation of documents, practice guidelines and culture education. In the meantime, we utilise the digital platforms and smart construction sites to boost our productivity and further improve our closed-off measures at the construction sites.

- We will enforce strict control and accountability policies and manuals at an individual employee level as well. Our policies and manuals will be updated consistently based on our operational needs. We will seek to maintain a corporate culture with a high level of responsibility, integrity and reliability to manage our operational and market risks.

- We will also carry out regular (at least once a year) internal assessments and training to ensure our employees are equipped with sufficient knowledge on such policies and guidelines.

During the year ended 31 December 2019, the Group had engaged an external internal control consultant to review the Group's risk management and internal control systems. The Group performed evaluation on top ten risks, updated the risk evaluation standards and risk databases, prioritised and ranked the identified risks in accordance with the risk occurrence and significance, and determined the significant risks which need to be addressed in top priority by integrating the risk tolerance with response measures and improvement plans developed, as well as reported to the Audit Committee the evaluation results and the implementation of control measures considering, among others, the changes in external market environment and internal operating environment and the business development progress. The Group had considered and adopted or will adopt recommended measures by the external consultant to ensure ongoing compliance and enhance its internal control measures where appropriate.

Internal Audit

The Company maintains its own internal audit function which is responsible for:

- providing the Board with an independent and objective review of the effectiveness of the Group's risk management and internal control systems;
- conducting audit processes and supporting the Board in improving the Group's risk management and internal control systems; and
- conducting independent investigations in respect of certain allegations of fraud and violations of the Group's code of conduct and other company policies.

The internal auditor has unrestricted access to all corporate operations, records, data files, computer programmes, property, personnel and is authorised to communicate directly with the Chairmen of the Board and the Audit Committee and other Board members as necessary.

During the year ended 31 December 2019, the internal auditor developed an audit plan that prioritises areas with significant risks or deemed to be strategic to the business of the Company. The audit plan is reviewed by the Audit Committee and may be modified to reflect changes to business plans if necessary. The internal auditor has also issued reports to cover significant control issues, monitored the status of implementation plans resulting from audit findings and reported progress to the Audit Committee.

Risk Management Approach

Our approach to risk management is to identify current risk exposures and manage them so that they can be understood, controlled or mitigated. All business functions are required to identify material risks that may impact their strategy and business objectives. They also aim to identify, assess, evaluate and mitigate operational risks. Many aspects of risks are considered, including but not limited to business continuity, financial impact, reputational risk, safety and health, external regulations and social responsibility.

Senior management is responsible for coordinating the risks identified and ensuring that the key risks, as well as strengths and weaknesses of the overall risk management and internal control systems are reported to the Board and the Audit Committee, along with action plans to manage these risks and weaknesses.

During the year ended 31 December 2019, the Group was committed to continually improving the risk management framework and capabilities and shall continue on this path, with enhanced integration of risk management and internal control into our business processes. Details of some of the key risks can be found under "Principal Risks and Uncertainties" on page 26 of this annual report.

Inside Information

The Company is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules. During the year ended 31 December 2019, the Company has implemented procedures and internal controls for the handling and dissemination of inside information, including:

- having its own procedures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;
- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and
- conducting its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012.

Review of the Risk Management and Internal Control Systems

During the year ended 31 December 2019, the Board has reviewed the effectiveness of the risk management and internal control systems of the Group. The review covers material control, including operational, risk management, and the adequacy of resources, qualification and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training and budget. The review was made by discussions with the management, the Audit Committee, Company's external and internal auditors, and the external internal control consultant. The Board has also received a letter from the management confirming the effectiveness and adequacy of the Group's risk management and internal control systems. Accordingly, the Board is satisfied that the Company has fully complied with the code provisions on risk management and internal control as set forth in the CG Code.

The Directors have the pleasure in presenting their annual report together with the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2019

Principal Activities, Performance and Business Review

The principal activity of the Company is investment holding. The Group consists of three principal business segments: (1) property development and sales; (2) property management services; and (3) investment and operation of commercial properties.

An analysis of the Group's performance for the year by principal business segments is set out in note 5 to the consolidated financial statements.

Further discussion and analysis of the activities, the key performance indicators of the Group, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Financial Overview", "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 2 to 3 and pages 10 to 26 of this annual report. The environmental and social matters that have a significant impact on the Group will be disclosed in the Environmental, Social and Governance Report to be issued separately under Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules.

Results

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 84.

Final Dividend

The Board has recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2019 (2018: HK$1.2253 per share). Subject to the approval of the shareholders of the Company at the annual general meeting of the Company to be held on 29 May 2020 (the "**AGM**"), the proposed final dividend will be paid on or about 10 July 2020 to the shareholders whose names appear on the register of members of the Company on 19 June 2020.

Closure of Register of Members

For the purpose of ascertaining the shareholders' rights of attending and voting at the AGM, the register of members of the Company will be closed from 26 May 2020 to 29 May 2020, both days inclusive, during which period no transfer of shares shall be effected. In order to be entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 May 2020.

For the purpose of determining the identity of shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from 18 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 June 2020.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

Pre-emptive Rights and Tax Relief

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

Reserves

Details of movements in reserves of the Company and the Group during the year are set out in notes 38 and 26 respectively to the consolidated financial statements.

As at 31 December 2019, the Company had distributable reserves amounting to RMB8,609,255,000 (2018: RMB9,074,312,000).

Property, Plant and Equipment

Details of movement in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Intangible Assets

Details of movement in intangible assets of the Group during the year are set out in note 18 to the consolidated financial statements.

Investment Properties

During the year, the fair value gains of the Group's investment properties amounted to RMB198,450,000 and have been recognised directly in the consolidated financial statements.

Details of movement in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

Issuance of Bonds

Details of the outstanding bonds of the Group are set out in note 27 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings are set out in note 28 to the consolidated financial statements.

Interest Capitalised

Interest and other borrowing costs capitalised of the Group during the year are set out in note 9 to the consolidated financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 186. This summary does not form part of the audited consolidated financial statements.

Use of Proceeds from IPO

Please refer to the "Management Discussion and Analysis" section set out on pages 25 to 26 for the details of the use of proceeds from IPO.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

Directors

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

Executive Directors

Mr. Hao Hengle (Chairman)
Mr. Yao Wei
Mr. Lin Ge
Ms. Lin Dongna

Non-executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent non-executive Directors

Mr. Tan Jinsong
Mr. O'Yang Wiley
Mr. Lu Qi

In accordance with the Company's Articles of Association, Mr. Hao Hengle, Mr. He Jianfeng and Mr. Tan Jinsong will retire as Directors of the Company and, being eligible, offer themselves for re-election at the AGM.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this report.

Directors' Service Contracts

None of the Directors proposed for re-election at the AGM has a service contract or letter of appointment (as the case may be) with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Nomination Policy

The nomination policy of the Company sets out the key selection criteria and principles of the Nomination Committee in making recommendations to the Board on the appointment of Directors, and succession planning for Directors, to ensure the Board has a balance of skills, experience and diversity of perspectives (including without limitation, gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service) appropriate to the requirements of the Company's business.

Remuneration Policy

The remuneration policy of the Company is set on the principles that the remuneration packages of employees should be determined based on the job duties, responsibilities, work performance, qualifications and competence of each individual employee, performance of the Group and the prevailing market and economic conditions in order to attract and retain high-calibre employees needed to run the Group successfully.

The remuneration packages of executive Directors and senior management of the Company are reviewed annually and determined by the Remuneration Committee based on the duties, responsibilities of each individual executive Director and senior management staff, performance of the Group and the remuneration packages paid by comparable companies in the same industry based on the prevailing market conditions. No Director or any of his/her associates will be involved in deciding his/her own remuneration. Remuneration of independent non-executive Directors will be reviewed annually and recommended by the Remuneration Committee to the Board for final approval.

The Board has proposed to adopt a share option scheme in the upcoming annual general meeting to be held on 29 May 2020. The options under the share option scheme, if adopted, will be granted to certain eligible participants in recognition of their contributions and to incentivise and maintain a long term relationship with them. Please refer to the Company's annual general meeting circular for details.

Pension Schemes

Details of the pension schemes operated by the Group are set out in note 2.28 to the consolidated financial statements.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as otherwise disclosed under the section "Continuing Connected Transactions", there were no other transactions, arrangements or contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year.

Indemnity of Directors and Officers

Pursuant to the Company's Articles of Association, every Director and officer of the Company shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution or holding of his/her office or otherwise in relation thereto. Such provisions were in force during the course of the financial year ended 31 December 2019 and remained in force as at the date of this annual report.

Directors' and Officers' Liability Insurance

Directors' and officers' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

Directors' Rights to Acquire Shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

Equity-Linked Agreements

During the year, the Company had not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2019.

Disclosure of Interests

Directors' Interests

Save as disclosed below, as at 31 December 2019, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company contained in the Listing Rules:

Long Position in the Shares of the Company

Name	Beneficial owner	Family interests	Corporate interests	Total	Approximate percentage of shareholding (Note 2)
Mr. He Jianfeng (Note 1)	–	1,000,000,000	–	1,000,000,000	81.26%

Notes:

1. Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu Deyan, a controlling shareholder of the Company. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO.

2. The percentage has been compiled on the basis of 1,230,567,000 shares of the Company in issue as at 31 December 2019.

Save as disclosed above, at no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

Substantial Shareholders' Interests

Save as disclosed below, as at 31 December 2019, the Directors and chief executive of the Company were not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in the Shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of shareholding (Note 4)
Midea Development Holding (BVI) Limited	Beneficial owner	940,000,000	76.39%
Ms. Lu Deyan (Note 1)	Interests of controlled corporations	1,000,000,000	81.26%
Mr. He Xiangjian (Note 2)	Interest held jointly with another person	1,000,000,000	81.26%
Mr. He Jianfeng (Note 3)	Interest of spouse	1,000,000,000	81.26%

Notes:

1. Ms. Lu Deyan ("**Ms. Lu**") holds the entire equity interest in each of Midea Development Holding (BVI) Limited ("**Midea Development (BVI)**"), Midea Ever Company Limited ("**Midea Ever**") and Midea Field Company Limited ("**Midea Field**"). Midea Development (BVI), Midea Ever and Midea Field held 940,000,000, 30,000,000 and 30,000,000 shares of the Company, respectively. Therefore, Ms. Lu is deemed to be interested in the shares of the Company held by Midea Development (BVI), Midea Ever and Midea Field by virtue of the SFO.

2. Mr. He Xiangjian ("**Mr. He**") and Ms. Lu are parties acting-in-concert. Therefore, Mr. He is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO. However, as confirmed by Mr. He and Ms. Lu in the deed of acting-in-concert dated 14 May 2018 entered into between Mr. He and Ms. Lu, Mr. He does not hold any economic interest (including the right to dividend) in the Group.

3. Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO.

4. The percentage has been compiled on the basis of 1,230,567,000 shares of the Company in issue as at 31 December 2019.

Non-Competition Deed

On 12 September 2018, our controlling shareholders, namely Midea Development (BVI), Ms. Lu and Mr. He, (collectively, the "**Controlling Shareholders**" and each, a "**Controlling Shareholder**") entered into a non-competition deed in favour of the Company (the "**Non-Competition Deed**"). Pursuant to the Non-Competition Deed, each of the Controlling Shareholders has, among other things, irrevocably and unconditionally undertaken not to compete with the business or investment activities of the Group in Mainland China and Hong Kong.

In compliance with the requirement of the Non-Competition Deed, each of the Controlling Shareholders has submitted to the Company an annual declaration confirming that the Controlling Shareholder and its/her/his close associates (other than members of the Group) (as defined in the Listing Rules) have complied with all the provisions of the Non-Competition Deed during the year (the "**Declaration**"). The independent non-executive Directors have reviewed the Declaration and are satisfied with the compliance by the Controlling Shareholders and its/her/his close associates with the provisions of the Non-competition Deed and the enforcement of the Non-competition Deed.

Specific Performance Obligations on the Controlling Shareholders

The following disclosure is made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

On 21 June 2019, Midea Construction (Hong Kong) Limited, an indirectly wholly-owned subsidiary of the Company (as borrower), the Company (as listing guarantor) and five of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with a syndicate of financial institutions in respect of a three-year term loan facility of HK$2.9 billion (the "**Loan**").

Pursuant to the provisions of the facility agreement, if (i) Ms. Lu and/or Mr. He (taking into account their combined shareholdings) jointly do not or cease to, remain as the single largest shareholder of the Company or maintain (directly or indirectly) not less than 51% of all beneficial shareholding interests in the issued share capital and management control of the Company; and/or (ii) Mr. He, Ms. Lu and Midea Development (BVI) collectively cease to, maintain the power to the exercise of 30% or more of the voting rights at general meetings of the Company, or cease to be the controlling shareholders of the Company as such term is used under the Listing Rules, it would constitute an event of default upon which the financial institutions may, among other things, require repayment of all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding.

Directors' Interest in Competing Businesses

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group ("**Competing Business**") as required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

The Group consists of three principal business segments:

(1) property development and sales;

(2) property management services; and

(3) investment and operation of commercial properties, including property leases, hotel operations and cultural-tourism project.

Name of Director	Name of Company	Nature of Interest	Competing Business
Mr. He Jianfeng	Midea Holding Co., Ltd.	President	Hotel
Mr. Zhao Jun	Midea Holding Co., Ltd.	Executive president	Hotel
	Foshan Shunde Junlan Holding Development Company Limited	Director, chairman and general manager	Hotel

Midea Holding Co., Ltd. ("**Midea Holding**") is directly wholly-owned by the controlling shareholders of the Company, Mr. He and Ms. Lu, which owns and operates high-end hotels through certain indirectly wholly-owned subsidiaries, of which one is Foshan Shunde Junlan Holding Development Company Limited.

Hotel investment and operations is not the main stream business of Midea Holding and the Group. Our focus is to develop high-quality residential properties with respect to property development and sales. In order to diversify our earnings, we also engage in the investment and operations of economy and cultural-tourism theme hotels. The target customers of these economy and theme hotels are designed for business travellers and tourists in the resort, respectively, which can be distinguished from that of the luxury hotels owned and operated by Midea Holding. Moreover, the Board is independent from the board of directors of Midea Holding, and Mr. He Jianfeng and Mr. Zhao Jun cannot personally control the Board. Further, they are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and its shareholders as a whole.

In light of the above, we are of the view that the hotel investment and operations business of Midea Holding has limited competition, either directly or indirectly, with the Group's business and is disclosed for information only.

Save as disclosed above, none of the Directors was interested in any business apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group for the year ended 31 December 2019.

Management Contracts

No contracts other than employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Controlling Shareholders' Interests in Contracts

Save as otherwise disclosed under the section "Continuing Connected Transactions", there was no other contract of significance entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the year.

Major Customers and Suppliers

The main customers of our residential and commercial properties are individual buyers and corporate entities. For the year ended 31 December 2019, revenue generated from the Group's five largest customers accounted for approximately 0.25% of the Group's revenue for the year and revenue generated from the largest customer amounted to approximately 0.05% of the Group's revenue for the year.

For the year ended 31 December 2019, purchases from the Group's five largest suppliers accounted for approximately 12.42% of the Group's total purchases excluding land purchase for the year and purchases from the largest supplier amounted to approximately 4.57% of the Group's total purchases excluding land purchase for the year. All of our five largest suppliers were construction companies or equipment suppliers engaged by us.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and suppliers of the Group.

Sustainable Development

The Group believes that the sustainable development of a corporation not only depends on the sound management on the environment and natural resources, but also relies on the construction of a harmonious employment environment, the secured and healthy operation with its customers and suppliers and the active response to community needs.

To demonstrate its commitment to the environment and accountability to the interests of its stakeholders, which include employees, customers and suppliers, the Company will issue separately an Environmental, Social and Governance Report under Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules.

Continuing Connected Transactions

During the year, the Group had the following continuing connected transactions not exempted under Chapter 14A of the Listing Rules:

Smart Home Technology Products Framework Purchase Agreement

On 12 September 2018, the Company entered into a framework purchase agreement (the "**Smart Home Technology Products Framework Purchase Agreement**") for a term of commencing from 11 October 2018 to 31 December 2020 (both days inclusive) with Midea Group Co., Ltd. ("**Midea Group Company**") to govern the terms and conditions of the transactions between the Group and Midea Group Company and its subsidiaries ("**Media Group**") in connection with the provision of the household appliances, including kitchen appliances, water heating machines, water purification equipment, washing machines and air condition machines, and Smart Home technology products, including smart household appliances (such as kitchen appliances and restroom appliances), security monitoring products and smart entertainment products (collectively, the "**Smart Home Technology Products**") to the Group.

Midea Group Company is a company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange. It is held as to approximately 31.73% by Midea Holding, which in turn is held by our controlling shareholders of the Company, Mr. He and Ms. Lu, as to approximately 94.55% and 5.45%, respectively. Therefore, Midea Group Company is a connected person of the Company.

Pursuant to the Smart Home Technology Products Framework Purchase Agreement, Midea Group Company agreed to provide the Smart Home Technology Products to the Group according to the separate agreements in respect of each of the transactions to be entered into by the relevant members of the Group with the relevant members of Midea Group from time to time.

The transactions contemplated under the Smart Home Technology Products Framework Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The following table sets out the transaction amount of the aforesaid continuing connected transactions of the Group during the year and the relevant approved annual cap for 2019:

Transactions	**Annual cap for 2019 RMB'000**	**Transaction amount for the year ended 31 December 2019 RMB'000**
Purchase of the Smart Home Technology Products from Midea Group	**145,000**	**106,711**

The independent non-executive Directors have reviewed the continuing connected transactions of the Group during the year and confirmed that the continuing connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or better; and
3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board engaged PricewaterhouseCoopers, the auditor of the Company, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group disclosed above in accordance with Rule 14A.56 of the Listing Rules. The auditor has confirmed to the Board that nothing has come to their attention that causes them to believe the continuing connected transactions of the Group for the year ended 31 December 2019 as disclosed above:

1. have not been approved by the Board;
2. were not, in all material respects, in accordance with the pricing policy of the Group for transactions involving the provision of goods or services by the Group;
3. were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
4. have exceeded the amounts of annual cap in respect of the aforesaid continuing connected transactions.

A copy of the auditor's letter on continuing connected transactions of the Group for the year ended 31 December 2019 has been provided by the Company to the Stock Exchange. The Company confirmed that it has complied with the disclosure requirements with respect to the above-mentioned continuing connected transactions of the Group in accordance with Chapter 14A of the Listing Rules.

Disclosure under Rule 14A.72 of the Listing Rules

The continuing connected transactions contemplated under the Smart Home Technology Products Framework Purchase Agreement constitute related party transactions under the Hong Kong Financial Reporting Standards. The related party transactions entered into between the Group and entities controlled by the ultimate controlling parties and/or certain directors during the year as set out in note 34(a)(i) and 34(a)(ii) to the consolidated financial statements also constitute connected transactions or continuing connected transactions but are exempt from the reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company has complied with applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of the aforesaid related party transactions and save for these transactions, there are no other related party transactions set out in note 34 to the consolidated financial statements which constitute connected transactions or continuing connected transactions.

Compliance with Laws and Regulations

The Group has complied with applicable laws, rules and regulations that have a significant impact on the Group. The Directors were not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the operation of the Group during the year.

Compliance with the Model Code and the Corporate Governance Code

Please refer to the Corporate Governance Report set out on pages 52 to 66 for the compliance with the Model Code and the Corporate Governance Code.

Public Float

As announced by the Company on 5 November 2018, the Stock Exchange had previously granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules and the Company's minimum public float was 16.01% of the total issued share capital of the Company following the completion of the issue and allotment by the Company of the over-allotment shares pursuant to the over-allotment option.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Directors confirmed that the Company has maintained sufficient public float as required under the Listing Rules.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming AGM.

Subsequent Events

Please refer to the "Management Discussion and Analysis" section set out on pages 24 to 25 for the details of the subsequent events after the reporting period.

By order of the Board
Midea Real Estate Holding Limited
Hao Hengle
Chairman, Executive Director and President

Hong Kong, 30 March 2020

羅兵咸永道

To the Shareholders of Midea Real Estate Holding Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Midea Real Estate Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 185, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of properties over time
- Assessment of net realisable value of properties under development and completed properties held for sale

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time	
Refer to note 4 'Critical accounting estimates and judgements' and note 5 'Revenue and segment information' to the consolidated financial statements. Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2019, revenue of the Group from sales of properties was RMB40,430,577,000, of which RMB11,543,826,000 was recognised over time. The Group cannot change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. In assessing whether the Group has an enforceable right to payment for its sales contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right.	To address this key audit matter, we performed audit procedures as follows: In assessing the appropriateness of management's judgements as to whether the Group has the enforceable right to payment in those sales contracts recognised over time, we have: (i) Understood and evaluated management's procedures in identifying sales contracts with or without right to payment. (ii) Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms. (iii) Obtained and reviewed the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment. (iv) Assessed the competence, experience and objectivity of the legal counsel engaged by the management.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time (Continued)	
In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end. Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.	In respect of the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have performed the following procedures on a sample basis: (i) Compared the actual development costs of completed projects to management's prior estimations of total development costs to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology. (ii) Understood, evaluated and tested the internal controls over the generation of cost data of the project and property unit. (iii) Assessed the reasonableness of the basis for the allocation of common costs among project units. (iv) Assessed the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual completed projects and property units, taking into account the type of properties and saleable floor areas. (v) Compared the estimated total development costs of the project and property unit under development to the budget approved by management. (vi) Tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable. (vii) Checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit. We found that the significant judgements and estimations used in determining whether the Group has the enforceable right to payment, and the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end were supportable by available evidence.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of net realisable value of properties under development and completed properties held for sale	
Refer to note 4 'Critical accounting estimates and judgements', note 19 'Properties under development' and note 20 'Completed properties held for sale' to the consolidated financial statements. The properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to RMB145,367,517,000 and RMB8,767,493,000 respectively as at 31 December 2019, which in total accounted for approximately 62% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV"). Based on management's assessment on the NRV of PUD and PHS, write-downs of RMB1,611,166,000 was made against the carrying amounts of the PUD and PHS as at 31 December 2019. Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, costs necessary to make the sale and, for PUD, the costs to completion. Given the significant balances of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.	We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows: (i) Compared the relevant PUD and PHS balances, as at 31 December 2019, on a sample basis, against the result of management's NRV assessment made in the prior year to assess, with hindsight, the accuracy of management's historical NRV assessment and reliability and appropriateness of the NRV assessment methodology. (ii) Tested management's key estimates, on a sample basis, for: • Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location. • Costs necessary to make the sale are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average costs necessary to make the sale to revenue ratio of the Group in recent years. • Estimated costs to completion for PUD. We reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. (iii) Checked the mathematical accuracy of the calculations of the NRV and write-downs of PUD and PHS as at 31 December 2019. We found the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael WH. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5	**41,138,570**	30,119,811
Cost of sales	6	**(28,131,087)**	(20,265,888)
Gross profit		**13,007,483**	9,853,923
Other income and gains — net	7	**1,137,243**	694,814
Selling and marketing expenses	6	**(2,540,686)**	(1,533,913)
Administrative expenses	6	**(3,695,200)**	(2,285,191)
Net impairment losses on financial assets		**(5,578)**	(34,297)
Operating profit		**7,903,262**	6,695,336
Finance income	9	**206,040**	183,097
Finance costs	9	**(53,956)**	(127,872)
Finance income — net	9	**152,084**	55,225
Share of results of joint ventures and associates	14	**325,362**	(93,374)
Profit before income tax		**8,380,708**	6,657,187
Income tax expenses	10	**(4,054,099)**	(3,370,318)
Profit for the year		**4,326,609**	3,286,869
Profit attributable to:			
Owners of the Company		**4,305,164**	3,209,997
Non-controlling interests		**21,445**	76,872
Total comprehensive income for the year		**4,326,609**	3,286,869
Total comprehensive income attributable to:			
Owners of the Company		**4,305,164**	3,209,997
Non-controlling interests		**21,445**	76,872
		4,326,609	3,286,869
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	11	**3.61**	3.08

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

		As at 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,199,369**	836,712
Investment properties	16	**1,737,291**	690,660
Land use rights	2.2	**–**	456,274
Right-of-use assets	17	**529,632**	–
Intangible assets	18	**146,719**	35,084
Properties under development	19	**2,670,275**	5,685,753
Investments in joint ventures	14(a)	**6,074,679**	1,023,571
Investments in associates	14(b)	**4,685,994**	841,896
Finance lease receivables		**26,421**	–
Deferred income tax assets	13	**2,333,448**	918,603
		19,403,828	10,488,553
Current assets			
Inventories		**49,270**	8,327
Contract assets and contract acquisition costs	5	**1,496,830**	1,429,912
Properties under development	19	**142,697,242**	103,913,613
Completed properties held for sale	20	**8,767,493**	4,384,344
Trade and other receivables	21	**36,205,754**	19,545,931
Prepaid taxes		**12,244,457**	9,758,793
Financial assets at fair value through profit or loss	22	**1,913,355**	1,256,498
Restricted cash	23	**7,697,191**	8,028,121
Term deposits with initial terms of over three months	24	**141,159**	3,065,866
Cash and cash equivalents	24	**19,097,265**	15,439,152
		230,310,016	166,830,557
Total assets		**249,713,844**	177,319,110
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	25	**9,465,989**	8,787,079
Other reserves	26	**1,875,120**	1,293,695
Retained earnings	26	**8,308,530**	6,076,085
		19,649,639	16,156,859
Non-controlling interests		**11,488,654**	7,427,577
Total equity		**31,138,293**	23,584,436

		As at 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	27	**8,049,059**	2,434,318
Bank and other borrowings	28	**37,466,454**	30,473,817
Lease liabilities	17	**199,662**	–
Deferred income tax liabilities	13	**1,548,454**	1,560,795
		47,263,629	34,468,930
Current liabilities			
Contract liabilities	5	**84,891,715**	55,929,397
Corporate bonds	27	**2,437,720**	3,499,268
Bank and other borrowings	28	**6,698,484**	13,101,903
Lease liabilities	17	**49,830**	–
Trade and other payables	29	**71,823,898**	43,502,042
Current income tax liabilities		**5,410,275**	3,233,134
		171,311,922	119,265,744
Total liabilities		**218,575,551**	153,734,674
Total equity and liabilities		**249,713,844**	177,319,110

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 84 to 185 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

		Attributable to owners of the Company					
	Note	Share capital and premium RMB'000 (note 25)	Other reserves RMB'000 (note 26)	Retained earnings RMB'000 (note 26)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		6,000,209	868,870	3,314,600	10,183,679	1,981,101	12,164,780
Comprehensive income							
Profit for the year		–	–	3,209,997	3,209,997	76,872	3,286,869
Total comprehensive income for the year		–	–	3,209,997	3,209,997	76,872	3,286,869
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves		–	433,152	(433,152)	–	–	–
Non-controlling interests arising from business combination		–	–	–	–	782,670	782,670
Acquisition of subsidiaries which do not contain a business		–	–	–	–	1,533,955	1,533,955
Capital injections from non-controlling interests		–	–	–	–	3,038,845	3,038,845
Business combination under common control		–	(4,321)	–	(4,321)	–	(4,321)
Additional investments in subsidiaries		–	(19,366)	–	(19,366)	14,134	(5,232)
Issue of shares in connection with the Listing	25	2,856,409	–	–	2,856,409	–	2,856,409
Share issuance costs	25	(69,539)	–	–	(69,539)	–	(69,539)
Stock dividends paid by a subsidiary		–	15,360	(15,360)	–	–	–
Total transactions with owners		2,786,870	424,825	(448,512)	2,763,183	5,369,604	8,132,787
Balance at 31 December 2018		8,787,079	1,293,695	6,076,085	16,156,859	7,427,577	23,584,436
Balance at 1 January 2019		**8,787,079**	**1,293,695**	**6,076,085**	**16,156,859**	**7,427,577**	**23,584,436**
Comprehensive income							
Profit for the year		**–**	**–**	**4,305,164**	**4,305,164**	**21,445**	**4,326,609**
Total comprehensive income for the year		**–**	**–**	**4,305,164**	**4,305,164**	**21,445**	**4,326,609**
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves		**–**	**790,716**	**(790,716)**	**–**	**–**	**–**
Disposal of subsidiaries	36	**–**	**–**	**–**	**–**	**(2,017,038)**	**(2,017,038)**
Dividends paid to shareholders		**–**	**–**	**(1,282,003)**	**(1,282,003)**	**–**	**(1,282,003)**
Non-controlling interests arising from business combination	37	**–**	**–**	**–**	**–**	**199,391**	**199,391**
Acquisition of subsidiaries which do not contain a business		**–**	**–**	**–**	**–**	**605,972**	**605,972**
Capital injections from non-controlling interests		**–**	**–**	**–**	**–**	**5,731,301**	**5,731,301**
Placing of shares	25	**678,910**	**–**	**–**	**678,910**	**–**	**678,910**
Acquisition of additional interest of subsidiaries	33	**–**	**(209,223)**	**–**	**(209,223)**	**(486,086)**	**(695,309)**
Disposal of ownership interests in subsidiaries without change of control	33	**–**	**(68)**	**–**	**(68)**	**6,092**	**6,024**
Total transactions with owners		**678,910**	**581,425**	**(2,072,719)**	**(812,384)**	**4,039,632**	**3,227,248**
Balance at 31 December 2019		**9,465,989**	**1,875,120**	**8,308,530**	**19,649,639**	**11,488,654**	**31,138,293**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30	**8,367,267**	(11,023,866)
Income tax paid		**(4,705,359)**	(2,929,271)
Interest paid		**(3,066,320)**	(2,661,872)
Net cash generated from/(used in) operating activities		**595,588**	(16,615,009)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	37	**(354,604)**	(633,195)
Proceeds from disposal of subsidiaries, net of cash disposed of	36	**(1,711,149)**	(9,074)
Purchases of property, plant and equipment		**(200,922)**	(141,744)
Purchases of land use right for own-used properties		**(40,891)**	(54,838)
Purchases of intangible assets	18	**(48,682)**	(25,211)
Investments in joint ventures		**(2,406,711)**	(322,254)
Investments in associates		**(3,801,015)**	(652,813)
Proceeds from disposal of joint ventures and associates		**6,394**	4,670
Advances to joint ventures and associates		**(11,220,773)**	(214,180)
Repayment of advances to joint ventures and associates		**5,116,313**	4,136,267
Proceeds from disposal of property, plant and equipment and investment properties	30	**132,419**	8,513
Decrease/(increase) in term deposits with initial terms of over three months		**2,924,707**	(2,944,944)
Payments for financial assets at fair value through profit or loss		**(30,411,025)**	(28,774,504)
Proceeds from disposal of financial assets at fair value through profit or loss		**30,000,000**	28,167,292
Interest received		**206,040**	183,097
Net cash used in investing activities		**(11,809,899)**	(1,272,918)
Cash flows from financing activities			
Capital injections from non-controlling interests		**5,731,301**	3,038,845
Net proceeds from placing of shares	25	**678,910**	–
Issue of shares in connection with the Listing	25	**–**	2,856,409
Payments for acquisition of additional interests in subsidiaries		**(267,082)**	(5,232)
Proceeds from disposal of interests in subsidiaries without loss of control	33	**6,024**	–
Proceeds from bank and other borrowings	30	**36,831,030**	42,321,163
Repayments of bank and other borrowings	30	**(31,611,718)**	(33,632,782)
Payments for share issuance costs	25	**–**	(69,539)
Proceeds from corporate bonds	30	**8,042,764**	2,433,060
Repayment of corporate bonds	30	**(3,500,000)**	–
Principal elements of lease payments	30	**(89,709)**	–
Advances/(repayments of advances) from related parties controlled by the Ultimate Controlling Parties	30	**303,273**	(3,735,395)
Dividends paid to shareholders		**(1,282,003)**	–
Net cash generated from financing activities		**14,842,790**	13,206,529
Net increase/(decrease) in cash and cash equivalents		**3,628,479**	(4,681,398)
Cash and cash equivalents at beginning of the year		**15,439,152**	19,917,383
Exchange gains on cash and cash equivalents		**29,634**	203,167
Cash and cash equivalents at end of the year	24	**19,097,265**	15,439,152

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. General information

The Company was incorporated in the Cayman Islands on 29 November 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in property development and sales, property management services and investment and operation of commercial properties in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 2018 (the "Listing").

The ultimate holding company of the Company is Midea Development Holding (BVI) Limited ("Midea Development (BVI)"), and the ultimate controlling parties of the Company are Mr. He Xiangjian (何享健, "Mr. He") and Ms. Lu Deyan (盧德燕, "Ms. Lu") (the "Ultimate Controlling Parties").

These consolidated financial statements for the year ended 31 December 2019 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2020.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group.

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Companies Ordinance Cap.622 ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with all applicable HKFRS and the disclosure requirements of the HKCO.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (financial assets at "FVPL") and investment properties, which are carried at fair value.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation — Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement — Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact of the adoption of HKFRS 16 is disclosed in note 2.2 and the new accounting policies adopted are set out in note 2.34 below. Except for HKFRS 16, other new and amended standards listed above do not have a material impact on or are not relevant to the Group.

(iv) New, revised and amended standards and interpretations not yet adopted

Certain new and revised standards, amendments and interpretations to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest rate benchmark reform	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new and revised standards, amendments and interpretations to existing standards are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.34.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.91%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(ii) Measurement of lease liabilities

	RMB'000
Discounted using the lessee's incremental borrowing rate of at the date of initial application	291,857
Lease liability recognised as at 1 January 2019	291,857
Of which are:	
Current lease liabilities	82,257
Non-current lease liabilities	209,600
	291,857

(iii) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

	RMB'000
Increase in right-of-use assets	662,272
Decrease in land use rights	(456,274)
Increase in investment properties	58,690
Increase in finance lease receivables	27,169
Increase in lease liabilities	(291,857)

There was no impact on the retained earnings on 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2. Summary of significant accounting policies (continued)

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Business combinations under common control

The consolidated financial statements incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2. Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Business combination (continued)

Business combinations not under common control (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category if equity as specified/permitted by applicable HKFRSs.

2. Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment and is being either the cash consideration amount or the amount of net asset value of the subsidiary for share-settled transaction under reorganisation and business combination under common control. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.5 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in RMB, which is the Company's functional and the Group's presentation currency.

2. Summary of significant accounting policies (continued)

2.7 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'other income and gains — net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and consolidated balance sheet of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	20–35 years
Furniture and equipment	5 years
Vehicles, machinery and others	3–10 years
Leased plant and equipment	1–12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and gains — net' in profit or loss.

2.9 Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years. Costs associated with maintaining computer software programs are recognised as an expenses as incurred.

2. Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

(b) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the development of prefabricated construction related technologies) are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the development of prefabricated construction related technologies so that it will be available for use

- management intends to complete the development of prefabricated construction related technologies and use or sell it

- there is an ability to use or sell the prefabricated construction related technologies

- it can be demonstrated how the prefabricated construction related technologies will generate probable future economic benefits

- adequate technical, financial and other resources to complete the development and to use or sell the prefabricated construction related technologies are available, and

- the expenditure attributable to the prefabricated construction related technologies during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from when the asset is ready for use on a straight-line basis over their estimated useful lives of 10 years.

(c) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. Summary of significant accounting policies (continued)

2.10 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 2 and 3 years.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2. Summary of significant accounting policies (continued)

2.13 Completed properties held for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.14.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of comprehensive income.

2. Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

2.14.2 Recognition and measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- FVPL: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'other income and gains — net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. Summary of significant accounting policies (continued)

2.16 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt investment at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.17 Inventories

Inventories mainly comprise of spare parts and tools for property management, which are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Land use rights

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, which are stated at cost and subsequently amortised in the profit or loss on a straight-line basis over the operating lease periods, are reclassified as right-of-use for land under HKFRS 16 (note 2.34).

2.19 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2. Summary of significant accounting policies (continued)

2.20 Contract assets, contract acquisition costs and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer as contract acquisition cost within contract assets if the Group expects to recover these costs.

2.21 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statement of cash flow, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheet. Restricted cash are excluded from cash and cash equivalents.

2.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (continued)

2.25 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.26 Borrowing costs

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

2.27 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies (continued)

2.27 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies (continued)

2.28 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. Summary of significant accounting policies (continued)

2.29 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.30 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the buyer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates or enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation:

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2. Summary of significant accounting policies (continued)

2.30 Revenue recognition (continued)

(b) Property management

Revenues from rendering of property management services are recognised in the accounting period in which the related services are rendered and there is rights to invoice.

(c) Investment and operation of commercial properties

Revenues from investment and operation of commercial properties mainly include property lease income, revenues from hotel operations and cultural-tourism project.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

Cultural-tourism project

Revenues from cultural-tourism project mainly represent revenues from rendering of tourism-related services, which are recognised in the accounting period in which the related services are rendered.

2.31 Management and consulting services income

Income from rendering of management and consulting services is recognised in the accounting period in which the related services are rendered.

2.32 Interest income

Interest income is recognised using the effective interest method.

2.33 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.34 Leases

(i) The Group as the lessee

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Leases of land were classified as land use rights.

From 1 January 2019, leases of property, plant and equipment are recognised as a right-of-use asset or investment properties and a corresponding liability at the date at which the leased asset is available for use by the Group. In addition, leases of land are reclassified as right-of-use for land.

2. Summary of significant accounting policies (continued)

2.34 Leases (continued)

(i) The Group as the lessee (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2. Summary of significant accounting policies (continued)

2.34 Leases (continued)

(i) The Group as the lessee (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In addition, leases of land are reclassified as right-of-use for land. The Group applies the fair value model in HKAS 40 Investment Property to its investment property, and also apply that fair value model to right-of-use assets that meet the definition of investment property in HKAS 40. Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are consistent with presentation of interest payments.

(ii) The Group as the lessor

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease amounts receivable by the Group as a finance lease receivable and records the unguaranteed residual value as an asset within the same category The difference between (a) the aggregate of the minimum lease amounts and the unguaranteed residual value and (b) their present value (presented in the consolidated balance sheet as finance lease receivables — net) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

2. Summary of significant accounting policies (continued)

2.34 Leases (continued)

(ii) The Group as the lessor (continued)

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Amounts received from lessees under operating leases (net of any incentives grant to the lessee) are recognised in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Initial direct costs incurred by the Group as the lessor in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

(iii) Sublease

In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be classified as an operating lease

- otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (for example, the item of property, plant or equipment that is the subject of the lease).

2.35 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.36 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments' and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations.

3.1 Financial risk factors

3.1.1 Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The majority of the subsidiaries of the Group operate in the PRC and most of their transactions are denominated in RMB. The Group did not have other significant exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
Assets	**2019**	2018
	RMB'000	RMB'000
HKD	**408,441**	541,747
USD	**32,328**	2,289,050
	440,769	2,830,797

	As at 31 December	
Liabilities	**2019**	2018
	RMB'000	RMB'000
HKD	**2,181,762**	1,600,817
USD	**–**	789,268
	2,181,762	2,390,085

3. Financial risk management (continued)
3.1 Financial risk factors (continued)
3.1.1 Foreign exchange risk (continued)

The aggregate net foreign exchange gains recognised in profit or loss were:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net foreign exchange gains included in other gains	**24,210**	72,511
Exchange losses on foreign currency borrowings included in finance costs	**(53,956)**	(127,872)
Total net foreign exchange losses recognise in profit before income tax for the year	**(29,746)**	(55,361)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effect on post-tax profit for the year would be as follows:

	Change of post-tax profit increase/(decrease) Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
RMB against HKD:		
Strengthened by 5%	**88,666**	39,715
Weakened by 5%	**(88,666)**	(39,715)
RMB against USD:		
Strengthened by 5%	**(1,286)**	(56,242)
Weakened by 5%	**1,286**	56,242

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Cash flow and fair value interest rate risks

The Group's interest rate risk arises from interest-bearing bank deposits, corporate bonds, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest rate risk. Corporate bonds, bank and other borrowing issued at fixed rates expose the Group to fair value interest rate risk.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements.

As at 31 December 2019, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB34,092,043,000 (2018: RMB31,931,522,000). As at 31 December 2019, if interest rates on borrowings at floating rates had been 50 basis points higher or lower with all other variables held constant and without taking into account interest capitalisation, interest charges for the year ended 31 December 2019 would increase/decrease by approximately RMB170,460,000 (2018: RMB159,658,000).

3.1.3 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, restricted cash, term deposits with initial terms of over three months and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Credit risk (continued)

(i) **Trade receivables and contract assets**

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties and contract assets.

Expected loss rate of current contract assets and trade receivables from related parties are assessed to be 0.1%. As at 31 December 2019, the loss allowance provision for these balances was not material.

To measure the expected credit losses of trade receivables from third parties, trade receivables have been grouped based on shared credit risk characteristics and aging profile.

The loss allowance provision as at 31 December 2019 and 2018 is determined as follows, the expected credit losses below also incorporate forward looking information.

	Within 90 days	**Over 90 days and within 180 days**	**Over 180 days and within 365 days**	**Over 365 days**	**Total**
Trade receivables (excluding receivables from related parties)					
At 31 December 2019					
Expected loss rate	**0.50%**	**5.00%**	**10.00%**	**12%-100%**	
Gross carrying amount (RMB'000)	**818,318**	**44,070**	**13,026**	**217,576**	**1,092,990**
Loss allowance provision (RMB'000)	**4,092**	**2,204**	**1,303**	**26,320**	**33,919**

	Within 90 days	Over 90 days and within 180 days	Over 180 days and within 365 days	Over 365 days	Total
Trade receivables (excluding receivables from related parties)					
At 31 December 2018					
Expected loss rate	0.50%	5.00%	10.00%	21%-100%	
Gross carrying amount (RMB'000)	1,135,575	95,645	13,138	89,816	1,334,174
Loss allowance provision (RMB'000)	5,678	4,782	1,314	32,362	44,136

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The loss allowance provision for trade receivables from third parties as at 31 December 2019 and 2018 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables (excluding receivables from related parties)
	RMB'000
At 1 January 2018	8,038
Provision for loss allowance recognised in profit or loss	36,098
At 31 December 2018	44,136
At 1 January 2019	**44,136**
Reversal for loss allowance recognised in profit or loss	**(10,217)**
At 31 December 2019	**33,919**

For the years ended 31 December 2019 and 2018, the reversal/provision for loss allowances were recognised in profit or loss in administrative expenses in relation to the impaired trade receivables.

As at 31 December 2019, the gross carrying amount of trade receivables excluding receivables from related parties was RMB1,092,990,000 (2018: RMB1,334,174,000), and thus the maximum exposure to loss was RMB1,059,071,000 (2018: RMB1,290,038,000).

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties, related parties and non-controlling interests.

As at 31 December 2019 and 2018, the internal credit rating of other receivables from related parties and non-controlling interests were performing. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised as at 31 December 2019.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Credit risk (continued)

(ii) Other receivables (continued)

The loss allowance provision for other receivables from third parties reconciles to the opening loss allowance for that provision as follows:

	Other receivables (excluding prepayments, deposits, amounts due from non-controlling interests and receivables from related parties)
	RMB'000
At 1 January 2018	56,479
Reversal for loss allowance recognised in profit or loss	(1,801)
At 31 December 2018	54,678
At 1 January 2019	**54,678**
Provision for loss allowance recognised in profit or loss	**15,795**
At 31 December 2019	**70,473**

All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the year was limited to 12 months expected losses. Management considered other receivables from third parties to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

For the years ended 31 December 2019 and 2018, the provision/reversal for loss allowances were recognised in profit or loss in administrative expenses in relation to the impaired other receivables.

As at 31 December 2019 and 2018, the maximum exposure to loss of other receivables from third parties, related parties and non-controlling interests were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Amounts due from related parties	**16,275,460**	4,995,043
Amounts due from non-controlling interests	**8,162,999**	2,229,237
Amounts due from third parties (including deposits and others)	**5,993,326**	5,350,291
	30,431,785	12,574,571

The Group made no write-off of trade and other receivables during the year.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.4 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
As at 31 December 2019					
Corporate bonds	**2,997,417**	**6,901,003**	**1,343,851**	**–**	**11,242,271**
Bank and other borrowings	**9,024,622**	**13,370,960**	**25,448,250**	**2,567,283**	**50,411,115**
Trade and other payables (excluding salaries payable and other taxes payable)	**66,313,109**	**–**	**–**	**–**	**66,313,109**
Financial guarantee	**63,832,290**	**2,227,962**	**3,397,955**	**220,000**	**69,678,207**
Lease liabilities	**52,762**	**71,090**	**84,397**	**69,735**	**277,984**
	142,220,200	**22,571,015**	**30,274,453**	**2,857,018**	**197,922,686**

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2018					
Corporate bonds	3,860,470	184,200	2,496,506	–	6,541,176
Bank and other borrowings	15,672,119	13,665,444	18,743,817	1,708,574	49,789,954
Trade and other payables (excluding salaries payable and other taxes payable)	39,042,553	–	–	–	39,042,553
Financial guarantee	42,651,590	5,900	2,395,071	–	45,052,561
	101,226,732	13,855,544	23,635,394	1,708,574	140,426,244

3. Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity. Net borrowings are calculated as total borrowings (including corporate bonds and current and non-current bank and other borrowings as shown in the consolidated balance sheets) less total of cash and cash equivalents, restricted cash and term deposits with initial terms of over three months.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total borrowings (notes 27 and 28)	**54,651,717**	49,509,306
Less: cash and cash equivalents (note 24)	**(19,097,265)**	(15,439,152)
term deposits with initial terms of over three months (note 24)	**(141,159)**	(3,065,866)
restricted cash (note 24)	**(7,697,191)**	(8,028,121)
Net borrowings	**27,716,102**	22,976,167
Total equity	**31,138,293**	23,584,436
Gearing ratio	**89%**	97%

Decrease in gearing ratio as at 31 December 2019 was mainly due to improvement in operating cash flow and increase in non-controlling interests.

3. Financial risk management (continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 and 2018, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019				
Financial assets at FVPL (note 22)	**61,304**	**1,852,051**	**–**	**1,913,355**
At 31 December 2018				
Financial assets at FVPL (note 22)	–	1,256,498	–	1,256,498

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Estimates for fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"). Significant judgment and assumptions are required in assessing the fair value of the investment properties. Details of the judgment and assumptions are disclosed in note 16.

3. Financial risk management (continued)

3.4 Financial instruments by category

	At 31 December 2019		
	Assets at FVPL RMB'000	**Assets at amortised cost RMB'000**	**Total RMB'000**
Assets as per consolidated balance sheet			
Trade and other receivables (excluding prepayments) (note 21)	**–**	**31,635,502**	**31,635,502**
Restricted cash (note 24)	**–**	**7,697,191**	**7,697,191**
Cash and cash equivalents (note 24)	**–**	**19,097,265**	**19,097,265**
Term deposits with initial terms of over three months (note 24)	**–**	**141,159**	**141,159**
Financial assets at FVPL (note 22)	**1,913,355**	**–**	**1,913,355**
Finance lease receivable	**–**	**26,421**	**26,421**
Total	**1,913,355**	**58,597,538**	**60,510,893**

	At 31 December 2018		
	Assets at FVPL RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated balance sheet			
Trade and other receivables (excluding prepayments) (note 21)	–	13,870,476	13,870,476
Restricted cash (note 24)	–	8,028,121	8,028,121
Cash and cash equivalents (note 24)	–	15,439,152	15,439,152
Term deposits with initial terms of over three months (note 24)	–	3,065,866	3,065,866
Financial assets at FVPL (note 22)	1,256,498	–	1,256,498
Total	1,256,498	40,403,615	41,660,113

3. Financial risk management (continued)

3.4 Financial instruments by category (continued)

	At 31 December 2019		
	Liabilities at amortised cost RMB'000	Liabilities at FVPL RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
Corporate bonds (note 27)	**10,486,779**	**–**	**10,486,779**
Bank and other borrowings (note 28)	**44,164,938**	**–**	**44,164,938**
Trade and other payables (excluding other taxes payable and salaries payable) (note 29)	**66,313,109**	**–**	**66,313,109**
Lease liabilities (note 17)	**249,492**	**–**	**249,492**
Total	**121,214,318**	**–**	**121,214,318**

	At 31 December 2018		
	Liabilities at amortised cost RMB'000	Liabilities at FVPL RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
Corporate bonds (note 27)	5,933,586	–	5,933,586
Bank and other borrowings (note 28)	43,575,720	–	43,575,720
Trade and other payables (excluding other taxes payable and salaries payable) (note 29)	39,042,553	–	39,042,553
Total	88,551,859	–	88,551,859

4. Critical accounting estimates and judgments

(a) Revenue recognition

Revenue from sales of properties in the PRC is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group cannot change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. Significant management's judgments were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. In assessing whether the Group has an enforceable right to payment for its sales contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgments, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgments on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of reporting period as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on type of properties and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

(b) Estimates for net realisable value of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's assessment, write-downs of RMB1,611,166,000 (31 December 2018: RMB362,605,000) was made against the carrying amounts of properties under development and completed properties held for sale as at 31 December 2019.

(c) Estimates for fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer Jones Lang LaSalle. Significant judgment and assumptions are required in assessing the fair value of the investment properties. Details of the judgment and assumptions are disclosed in note 16.

4. Critical accounting estimates and judgments (continued)

(d) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgment is required in determining the amount of the land appreciation taxes. The Group recognised LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

5. Revenue and segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised into three business segments as follows:

- Property development and sales;
- Property management services; and
- Investment and operation of commercial properties

During the year, the aggregate revenues, profits or losses or total assets of the business segments other than property development and sales accounted for less than 5% of the total revenues, profits or assets of the Group, therefore, the directors of the Company consider these business segments not reportable and the executive directors assess the Group's performance as a whole. Thus operating segment information is not presented.

5. Revenue and segment information (continued)

Revenue of the Group for each of the years ended 31 December 2019 and 2018 is analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Property development and sales	**40,430,577**	29,602,383
Property management services	**485,419**	355,002
Investment and operation of commercial properties		
— Property lease income	**84,809**	43,041
— Hotel operation	**11,074**	11,860
— Cultural-tourism project	**126,691**	107,525
	41,138,570	30,119,811

Represented by:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue from property development and sales:		
— Recognised at a point in time	**28,886,751**	19,011,990
— Recognised over time	**11,543,826**	10,590,393
	40,430,577	29,602,383
Revenue from rendering of services:		
— Recognised over time	**623,184**	474,387
Revenue from other sources:		
— Property lease income	**84,809**	43,041
	41,138,570	30,119,811

Over 95% of the Group's revenue is attributable to the PRC market and over 95% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

5. Revenue and segment information (continued)

(a) Details of contract assets and contract acquisition costs:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contract assets related to property development and sales (i)	**972,568**	1,016,658
Contract acquisition costs (ii)	**524,262**	413,254
Total contract assets and contract acquisition costs	**1,496,830**	1,429,912

(i) Contract assets related to property development and sales consist of unbilled amount resulting from sale of properties when revenue recognised over time exceeds the amount billed to the property purchasers. Contract assets are comparable to that of last year.

(ii) Management expects the contract acquisition costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amounts of amortisation were RMB302,669,000 for the year ended 31 December 2019 (2018: RMB213,846,000). There was no impairment loss in relation to the costs capitalised.

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contract liabilities	**84,891,715**	55,929,397

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales. The increase in contract liabilities during the year was mainly attributable to the increase in the Group's contracted sales.

5. Revenue and segment information (continued)

(b) Contract liabilities (continued)

The following table shows the revenue recognised during the year related to carried-forward contract liabilities.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
Property development and sales	**27,677,998**	16,610,152

(c) Unsatisfied contracts related to property development and sales

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Expected to be recognised within one year	**51,019,872**	35,440,245
Expected to be recognised after one year	**45,061,689**	27,279,003
	96,081,561	62,719,248

The unsatisfied contracts amounts of RMB51,019,872,000 as at 31 December 2019 expected to be recognised within one year was calculated based on the Group's pre-sale contracts signed up to 31 December 2019.

(d) For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

6. Expenses by nature

Expenses included in cost of sales, selling and marketing expenses and administrative expenses were analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of property development and sales — including construction cost, land cost, capitalised interest expenses	**27,114,948**	19,504,341
Employee benefit expenses (note 8)	**2,313,818**	1,762,404
Marketing and advertising expenses	**1,493,447**	750,922
Write-downs of properties under development and completed properties held for sale	**1,288,388**	362,605
Amortisation of contract acquisition costs (note 5(a))	**302,669**	213,846
Bank charges	**221,014**	192,576
Taxes and surcharges	**378,793**	322,340
Travelling and entertainment expenses	**192,935**	139,581
Office expenses	**158,569**	134,871
Professional service fees	**91,870**	111,083
— Listing related expenses (excluding audit fees)	**–**	49,719
— Others	**91,870**	61,364
Depreciation and amortisation	**208,160**	67,790
Rental expenses	**–**	56,767
Auditor's remuneration	**8,125**	12,977
— Annual audit services	**7,100**	4,900
— Audit services in relation to the Listing	**–**	8,077
— Non-audit services	**1,025**	–
Property management fees	**9,084**	6,772
Others	**585,153**	446,117
Total	**34,366,973**	24,084,992

7. Other income and gains — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income		
Management and consulting service income	**204,897**	141,785
Government subsidy income	**69,791**	33,788
Compensation income (note(a))	**311,949**	128,541
	586,637	304,114
Other gains — net		
Realised and unrealised gains on financial assets at FVPL	**245,832**	250,847
Gains arising from changes in fair value of and transfer to investment properties (note 16)	**198,450**	3,306
Gains on disposal of subsidiaries (note 36)	**–**	3,657
Gains on disposal of joint ventures and associates	**3,406**	925
Losses on disposal of property, plant and equipment and investment properties	**(735)**	(416)
Net foreign exchange gains	**24,210**	72,511
Others	**79,443**	59,870
	550,606	390,700
Other income and gains — net	**1,137,243**	694,814

(a) It mainly represented the compensation income from a third party who failed to fulfil its obligation under a cooperative agreement entered into with the Group for the joint development of a piece of land.

8. Employee benefit expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**2,888,273**	2,156,687
Pension costs — statutory pension	**193,726**	159,654
	3,081,999	2,316,341
Less: amounts capitalised in properties under development	**(768,181)**	(553,937)
	2,313,818	1,762,404

8. Employee benefit expenses (continued)

(a) Pensions scheme — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group included 1 director (2018: 1), whose emoluments are reflected in the analysis in note 39 below. The emoluments payable to the remaining 4 individuals during the year (2018: 4) are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**15,857**	23,121
Pension costs — statutory pension	**122**	102
	15,979	23,223

The emoluments fell within the following bands:

	Number of Individuals Year ended 31 December	
	2019	2018
Emolument band		
HKD4,000,001–4,500,000	**2**	–
HKD4,500,001–5,000,000	**1**	–
HKD5,000,001–5,500,000	**1**	1
HKD5,500,001–6,000,000	**–**	1
HKD6,000,001–6,500,000	**–**	1
HKD9,500,001–10,000,000	**–**	1

During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Finance income — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance costs		
— Interest expenses		
— Bank and other borrowings	**(2,930,254)**	(2,416,322)
— Corporate bonds	**(597,562)**	(260,027)
— Lease liabilities (note 17)	**(15,493)**	–
	(3,543,309)	(2,676,349)
Less:		
— Capitalised interest	**3,543,309**	2,676,349
— Net foreign exchange losses on financing activities	**(53,956)**	(127,872)
	(53,956)	(127,872)
Finance income		
— Interest income	**206,040**	183,097
Finance income — net	**152,084**	55,225

10. Income tax expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax:		
— Corporate income tax	**2,916,901**	1,476,932
— LAT	**2,706,179**	2,114,663
	5,623,080	3,591,595
Deferred income tax (note 13)		
— Corporate income tax	**(1,568,981)**	(271,277)
— Withholding income tax on profits to be distributed in future (note (d))	**–**	50,000
	(1,568,981)	(221,277)
	4,054,099	3,370,318

10. Income tax expenses (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the group entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**8,380,708**	6,657,187
Tax calculated at PRC corporate income tax rate of 25%	**2,095,177**	1,664,297
Effects of share of post-tax results of joint ventures and associates	**(81,341)**	23,344
Different tax rates applicable to certain subsidiaries of the Group	**(76,590)**	(26,464)
Expenses not deductible for tax	**51,962**	56,313
LAT deductible for calculation of income tax purpose	**(676,545)**	(528,666)
Tax losses for which no deferred income tax assets were recognised	**35,257**	16,831
Withholding income tax on dividends to be distributed in future	**–**	50,000
LAT	**2,706,179**	2,114,663
Income tax expenses	**4,054,099**	3,370,318

Note:

(a) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group's subsidiaries in Hong Kong.

(b) The general corporate income tax rate in PRC is 25%. Certain subsidiaries of the Group in the PRC are either supported by Western Development Strategy or qualified as "High and New Technology Enterprise" and thus subject to a preferential income tax rate of 15%.

(c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales property development and sales less deductible expenditures including cost of land use rights and all property development expenditures.

(d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The overseas holding company had successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax had been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

As at 31 December 2019, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB8,734,814,000 (2018: RMB5,074,541,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

11. Earnings per share

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000):	**4,305,164**	3,209,997
Weighted average number of ordinary shares in issue (thousands)	**1,192,649**	1,042,031
Earnings per share — Basic (RMB per share)	**3.61**	3.08

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equal the basic earnings per share.

12. Dividends

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Dividends	**1,788,910**	1,282,003

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

The board of directors has recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2019 (2018: HK$1.2253 per share). Subject to the approval of the shareholders of the Company at the annual general meeting, the proposed final dividend will be paid on or about 10 July 2020 to the shareholders whose names appear on the register of members of the Company on 19 June 2020.

13. Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets		
— to be realised within 12 months	**965,663**	631,444
— to be realised after more than 12 months	**1,793,373**	1,235,859
	2,759,036	1,867,303
Deferred tax liabilities		
— to be realised within 12 months	**552,732**	735,550
— to be realised after more than 12 months	**1,421,310**	1,773,945
	1,974,042	2,509,495
	784,994	(642,192)

13. Deferred income tax (continued)

(i) Deferred income tax assets

The movement of deferred income tax assets is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**1,867,303**	899,748
Disposal of subsidiaries (note 36)	**(58,952)**	–
Recognised in profit or loss	**950,685**	967,555
End of the year	**2,759,036**	1,867,303
Offsetting with deferred tax liabilities	**(425,588)**	(948,700)
Net deferred tax assets	**2,333,448**	918,603

Movement of deferred tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	**Tax losses**	**Deductible temporary differences of expenses and cost of sales**	**Impairment of assets**	**Elimination of unrealised profits**	**Deferred income**	**Accrued land appreciation tax**	**Adoption of HKFRS16**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	506,998	31,604	16,129	22,046	70,400	252,571	–	899,748
Recognised in profit or loss	446,315	(14,937)	99,193	17,420	(30,277)	449,841	–	967,555
At 31 December 2018	953,313	16,667	115,322	39,466	40,123	702,412	–	1,867,303
Disposal of subsidiaries (note 36)	(58,742)	–	(15)	–	–	(195)	–	(58,952)
Recognised in profit or loss	285,650	–	312,839	(8,848)	(14,567)	373,420	2,191	950,685
At 31 December 2019	**1,180,221**	**16,667**	**428,146**	**30,618**	**25,556**	**1,075,637**	**2,191**	**2,759,036**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. At 31 December 2019, the Group did not recognise deferred income tax assets of RMB52,088,000 (2018: RMB16,831,000), in respect of losses amounting to RMB208,352,000 (2018: RMB67,324,000), that can be carried forward to offset against future taxable income. These tax losses will expire up to and including year 2024 (2018: 2023).

13. Deferred income tax (continued)

(ii) Deferred income tax liabilities

The movement of deferred income tax liabilities is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**2,509,495**	1,276,612
Acquisition of subsidiaries (note 37)	**145,601**	486,605
Disposal of subsidiaries (note 36)	**(62,758)**	–
Recognised in profit or loss	**(618,296)**	746,278
End of the year	**1,974,042**	2,509,495
Offsetting with deferred tax assets	**(425,588)**	(948,700)
Net deferred tax liabilities	**1,548,454**	1,560,795

Movement of deferred tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	**Valuation surplus of properties under development**	**Fair value gains on investment properties**	**Recognition of contract revenue and contract costs over time**	**Withholding income tax on profits to be distributed in future**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	686,678	16,196	573,738	–	1,276,612
Acquisition of subsidiaries	486,605	–	–	–	486,605
Recognised in profit or loss	(101,911)	827	797,362	50,000	746,278
At 31 December 2018	1,071,372	17,023	1,371,100	50,000	2,509,495
Acquisition of subsidiaries (note 37)	145,601	–	–	–	145,601
Disposal of subsidiaries (note 36)	(54,220)	–	(8,538)	–	(62,758)
Recognised in profit or loss	(88,324)	49,613	(579,585)	–	(618,296)
At 31 December 2019	**1,074,429**	**66,636**	**782,977**	**50,000**	**1,974,042**

14(a). Investments in joint ventures

The movement of investments in joint ventures are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**1,023,571**	743,704
Transfer from investments in subsidiaries (note 36)	**2,233,032**	10,000
Other additions	**2,486,785**	320,654
Disposal	**(546)**	–
Share of results	**331,837**	(50,787)
At 31 December	**6,074,679**	1,023,571

Set out below are the particulars of the joint ventures which are material to the Group as at 31 December 2019:

	Place of incorporation and operation	**Principle activities**	**As at 31 December 2019**
Wuxi Languang Real Estate Co., Ltd. 無錫藍光置地有限公司 ("Wuxi Languang")*	Wuxi, PRC	Property Development	**49%**
Changzhou Meimao Real Estate Co., Ltd. 常州市美茂房地產發展有限公司 ("Changzhou Meimao")#	Changzhou, PRC	Property Development	**51%**

* The English names of the joint ventures represent the best effort made by the management of the Group in translating its Chinese name as it does not have an official English name.

\# Changzhou Meimao is accounted for as a joint venture, as it is jointly controlled by the Group and the joint venture partner pursuant to the Article of Association of the joint venture.

14(a). Investments in joint ventures (continued)

Set out below are the summarised financial information for Wuxi Languang.

Summarised balance sheets

	As at/Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Assets		
Current assets		
Cash and cash equivalents	**13,772**	638,986
Trade and other receivables	**1,872,757**	1,799,034
Properties under development	**74,320**	1,698,322
	1,960,849	4,136,342
Non-current assets	**493**	31,171
Total assets	**1,961,342**	4,167,513
Liabilities		
Current liabilities		
Trade and other payables	**857,388**	1,386,689
Other liabilities	**15,315**	1,714,974
	872,703	3,101,663
Non-current liabilities		
Bank and other borrowings	**–**	200,000
Total liabilities	**872,703**	3,301,663
Net assets	**1,088,639**	865,850
Reconciliation to carrying amounts:		
Opening net assets	**865,850**	888,084
Profit/(loss) for the year	**222,789**	(22,234)
Closing net assets	**1,088,639**	865,850
Group's share in %	**49%**	49%
Group's share of carrying amounts	**533,433**	424,267

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**2,122,037**	–
Cost of sales	**(1,708,769)**	–
Other expenses — net	**(190,479)**	(22,234)
Profit and total comprehensive income/(loss and total comprehensive loss) for the year	**222,789**	(22,234)

14(a). Investments in joint ventures (continued)

Set out below are the summarised financial information for Changzhou Meimao.

Summarised balance sheets

	As at/Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Assets		
Current assets		
Cash and cash equivalents	**55,742**	–
Trade and other receivables	**1,202,855**	–
Properties under development	**2,597,815**	–
	3,856,412	–
Non-current assets	**3,066**	–
Total assets	**3,859,478**	–
Liabilities		
Current liabilities		
Trade and other payables	**432,184**	–
Bank and other borrowings	**1,357,168**	–
Other liabilities	**54,321**	–
	1,843,673	–
Non-current liabilities		
Bank and other borrowings	**100,000**	–
Total liabilities	**1,943,673**	–
Net assets	**1,915,805**	–
Reconciliation to carrying amounts:		
Opening net assets	**–**	–
Additions	**1,925,000**	–
Loss for the year	**(9,195)**	–
Closing net assets	**1,915,805**	–
Group's share in %	**51%**	–
Group's share of carrying amounts	**977,061**	–

14(a). Investments in joint ventures (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other expenses — net	**(9,195)**	–
Loss and total comprehensive loss for the year	**(9,195)**	–

The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	As at/Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amounts in the consolidated balance sheet	**4,564,185**	599,304
Share of results for the year	**227,359**	(39,892)
Share of total comprehensive income for the year	**227,359**	(39,892)

As at 31 December 2019 and 2018, there were no significant commitments relating to the Group's interests in the joint ventures, while certain borrowings of the joint ventures were guaranteed by the Group (note 31).

14(b). Investments in associates

The movement of investments in associates is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balances	**841,896**	239,739
Additions	**3,853,015**	652,813
Transfer to a subsidiary for business combination under common control	**–**	(4,324)
Disposal	**(2,442)**	(3,745)
Share of results	**(6,475)**	(42,587)
Ending balances	**4,685,994**	841,896

14(b). Investments in associates (continued)

Set out below are the particulars of the associates which are material to the Group as at 31 December 2019:

	Place of incorporation and operation	Principle activities	As at 31 December 2019
Tianjin Helong Real Estate Information Consulting Co., Ltd. 天津和隆房地產資訊諮詢有限公司("Tianjin Helong")*	Tianjin, PRC	Property Development	49%
Chengdu Tongchuang Jinxiu Enterprise Management Consulting Co., Ltd. 成都同創錦繡企業管理諮詢有限公司 ("Chengdu Tongchuang")*	Chengdu, PRC	Property Development	49%

* The English names of the associates represent the best effort made by the management of the Group in translating its Chinese name as it does not have an official English name.

Set out below are the summarised financial information for Tianjin Helong.

Summarised balance sheets

	As at/Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Assets		
Current assets		
Cash and cash equivalents	44,013	–
Trade and other receivables	4,104,463	–
Properties under development	3,906,406	–
	8,054,882	–
Liabilities		
Current liabilities		
Trade and other payables	3,562,582	–
Non-current liabilities		
Bank and other borrowings	2,498,000	–
Total liabilities	6,060,582	–
Net assets	1,994,300	–
Reconciliation to carrying amounts:		
Opening net assets	–	–
Additions	2,000,000	–
Loss for the year	(5,700)	–
Closing net assets	1,994,300	–
Group's share in %	49%	–
Group's share of carrying amounts	977,207	–

14(b). Investments in associates (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other expenses — net	**(5,700)**	–
Loss and total comprehensive loss for the year	**(5,700)**	–

Set out below are the summarised financial information for Chengdu Tongchuang.

Summarised balance sheets

	As at/Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Assets		
Current assets		
Cash and cash equivalents	**67**	–
Trade and other receivables	**2,999,980**	–
Total assets	**3,000,047**	–
Liabilities		
Current liabilities		
Trade and other payables	**47**	–
Total liabilities	**47**	–
Net assets	**3,000,000**	–
Reconciliation to carrying amounts:		
Opening net assets	**–**	–
Additions	**3,000,000**	–
Loss for the year	**–**	–
Closing net assets	**3,000,000**	–
Group's share in %	**49%**	–
Group's share of carrying amounts	**1,470,000**	–

The summarised financial information of the individually immaterial associates on an aggregate basis is as follows:

	As at/Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amounts in the consolidated balance sheet	**2,238,787**	841,896
Share of results for the year	**(3,682)**	(42,587)
Share of total comprehensive loss for the year	**(3,682)**	(42,587)

As at 31 December 2019 and 2018, certain borrowings of the associates were guaranteed by the Group (note 31).

15. Property, plant and equipment

	Buildings	Furniture and equipment	Vehicles and machinery	Construction in progress	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018						
Cost	344,638	53,775	21,907	64,765	27,903	512,988
Accumulated depreciation	(25,954)	(24,647)	(14,261)	–	(12,244)	(77,106)
Net book amount	318,684	29,128	7,646	64,765	15,659	435,882
Year ended 31 December 2018						
Opening net book amount	318,684	29,128	7,646	64,765	15,659	435,882
Acquisition of subsidiaries	36,303	573	1,173	–	–	38,049
Other additions	–	58,429	6,641	42,524	43,451	151,045
Transfer from properties under development	256,000	–	–	–	–	256,000
Transfer from investment properties (note 16)	22,490	–	–	–	–	22,490
Internal transfer	26,450	11,625	–	(38,075)	–	–
Disposal of subsidiaries	–	(676)	–	–	–	(676)
Other disposals	(6,408)	(1,897)	(624)	–	–	(8,929)
Depreciation	(27,347)	(13,684)	(2,168)	–	(13,950)	(57,149)
Closing net book amount	626,172	83,498	12,668	69,214	45,160	836,712
At 31 December 2018						
Cost	**679,473**	**121,829**	**29,097**	**69,214**	**71,354**	**970,967**
Accumulated depreciation	**(53,301)**	**(38,331)**	**(16,429)**	**–**	**(26,194)**	**(134,255)**
Net book amount	**626,172**	**83,498**	**12,668**	**69,214**	**45,160**	**836,712**
Year ended 31 December 2019						
Opening net book amount	**626,172**	**83,498**	**12,668**	**69,214**	**45,160**	**836,712**
Transfer from properties under development	**117,626**	**–**	**–**	**–**	**–**	**117,626**
Internal transfer	**276,785**	**34,541**	**–**	**(311,326)**	**–**	**–**
Other additions	**892**	**63,605**	**4,000**	**270,222**	**14,203**	**352,922**
Other disposals	**(18,060)**	**(1,137)**	**(1,306)**	**–**	**–**	**(20,503)**
Depreciation	**(36,115)**	**(19,286)**	**(10,403)**	**–**	**(21,584)**	**(87,388)**
Closing net book amount	**967,300**	**161,221**	**4,959**	**28,110**	**37,779**	**1,199,369**
At 31 December 2019						
Cost	**1,056,716**	**218,838**	**31,791**	**28,110**	**85,557**	**1,421,012**
Accumulated depreciation	**(89,416)**	**(57,617)**	**(26,832)**	**–**	**(47,778)**	**(221,643)**
Net book amount	**967,300**	**161,221**	**4,959**	**28,110**	**37,779**	**1,199,369**

15. Property, plant and equipment (continued)

Depreciation of property, plant and equipment has been charged to profit or loss or capitalised in properties under development as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Selling and marketing expenses	**8,580**	7,886
Administrative expenses	**53,653**	39,215
Cost of sales	**17,816**	4,956
Properties under development	**7,339**	5,092
	87,388	57,149

As at 31 December 2019, buildings with net book value of RMB62,973,000 (2018: RMB116,734,000), were pledged as collateral for the Group's bank and other borrowings (note 28).

As at 31 December 2019, title certificates of certain buildings with net book value of RMB450,855,000 (2018: RMB78,397,000), were to be obtained.

16. Investment properties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening net book amount	**690,660**	709,844
Adjustment for accounting policy changes (note 2.2)	**58,690**	–
Opening net book amount at 1 January	**749,350**	709,844
Transfer from completed properties held for sale	**878,569**	–
Other additions	**23,573**	–
Revaluation gains upon transfer from completed properties held for sale	**217,830**	–
Fair value changes	**(19,380)**	3,306
Transfer to property, plant and equipment (note 15)	**–**	(22,490)
Disposals	**(112,651)**	–
Closing net book amount	**1,737,291**	690,660
Gains arising from changes in fair value of and transfer to investment properties represent:		
— revaluation gains upon transfer from completed properties held for sale	**217,830**	–
— fair value changes	**(19,380)**	3,306
	198,450	3,306

16. Investment properties (continued)

The Group's policy is to recognise transfers in and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that causes the transfer. At 31 December 2019 and 2018, the Group had only level 3 investment properties.

As at 31 December 2019, title certificates of buildings with net book value of RMB1,105,870,000 (2018: RMB9,580,000) were still to be obtained.

Valuation processes of the Group

A valuation of the Group's investment properties as at 31 December 2019 and 2018 was carried out by an independent and professionally qualified valuer, Jones Lang LaSalle, who holds a recognised relevant professional qualification and has recent experience in the locations and nature of the investment properties being valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results were held between management and the valuer on a regular basis, in line with the Group's the interim and annual reporting dates.

At each financial year end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuation techniques

Valuations are based on:

Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2019 RMB'000	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Completed investment properties	1,737,291	Income capitalisation	The rate of return/ capitalisation rate	3.5%–6%
			Monthly rental (RMB/square meter/month)	2.75–173
			Vacancy rate	2%–70%

16. Investment properties (continued)

Valuation techniques (continued)

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value.

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income	**24,511**	18,472
Direct operating expenses	**(14,363)**	(10,684)
	10,148	7,788

As at 31 December 2019, investment properties with fair value of RMB361,814,000 (2018: RMB132,896,000) were pledged as collateral for the Group's bank and other borrowings (note 28).

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are included in note 32.

17. Leases

(i) Amounts recognised in the consolidated balance sheet

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Right-of-use assets		
Right-of-use for land (reclassified from the financial statement line item "land use rights")	**397,598**	456,274
Properties	**118,257**	196,779
Motor vehicles	**9,244**	4,690
Others	**4,533**	4,529
Total right-of-use assets	**529,632**	662,272
Lease liabilities		
Current	**49,830**	82,257
Non-current	**199,662**	209,600
Total lease liabilities	**249,492**	291,857

Additions to the right-of-use assets during the year ended 31 December 2019 were RMB85,776,000. Right-of-use for land were located in the PRC and were held on leases of between 40 to 70 years. Right-of-use for land with net book amount of nil as at 31 December 2019 (2018: RMB7,860,000), were pledged as collateral for the Group's bank and other borrowings (note 28).

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Depreciation and amortisation of right-of-use assets		
Right-of-use for land	**6,449**	–
Properties	**87,665**	–
Motor vehicles	**10,218**	–
Others	**13,128**	–
	117,460	–
Interest expense (included in finance costs) (note 9)	**15,493**	–

The total cash outflow for leases in 2019 was RMB105,202,000.

18. Intangible assets

	Customer relationships	Computer software and others	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018				
Cost	–	26,561	–	26,561
Accumulated amortisation	–	(10,515)	–	(10,515)
Net book amount	–	16,046	–	16,046
Year ended 31 December 2018				
Opening net book amount	–	16,046	–	16,046
Additions	–	25,211	–	25,211
Amortisation	–	(6,173)	–	(6,173)
Closing net book amount	–	35,084	–	35,084
At 31 December 2018				
Cost	–	51,772	–	51,772
Accumulated amortisation	–	(16,688)	–	(16,688)
Net book amount	–	35,084	–	35,084
Year ended 31 December 2019				
Opening net book amount	**–**	**35,084**	**–**	**35,084**
Acquisition of subsidiaries (note 37)	**11,642**	**–**	**61,962**	**73,604**
Other additions	**–**	**48,682**	**–**	**48,682**
Amortisation	**(485)**	**(10,166)**	**–**	**(10,651)**
Closing net book amount	**11,157**	**73,600**	**61,962**	**146,719**
At 31 December 2019				
Cost	**11,642**	**100,454**	**61,962**	**174,058**
Accumulated amortisation	**(485)**	**(26,854)**	**–**	**(27,339)**
Net book amount	**11,157**	**73,600**	**61,962**	**146,719**

Amortisation of intangible assets has been charged to administrative expenses.

19. Properties under development

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development expected to be completed:		
— Within normal operating cycle included under current assets	**142,697,242**	103,913,613
— Beyond normal operating cycle included under non-current assets	**2,670,275**	5,685,753
	145,367,517	109,599,366
Properties under development comprise:		
— Construction costs	**33,482,853**	21,466,813
— Land use rights	**107,210,641**	84,662,941
— Capitalised interest expenses	**6,177,634**	3,792,370
	146,871,128	109,922,124
Less: provision of impairment	**(1,503,611)**	(322,758)
	145,367,517	109,599,366

Properties under development were all located in the PRC.

Cost of sales for the year included RMB973,172,000 (2018: RMB461,131,000) of costs brought forward from prior year to fulfil those contracts revenue of which was recognised over time.

At 31 December 2019, properties under development included the costs to fulfil those contracts, revenue of which was recognised over time, amounted to RMB2,176,406,000 (2018: RMB1,373,388,000).

The amounts of RMB89,629,245,000 as at 31 December 2019 (2018: RMB81,962,780,000) under normal operating cycle classified as current assets were expected to be completed and delivered beyond one year.

The capitalisation rates of general borrowings were 6.07% for the year ended 31 December 2019 (2018: 5.66%).

As at 31 December 2019, properties under development with net book value of RMB45,395,676,000 (2018: RMB36,097,726,000), were pledged as collateral for the Group's bank and other borrowings (note 28).

20. Completed properties held for sale

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Completed properties held for sale	**8,875,048**	4,424,191
Less: provision of impairment	**(107,555)**	(39,847)
	8,767,493	4,384,344

The completed properties held for sale were all located in the PRC.

As at 31 December 2019, completed properties held for sale with net book value of RMB392,111,000 (2018: RMB226,447,000), were pledged as collateral for the Group's bank and other borrowings (note 28).

21. Trade and other receivables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Included in current assets:		
Trade receivables — net (note (a))	**1,203,717**	1,295,905
Other receivables — net (note (b))	**30,431,785**	12,574,571
Prepayments for land use rights (note (c))	**3,744,866**	5,210,675
Other prepayments	**825,386**	464,780
	36,205,754	19,545,931

As at 31 December 2019 and 2018, the fair value of trade and other receivables approximated their carrying amounts.

(a) Details of trade receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables — related parties (note 34(b))	**144,646**	5,867
Trade receivables — third parties	**1,092,990**	1,334,174
Less: allowance for impairment	**(33,919)**	(44,136)
Trade receivables — net	**1,203,717**	1,295,905

21. Trade and other receivables (continued)

(a) Details of trade receivables are as follows: (continued)

Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**924,707**	1,138,953
Over 90 days and within 180 days	**47,711**	97,946
Over 180 days and within 365 days	**15,641**	13,318
Over 365 days	**249,577**	89,824
	1,237,636	1,340,041

The Group's trade receivables were denominated in RMB.

Trade receivables mainly arise from property development and sales. Proceeds from property development and sales are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the year ended 31 December 2019, reversal of RMB10,217,000 (2018: provision of RMB36,098,000) were made against the gross amounts of trade receivables.

(b) Details of other receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Amounts due from related parties (note 34(b))	**16,275,460**	4,995,043
Amounts due from non-controlling interests (note (i))	**8,162,999**	2,229,237
Deposits and others from third parties (note (ii))	**6,063,799**	5,404,969
	30,502,258	12,629,249
Less: allowance for impairment	**(70,473)**	(54,678)
Other receivables — net	**30,431,785**	12,574,571

21. Trade and other receivables (continued)

(b) Details of other receivables are as follows: (continued)

(i) Amounts due from non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.

(ii) Other receivables from third parties mainly represented deposits and various payments on behalf of and advances made to construction and design vendors.

(c) Prepayments for land use rights were mainly related to acquisition of land use rights which will be reclassified to properties under development when land certificates were obtained.

22. Financial assets at fair value through profit or loss

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investments in wealth management products (note (a))	**992,700**	405,000
Investments in asset management schemes (note (a))	**786,475**	851,498
Investments in listed equity investment (note (b))	**61,304**	–
Others	**72,876**	–
	1,913,355	1,256,498

(a) Investments in wealth management products and asset management schemes mainly represented investments in certain financial instruments issued by commercial banks and other financial institutions which had no guaranteed returns. The fair values of these investments were determined based on the statements provided by the counter parties.

The ranges of expected return rates of these products as at 31 December 2019 were 0.30%–5.22% (2018: 0.30%–4.86%).

(b) This represented the Group's 1.61% equity interest in Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司), which is mainly engaged in prefabricated housing industry and is listed on the Stock Exchange. The fair value of the investment at 31 December 2019 represented the quoted market price.

23. Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts.

In accordance with relevant government requirements, certain property development companies of the Group were required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

24. Cash and cash equivalents

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and in hand	**26,533,464**	21,091,796
Bank deposits	**402,151**	5,441,343
	26,935,615	26,533,139
Less: restricted cash (note 23)	**(7,697,191)**	(8,028,121)
term deposits with initial terms of over three months (note(a))	**(141,159)**	(3,065,866)
	19,097,265	15,439,152

(a) These bank deposits were denominated in RMB and with original maturity of over three months. As at 31 December 2019, bank deposits with net book value of nil (2018: RMB2,773,600,000) were pledged as collateral for the Group's bank and borrowings pursuant to certain bank loan agreements and be released after full repayment of relevant borrowings (note 28). The effective interest rate of these deposits as at 31 December 2019 was 3.66% per annum (2018: 1.99% per annum).

Cash and deposits were denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in RMB	**26,494,846**	23,702,342
Denominated in USD	**32,328**	2,289,050
Denominated in HKD	**408,441**	541,747
	26,935,615	26,533,139

The conversion of RMB denominated balances into other currencies and the remittance of bank balances and cash out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

25. Share capital and premium

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
Ordinary share of HKD1.00 each upon incorporation		1,000,000,000	1,000,000	–	–	–
Increase in authorised share capital		1,000,000,000	1,000,000	–	–	–
		2,000,000,000	2,000,000	–	–	–
Issued and fully paid						
At 31 December 2017 and 1 January 2018		1,000,000,000	1,000,000	837,342	5,162,867	6,000,209
Issue of shares in connection with the Listing		190,567,000	190,567	168,024	2,688,385	2,856,409
Share issuance cost		–	–	–	(69,539)	(69,539)
At 31 December 2018 and 1 January 2019		1,190,567,000	1,190,567	1,005,366	7,781,713	8,787,079
Placing of shares	(a)	40,000,000	40,000	35,943	642,967	678,910
		1,230,567,000	1,230,567	1,041,309	8,424,680	9,465,989

(a) On 13 December 2019 and 18 December 2019, the Company issued 40,000,000 shares by way of placing at a subscription price of HKD19.10 per share and raised net proceeds of approximately HKD755,537,000 (approximately RMB678,910,000).

26. Other reserves and retained earnings

	Merger reserve RMB'000	Statutory reserves RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	196,687	642,536	29,647	868,870	3,314,600	4,183,470
Profit for the year	–	–	–	–	3,209,997	3,209,997
Transfer to statutory reserves (a)	–	433,152	–	433,152	(433,152)	–
Business combination under common control	(4,321)	–	–	(4,321)	–	(4,321)
Additional investment in a subsidiary	(19,366)	–	–	(19,366)	–	(19,366)
Stock dividends paid by a subsidiary	–	–	15,360	15,360	(15,360)	–
Balance at 31 December 2018	173,000	1,075,688	45,007	1,293,695	6,076,085	7,369,780
Balance at 1 January 2019	**173,000**	**1,075,688**	**45,007**	**1,293,695**	**6,076,085**	**7,369,780**
Profit for the year	**–**	**–**	**–**	**–**	**4,305,164**	**4,305,164**
Transfer to statutory reserves (a)	**–**	**790,716**	**–**	**790,716**	**(790,716)**	**–**
Additional investments in subsidiaries (note 33)	**–**	**–**	**(209,223)**	**(209,223)**	**–**	**(209,223)**
Disposal of ownership interests in subsidiaries without change of control (note 33)	**–**	**–**	**(68)**	**(68)**	**–**	**(68)**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**(1,282,003)**	**(1,282,003)**
Balance at 31 December 2019	**173,000**	**1,866,404**	**(164,284)**	**1,875,120**	**8,308,530**	**10,183,650**

(a) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

27. Corporate bonds

	Year ended 31 December 2019 RMB'000	2018 RMB'000
As at 1 January	**5,933,586**	3,495,481
Additions	**8,042,764**	2,433,060
Interests charges	**597,562**	260,028
Interests paid	**(587,133)**	(254,983)
Repayment upon maturity	**(3,500,000)**	–
Ending balance	**10,486,779**	5,933,586
Analysed as:		
— Current portion	**2,437,720**	3,499,268
— Non-current portion	**8,049,059**	2,434,318
	10,486,779	5,933,586

27. Corporate bonds (continued)

The Group's corporate bonds were repayable as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**2,437,720**	3,499,268
Between 1 and 2 years	**6,749,842**	–
Between 2 and 5 years	**1,299,217**	2,434,318
	10,486,779	5,933,586

The Group's corporate bonds comprised the following:

Issue Date	Par Value	Interest Rate	Term of bonds	Net proceeds after issuance cost	Effective interest rate per annum
	RMB'000			RMB'000	
24/05/2018	1,440,000	7.80%	3 years*	1,438,060	7.88%
17/09/2018	1,000,000	7.50%	3 years*	995,000	7.78%
02/01/2019	1,000,000	7.00%	3 years*	996,000	7.22%
28/01/2019	3,060,000	5.30%	3 years*	3,055,680	5.38%
27/02/2019	1,000,000	6.50%	3 years*	997,742	6.62%
04/07/2019	1,700,000	5.20%	4 years*	1,694,240	5.38%
05/08/2019	1,300,000	5.70%	5 years#	1,299,102	5.73%

The corporate bonds of RMB3,060,000,000 (2018: RMB3,499,268,000) as at 31 December 2019 were guaranteed by its related parties (note 34(a)).

* Midea Real Estate Group Limited ("Midea Real Estate Group") has the option to adjust the coupon rate of these corporate bonds at the end of the second year, and investors have the option to sell their bonds back.

Midea Real Estate Group has the option to adjust the coupon rate of these corporate bonds at the end of the third year, and investors have the option to sell their bonds back.

28. Bank and other borrowings

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Bank borrowings	**35,847,775**	24,785,827
Other loans	**8,317,163**	18,789,893
	44,164,938	43,575,720
Included in non-current liabilities:		
— Secured/guaranteed	**29,002,071**	22,701,745
— Unsecured	**14,183,079**	11,388,262
Less: current portion of non-current liabilities	**(5,718,696)**	(3,616,190)
	37,466,454	30,473,817
Included in current liabilities:		
— Secured/guaranteed	**350,000**	6,857,074
— Unsecured	**629,788**	2,628,639
— Current portion of non-current liabilities	**5,718,696**	3,616,190
	6,698,484	13,101,903
Total	**44,164,938**	43,575,720

As at 31 December 2019 and 2018, all of the Group's borrowings were denominated in following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**41,983,176**	41,185,635
HKD	**2,181,762**	1,600,817
USD	**–**	789,268
	44,164,938	43,575,720

The Group's bank and other borrowings as at 31 December 2019 of RMB21,019,509,000 (2018: RMB23,145,368,000) were secured by certain buildings, properties under development and completed properties held for sale of the Group with total carrying values of RMB46,212,574,000 (2018: certain buildings, land use rights, bank deposits, properties under development and completed properties held for sale of the Group with total carrying values of RMB39,355,263,000).

The Group's bank and other borrowings of RMB6,000,163,000 (2018: RMB4,170,451,000), as at 31 December 2019 were guaranteed by its related parties (note 34(a)) and RMB2,332,399,000 (2018: RMB2,243,000,000) were guaranteed by third parties.

28. Bank and other borrowings (continued)

(a) The exposure of bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
3 months or less	**4,973,762**	3,215,298
6–12 months	**1,200,180**	1,201,924
1–2 years	**27,918,101**	27,514,300
	34,092,043	31,931,522

(b) The repayment terms of the bank and other borrowings are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**6,698,484**	13,101,903
1 to 2 years	**11,557,470**	11,994,371
2 to 5 years	**24,152,104**	17,436,446
Over 5 years	**1,756,880**	1,043,000
	44,164,938	43,575,720

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings wholly repayable within 5 years	**42,408,058**	42,532,720
Borrowings wholly repayable after 5 years	**1,756,880**	1,043,000
	44,164,938	43,575,720

(c) The annual weighted average effective interest rates were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Bank and other borrowings	**5.79%**	5.95%

The carrying amounts of the borrowings approximated their fair values as at 31 December 2019 and 2018 as the impact of discounting of borrowings with fixed interest rates was not significant or the borrowings carried floating interest rate.

29. Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables (note (a))	**32,477,765**	15,793,819
— related parties (note 34(b))	**22,793**	3,907
— third parties	**32,454,972**	15,789,912
Amounts due to related parties (note 34(b))	**10,554,551**	5,075,321
Amounts due to non-controlling interests (note (b))	**17,196,319**	11,811,009
Outstanding acquisition considerations payable	**1,867,489**	1,401,975
Deposit payables	**1,624,857**	2,543,391
Accrued expenses	**592,301**	452,246
Salaries payable	**1,114,310**	742,918
Interest payable	**713,068**	246,508
Other taxes payable	**4,396,479**	3,716,571
Other payables (note (c))	**1,286,759**	1,718,284
	71,823,898	43,502,042

(a) The aging analysis of the trade payables based on invoice dates is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**25,668,865**	10,780,781
Over 90 days and within 365 days	**6,033,564**	4,304,598
Over 365 days	**775,336**	708,440
	32,477,765	15,793,819

The Group's trade and other payables as at 31 December 2019 and 2018 were denominated in RMB.

(b) Amounts due to non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.

(c) Other payables mainly represented miscellaneous payments received from property purchasers for various purposes such as obtaining approvals/certificates from government authorities.

30. Cash flow information

(a) Cash generated from/(used in) operations

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**4,326,609**	3,286,869
Adjustments for:		
Income tax expenses (note 10)	**4,054,099**	3,370,318
Interest income (note 9)	**(206,040)**	(183,097)
Interest expenses (note 9)	**–**	–
Net foreign exchange losses on financing activities (note 9)	**53,956**	127,872
Depreciation and amortisation (note 6)	**208,160**	67,790
Losses on disposal of property, plant and equipment and investment properties (note 7)	**735**	416
Net impairment losses on trade and other receivables (note 3.1.3)	**5,578**	34,297
Write-downs of properties under development and completed properties held for sale (note 6)	**1,288,388**	362,605
Share of results of joint ventures and associates (note 14)	**(325,362)**	93,374
Gains arising from changes in fair value of and transfer to investment properties (note 7)	**(198,450)**	(3,306)
Gains on disposal of subsidiaries (note 36)	**–**	(3,657)
Gains on disposal of joint ventures and associates (note 7)	**(3,406)**	(925)
Realised and unrealised gains on financial assets at FVPL (note 7)	**(245,832)**	(250,847)
	8,958,435	6,901,709
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Properties under development and completed properties held for sale	**(47,554,205)**	(45,059,209)
Inventories	**(40,943)**	(2,977)
Restricted cash	**234,511**	(4,275,405)
Trade and other receivables	**(8,351,610)**	(2,614,275)
Prepaid taxes (excluding prepaid income taxes)	**(2,226,004)**	(7,010,279)
Contract assets and contract acquisition costs	**(66,918)**	(364,078)
Contract liabilities	**32,793,679**	19,566,669
Trade and other payables	**24,620,322**	21,833,979
	(591,168)	(17,925,575)
Cash generated from/(used in) operations	**8,367,267**	(11,023,866)

30. Cash flow information (continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment and investment properties comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Property, plant and equipment and investment properties		
Net book amount (notes 15 and 16)	**133,154**	8,929
Losses on disposal (note 7)	**(735)**	(416)
Proceeds	**132,419**	8,513

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings	Corporate bonds	Net balance due to related parties controlled by the Ultimate Controlling Parties	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	34,759,467	3,495,481	3,729,536	–
Cash flows				
— Increase	42,321,163	2,433,060	–	–
— Decrease	(33,632,782)	–	(3,735,395)	–
— Interest paid	–	(254,983)	–	–
— Interest expenses	–	260,028	–	–
— Exchange differences	127,872	–	–	–
Balance as at 31 December 2018/ 1 January 2019	43,575,720	5,933,586	(5,859)	–
Adjustment for accounting policy changes (note 2.2)	**–**	**–**	**–**	**291,857**
Opening net book amount at 1 January	**43,575,720**	**5,933,586**	**(5,859)**	**291,857**
Cash flows				
— Disposal of subsidiaries (note 36)	**(4,684,050)**	**–**	**–**	**–**
— Increase	**36,831,030**	**8,042,764**	**303,273**	**47,344**
— Decrease	**(31,611,718)**	**(3,500,000)**	**–**	**(89,709)**
— Interest paid	**–**	**(587,133)**	**–**	**(15,493)**
— Interest expenses	**–**	**597,562**	**–**	**15,493**
— Exchange differences	**53,956**	**–**	**–**	**–**
Balance as at 31 December 2019	**44,164,938**	**10,486,779**	**297,414**	**249,492**

31. Guarantee

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	**62,687,030**	42,105,140
Guarantees to joint ventures and associates in respect of borrowings (note (b))	**6,991,177**	2,947,421
	69,678,207	45,052,561

(a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal titles and take possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

(b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

(c) The directors of the Company have assessed that the fair values of guarantees provided to purchasers and joint ventures and associates as at initial recognition and each year end were insignificant.

32. Commitments

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contracted but not provided for:		
Property, plant and equipment	**142,374**	128,918
Property development expenditure	**36,055,219**	24,652,664
	36,197,593	24,781,582

32. Commitments (continued)

(b) Operating lease rental receivable

The lease terms are between 1 and 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of the buildings are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
— Not later than one year	**90,458**	84,776
— Later than one year and not later than five years	**300,739**	233,197
— Over five years	**106,842**	82,402
	498,039	400,375

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to note 16.

33. Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

The Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total cash consideration of RMB695,309,000. The differences between the carrying amounts of non-controlling interest acquired and consideration paid are set out below:

	Year ended 31 December 2019 RMB'000
Total carrying amounts of non-controlling interests acquired	**486,086**
Less: total consideration paid and payable to non-controlling interests	**(695,309)**
Total difference recognised within equity	**(209,223)**

(b) Disposal of ownership interest in subsidiaries without change of control

During the year ended 31 December 2019, the Group disposed of certain equity interests in subsidiaries for a total cash consideration of RMB6,024,000. The carrying amount of the equity interest in the subsidiary on the date of disposal was RMB6,092,000. The Group recognised an increase in non-controlling interests of RMB6,092,000 and a decrease in equity attributable to owners of the Company of RMB68,000.

	Year ended 31 December 2019 RMB'000
Consideration received from non-controlling interests	**6,024**
Less: carrying amount of the equity interest disposal of	**(6,092)**
Total difference recognised within equity	**(68)**

33. Transactions with non-controlling interests (continued)

(c) The aggregate effect of the above transactions with non-controlling interests on the equity attributable to owners of the Company are as follows:

	Year ended 31 December 2019 RMB'000
Changes in equity attributable to owners of the Company arising from:	
— Acquisition of additional interest in subsidiaries	**(209,223)**
— Disposal of ownership interest in subsidiaries without change of control	**(68)**
Net effect of transactions with non-controlling interests on equity attributable to owners of the Company	**(209,291)**

34. Related party transactions

The ultimate holding company of the Company is Midea Development (BVI), and the Ultimate Controlling Parties of the Company are Mr. He and Ms. Lu.

(a) Transactions with related parties

Apart from those related party transactions disclosed elsewhere in this report, the Group had the following significant transactions with related parties during the year:

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(i)	Entities controlled by the Ultimate Controlling Parties		
	Rendering of property management services	**6,339**	5,965
	Purchase of home appliances and smart home technology products	**106,711**	11,921
	Purchase of information technology support services	**1,948**	1,800
	Interest expenses on loans from related parties	**32,096**	177,282
	Receiving guarantee in respect of borrowings	**9,060,163**	7,669,719
	Licensing fees	**8,514**	8,561
	Rental expenses	**732**	926
	Lease payments	**827**	–
	Interest expenses on lease liabilities	**25**	–
	Selling of materials, equipment and other service	**1,035**	–
	Management and consulting service income	**7,894**	5,097

34. Related party transactions (continued)

(a) Transactions with related parties (continued)

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(ii)	Entities controlled by certain directors		
	Management and consulting service income	**446**	1,406
	Rental expenses	**5,664**	5,442
	Lease payments	**7,194**	–
	Interest expenses on lease liabilities	**113**	–
(iii)	Joint ventures		
	Management and consulting service income	**105,124**	36,836
	Providing guarantee in respect of borrowings	**6,186,162**	2,408,400
	Selling of materials, equipment and other service	**44,182**	15,170
	Rendering of property management services	**27,928**	14,602
	Lease income	**–**	1,390
(iv)	Associates		
	Rendering of brand management services	**4,075**	–
	Providing guarantee in respect of borrowings	**2,846,135**	539,021
	Management and consulting service income	**13,791**	13,751
	Rendering of property management services	**6,292**	6,205
	Selling of materials, equipment and other service	**6,323**	988
(v)	Directors and/or their close family members		
	Sales of properties	**–**	2,170

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

34. Related party transactions (continued)

(b) Balances with related parties

		As at 31 December	
		2019	2018
		RMB'000	RMB'000
(i)	Joint ventures		
	Amounts due from related parties	**11,123,648**	3,711,974
	Amounts due to related parties	**7,550,957**	3,074,195
(ii)	Associates		
	Amount due from related parties	**5,227,579**	1,281,140
	Amount due to related parties	**2,639,701**	2,000,150
(iii)	Entities controlled by the Ultimate Controlling Parties		
	Amounts due from related parties	**66,556**	7,397
	Amounts due to related parties	**386,686**	4,883
	Lease liabilities	**47**	–
(iv)	Entities controlled by certain directors and/or their close family members		
	Amounts due from related parties	**2,323**	399
	Lease liabilities	**536**	–
(v)	Analysis on amounts due from related parties		
	Trade	**144,646**	5,867
	Non-trade	**16,275,460**	4,995,043
(vi)	Analysis on amounts due to related parties		
	Trade	**22,793**	3,907
	Non-trade	**10,554,551**	5,075,321

Amounts due from/to related parties mainly represented the cash advances which are unsecured, interest-free, and repayable on demand.

34. Related party transactions (continued)

(c) Loans from related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**–**	2,855,600
Loans advanced	**2,118,029**	3,723,260
Loans repayments	**(2,118,029)**	(6,578,860)
End of the year	**–**	–

The interest rate of loans from related parties is 6.00% per annum (2018: ranging 6% to 6.15%), and the terms of the loans were between 2 months to 6 months (2018: between 2 months to 21 months).

(d) Key management compensation

Key management comprise the Company's directors and senior management. The compensation paid or payable to key management for employee services is shown below.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Key management compensation		
— Salaries and other employee benefits	**24,908**	21,946
— Pension costs	**192**	134
— Fees	**531**	373
	25,631	22,453

35. Subsidiaries

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies:

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in BVI					
美的建業(英屬維京群島)有限公司 Midea Construction (BVI) Limited	21/10/2009	Others	USD30	100%	–
Platinum Years Limited	08/10/2013	Others	USD50	100%	–
科納投資控股有限公司 Kona Investment Holding Limited	18/05/2012	Others	USD50	100%	–
Incorporated in Hong Kong					
美的建業(香港)有限公司 Midea Construction (Hong Kong) Co., Ltd	03/11/2009	Others	HKD2,144,100	100%	–
科納投資控股(香港)有限公司 Kona Investments Holding (Hongkong) Limited	31/05/2012	Others	HKD100	100%	–
旭建(香港)有限公司 Xu Jian (HK) Co., Limited	07/12/2018	Property Development	HKD0.01	60%	40%
	–				
Incorporated in Macau					
澳門比華利房地產有限公司 Pei Wa Lei Real Estate Limited	10/10/2013	Others	MOP500	100%	–
Incorporated in Mainland China					
徐州美的置業有限公司 Xuzhou Midea Properties Co., Ltd	02/11/2010	Property Development	USD20,000	100%	–
徐州美的時代房地產有限公司 Xuzhou Midea Times Real Estate Co., Ltd	10/01/2014	Property Development	USD44,500	100%	–
佛山市皇朝房地產發展有限公司 Foshan Huangchao Real Estate Development Co., Ltd	10/10/2013	Property Development	RMB50,000	90%	10%
徐州躍輝置業有限公司 Xuzhou Yuehui Real Estate Company Limited	07/09/2016	Property Development	RMB262,600	100%	–

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
佛山市美的文化旅遊發展有限公司 Foshan Midea Cultural Tourism Development Co., Ltd	28/08/2015	Others	RMB50,000	90%	10%
寧波梅山保稅港區薈弘投資有限公司 Ningbo Meishan Bonded Port Huihong Investment Co., Ltd	31/08/2017	Others	RMB62,834	100%	–
廣東美的物業管理股份有限公司 Guangdong Midea Property Management Co., Ltd	31/01/2000	Others	RMB51,200	82%	18%
佛山市順德區美家智慧科技管理服務有限公司 Foshan Shunde Meijia Intelligent Technology Management Services Co., Ltd	20/11/2015	Others	RMB25,000	100%	–
美的置業集團有限公司 Midea Real Estate Group Limited	13/01/1995	Others	RMB3,191,495	100%	–
佛山市美的房地產發展有限公司 Foshan Midea Real Estate Development Co., Ltd	10/08/1998	Property Development	RMB200,000	100%	–
佛山市順德區捷高房產有限公司 Foshan Shunde Jiegao Real Estate Co., Ltd	28/08/2007	Property Development	RMB200,000	100%	–
佛山市名勝投資有限公司 Foshan Mingsheng Investment Co., Ltd	15/10/2007	Property Development	RMB170,000	100%	–
美的西南房地產發展有限公司 Midea Xinan Property Development Company Limited	26/03/2010	Property Development	RMB500,000	100%	–
株洲市美的高科房地產發展有限公司 Zhuzhou Midea Gaoke Real Estate Development Co., Ltd	10/06/2010	Property Development	RMB45,000	100%	–
株洲市美的房地產發展有限公司 Zhuzhou Midea Real Estate Development Co., Ltd	10/06/2010	Property Development	RMB402,820	100%	–
佛山市高明區美的房地產發展有限公司 Foshan Gaoming Midea Real Estate Development Co., Ltd	14/01/2011	Property Development	RMB400,000	100%	–
佛山市順德區美的房產有限公司 Foshan Shunde Midea Real Estate Co., Ltd	13/01/2011	Property Development	RMB75,000	100%	–

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
邯鄲市美的房地產開發有限公司 Handan Midea Real Estate Development Co., Ltd	06/09/2011	Property Development	RMB353,540	100%	–
徐州市美的新城房地產發展有限公司 Xuzhou Midea Xincheng Real Estate Development Co., Ltd	24/11/2011	Property Development	RMB300,000	100%	–
寧波市梅山美的房地產發展有限公司 Ningbo Meishan Midea Real Estate Development Co., Ltd	14/12/2011	Property Development	RMB300,000	100%	–
佛山市順德區盈茂房地產有限公司 Foshan Shunde Yingmao Real Estate Co., Ltd	29/01/2013	Property Development	RMB200,000	100%	–
瀋陽市美的房地產開發有限公司 Shenyang Midea Real Estate Development Co., Ltd	03/07/2013	Property Development	RMB384,098	100%	–
鎮江美的房地產發展有限公司 Zhenjiang Midea Real Estate Development Co., Ltd	27/09/2013	Property Development	RMB100,000	100%	–
遵義市美的房地產發展有限公司 Zunyi Midea Real Estate Development Co., Ltd	17/02/2014	Property Development	RMB150,000	100%	–
佛山市高明區新江房地產發展有限公司 Foshan Gaoming Xinjiang Real Estate Development Co., Ltd	28/10/2015	Property Development	RMB100,000	100%	–
佛山市順德區紺恒美的房產有限公司 Foshan Shunde Ganheng Midea Real Estate Co., Ltd	29/10/2015	Property Development	RMB100,000	100%	–
寧波市瑞奕房地產發展有限公司 Ningbo Ruiyi Real Estate Development Co., Ltd	25/11/2015	Property Development	RMB100,000	100%	–
株洲市鼎輝房地產發展有限公司 Zhuzhou Dinghui Real Estate Development Co., Ltd	04/12/2015	Property Development	RMB100,000	100%	–
貴陽美的新時代房地產發展有限公司 Guiyang Midea New Era Real Estate Development Co., Ltd	19/02/2016	Property Development	RMB500,000	100%	–
江西省冶電能源配送有限公司 Jiangxi Yedian Power Transit Company Limited	07/06/2016	Property Development	RMB50,000	65%	35%

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
邯鄲市順美房地產開發有限公司 Handan Shunmei Real Estate Development Co., Ltd	14/06/2016	Property Development	RMB100,000	100%	–
佛山市順德區越誠房地產發展有限公司 Foshan Shunde Yuecheng Real Estate Development Co., Ltd	21/07/2016	Property Development	RMB60,000	100%	–
徐州市鵬輝房地產發展有限公司 Xuzhou Penghui Real Estate Development Co., Ltd	16/08/2016	Property Development	RMB50,000	100%	–
瀋陽嘉美房地產開發有限公司 Shenyang Jiamei Real Estate Development Co., Ltd	25/08/2016	Property Development	RMB50,000	100%	–
無錫市悦輝房地產發展有限公司 Wuxi Yuehui Real Estate Development Co., Ltd	22/09/2016	Property Development	RMB500,000	59%	41%
邯鄲市冀輝房地產開發有限公司 Handan Jihui Real Estate Development Co., Ltd	24/06/2016	Property Development	RMB100,000	100%	–
邯鄲市華美世紀房地產開發有限公司 Handan Huamei Century Real Estate Development Co., Ltd	13/09/2016	Property Development	RMB30,000	51%	49%
貴陽恒祥房地產開發有限公司 Guiyang Hengxiang Real Estate Development Co., Ltd	07/11/2016	Property Development	RMB51,000	100%	–
江門市美拓房地產開發有限公司 Jiangmen Meituo Real Estate Development Co., Ltd	08/11/2016	Property Development	RMB50,000	100%	–
岳陽市鼎輝房地產發展有限公司 Yueyang Dinghui Real Estate Development Co., Ltd	26/12/2016	Property Development	RMB350,000	80%	20%
寧波市瑞寧房地產發展有限公司 Ningbo Ruining Real Estate Development Co., Ltd	16/11/2016	Property Development	RMB50,000	100%	–
佛山市順德區萬薈人才服務有限公司 Foshan Shunde Wanhui Human Resource Services Co., Ltd	18/11/2016	Property Development	RMB170,000	60%	40%
佛山市順德區迅德置業投資有限公司 Foshan Shunde Xunde Properties Investment Co., Ltd	21/10/2016	Property Development	RMB79,462	56%	44%

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
寧波梅山保税港區盈美投資管理有限公司 Ningbo Meishan Bonded Port Area Yingmei Investment Management Co., Ltd	23/09/2016	Others	RMB3,000,000	100%	–
昆明城業房地產有限公司(#) Kunming Chengye Real Estate Co., Ltd	20/02/2017	Property Development	RMB50,000	53%	47%
雲南藍門子房地產有限公司(#) Yunnan Lanmenzi Real Estate Co., Ltd	20/02/2017	Property Development	RMB150,000	67%	33%
合肥悦輝房地產發展有限公司 Hefei Yuehui Real Estate Development Co., Ltd	18/05/2017	Property Development	RMB50,000	100%	–
石家莊市美的房地產開發有限公司 Shijiazhuang Midea Property Development Co., Ltd	20/04/2017	Property Development	RMB50,000	100%	–
佛山市順德區天美房產有限公司 Foshan Shunde Tianmei Real Estate Co., Ltd	20/06/2017	Property Development	RMB50,000	100%	–
合肥美富房地產發展有限公司(*) Hefei Meifu Real Estate Development Co., Ltd	04/08/2017	Property Development	RMB50,000	50%	50%
佛山市南海區誠美房地產開發有限公司 Foshan Nanhai Chengmei Real Estate Development Co., Ltd	25/09/2017	Property Development	RMB383,100	100%	–
貴陽國龍置業有限公司 Guizhou Guolong Properties Co., Ltd	16/10/2017	Property Development	RMB300,000	90%	10%
佛山市順德區寶弘房地產開發有限公司 Foshan Shunde Baohong Real Estate Development Co., Ltd	13/10/2017	Property Development	RMB295,658	100%	–
佛山市順德區益豐房產有限公司(*) Foshan Shunde Yifeng Property Co., Ltd	24/04/2017	Property Development	RMB710,000	50%	50%
重慶美榮房地產開發有限公司(*) Chongqing Meirong Real Estate Development Co., Ltd	23/10/2017	Property Development	RMB50,000	50%	50%
湖南中寧置業有限公司 Hunan Zhongning Property Co., Ltd	31/10/2017	Property Development	RMB30,000	60%	40%

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
寧波市瑞勇房地產發展有限公司 Ningbo Ruiyong Real Estate Development Co., Ltd	01/11/2017	Property Development	RMB50,000	100%	–
肇慶市鼎湖區美肇房地產開發有限公司(*) Zhaoqing Dinghu Meizhao Real Estate Development Co., Ltd	27/10/2017	Property Development	RMB50,000	50%	50%
成都市美曜房地產開發有限公司 Chengdu Meiyao Real Estate Development Co., Ltd	17/11/2017	Property Development	RMB50,000	70%	30%
佛山市順德區美智房產有限公司(*) Foshan Shunde Meizhi Real Estate Development Co., Ltd	13/11/2017	Property Development	RMB130,000	50%	50%
邢臺市美智房地產開發有限公司(*) Xingtai Meizhi Real Estate Development Co., Ltd	29/11/2017	Property Development	RMB200,000	44%	56%
徐州市恩輝房地產發展有限公司 Xuzhou Enhui Real Estate Development Co., Ltd	13/09/2017	Property Development	RMB50,000	100%	–
鎮江美裕房地產發展有限公司(*) Zhenjiang Meiyu Real Estate Development Co., Ltd	19/12/2017	Property Development	RMB210,000	33%	67%
河源市銅人銅業發展有限公司 Heyuan Tongren Tongye Real Estate Development Co., Ltd	25/12/2017	Property Development	RMB70,032	60%	40%
邯鄲市美創房地產開發有限公司 Handan Meichuang Real Estate Development Co., Ltd	01/12/2017	Property Development	RMB50,000	100%	–
邢臺市美信房地產開發有限公司 Xingtai Meixin Real Estate Development Co., Ltd	08/12/2017	Property Development	RMB50,000	100%	–
邢臺市美盛房地產開發有限公司 Xingtai Meisheng Real Estate Development Co., Ltd	21/12/2017	Property Development	RMB200,000	60%	40%
佛山市三水雲東海花園房地產開發有限公司 Foshan Sanshui Yundonghai Garden Real Estate Development Co., Ltd	04/01/2018	Property Development	RMB250,000	70%	30%
陽江市陽東瑞陽置業有限公司 Yangjiang Yangdong Ruiyang Property Co., Ltd	02/01/2018	Property Development	RMB30,000	80%	20%

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
寧波市瑞昇房地產發展有限公司 Ningbo Ruisheng Real Estate Development Co., Ltd	05/02/2018	Property Development	RMB80,000	51%	49%
寧波聯城住工科技有限公司 Ningbo Liancheng Housing Industrialisation Technology Co., Ltd	05/02/2018	Others	RMB60,000	100%	–
金華市瑞麟房地產開發有限公司(*) Jinhua Ruilin Real Estate Development Co., Ltd	12/04/2018	Property Development	RMB100,000	50%	50%
眉山美文房地產開發有限公司(*) Meishan Meiwen Real Estate Development Co., Ltd	25/04/2018	Property Development	RMB80,000	50%	50%
遵義市美駿房地產開發有限公司 Zunyi Meijun Real Estate Development Co., Ltd	16/05/2018	Property Development	RMB500,000	51%	49%
邯鄲市天志地成房地產開發有限公司(*) Handan Tianzhi Dicheng Property Development Company Limited	08/05/2018	Property Development	RMB400,000	49%	51%
鄭州雋翔房地產開發有限公司 Zhengzhou Junxiang Property Development Company Limited	21/05/2018	Property Development	RMB50,000	100%	–
上饒市美越房地產開發有限公司(*) Shangrao Meiyue Real Estate Development Co., Ltd	12/06/2018	Property Development	RMB260,000	34%	66%
南寧市美曦房地產開發有限公司 Nanning Meixi Real Estate Development Company Limited	12/06/2018	Property Development	RMB30,000	100%	–
重慶美駿房地產開發有限公司(*) Chongqing Meijun Real Estate Development Co., Ltd	15/06/2018	Property Development	RMB200,000	50%	50%
舟山市瑞海房地產發展有限公司 Zhoushan Ruihai Real Estate Development Company Limited	19/06/2018	Property Development	RMB500,000	100%	–
徐州聯城智慧家居有限公司 Xuzhou Liancheng Smart Home Co., Ltd	08/06/2018	Others	RMB64,306	100%	–

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
徐州聯城住宅工業科技發展有限公司 Xuzhou Liancheng Housing Industrialisation Technology Development Co., Ltd	08/06/2018	Others	RMB223,493	100%	–
鎮江聯城住宅工業科技發展有限公司 Zhenjiang Liancheng Housing Industrialisation Technology Development Co., Ltd	21/06/2018	Others	RMB109,277	80%	20%
無錫市美駿房地產發展有限公司 Wuxi Meijun Real Estate Development Co., Ltd	02/07/2018	Property Development	RMB500,000	60%	40%
無錫市美商駿房地產發展有限公司(#) Wuxi Meishangjun Real Estate Development Co., Ltd	10/07/2018	Property Development	RMB1,200,000	34%	66%
揚州萬美置業有限公司(#) Yangzhou Wanmei Property Co., Ltd	17/07/2018	Property Development	RMB685,353	50%	50%
重慶美城金房地產開發有限公司(#) Chongqing Meichengjin Real Estate Development Co., Ltd	27/07/2018	Property Development	RMB200,000	35%	65%
成都市美的房地產開發有限公司 Chengdu Midea Real Estate Development Co., Ltd	06/07/2018	Property Development	RMB100,000	100%	–
邢臺市美譽房地產開發有限公司 Xingtai Meiyu Real Estate Development Co., Ltd	19/07/2018	Property Development	RMB50,000	100%	–
常州市美陽房地產發展有限公司 Changzhou Meiyang Real Estate Development Co., Ltd	02/08/2018	Property Development	RMB500,000	51%	49%
岳陽縣鼎岳房地產開發有限公司 Yueyang Dingyue Real Estate Development Co., Ltd	02/08/2018	Property Development	RMB230,000	50.1%	49.9%
大理美詔房地產開發有限公司(#) Dali Meizhao Real Estate Development Co., Ltd	06/09/2018	Property Development	RMB400,000	50%	50%
蘇州正璽房地產開發有限公司(#) Suzhou Zhengxi Real Estate Development Co., Ltd	30/09/2018	Property Development	RMB400,000	34%	66%
開封市美豫房地產開發有限公司 Kaifeng Meiyu Real Estate Development Co., Ltd	30/10/2018	Property Development	RMB50,000	100%	–

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
陽江市宏陽置業發展有限公司 Yangjiang Hongyang Property Development Co., Ltd	27/11/2018	Property Development	RMB84,517	60%	40%
邢臺新碧房地產開發有限公司(*) Xingtai Xinbi Real Estate Development Co., Ltd	02/11/2018	Property Development	RMB50,000	45%	55%
贛州鑫群置業有限公司 Ganzhou Xinqun Property Co., Ltd	29/11/2018	Property Development	RMB952,294	60%	40%
徐州朗升房地產開發有限公司 Xuzhou Langsheng Real Estate Development Co., Ltd	24/12/2018	Property Development	RMB1,356,844	51%	49%
常德市鼎業房地產開發有限公司 Changde Dingye Real Estate Development Co., Ltd	04/12/2018	Property Development	RMB280,000	50.1%	49.9%
揚州市美嘉房地產發展有限公司 Yangzhou Meijia Real Estate Development Co., Ltd	18/01/2019	Property Development	RMB300,000	60%	40%
蘇州美居房地產開發有限公司 Suzhou Meiju Real Estate Development Co., Ltd	18/01/2019	Property Development	RMB500,000	51%	49%
郴州市鼎輝房地產開發有限公司 Chenzhou Dinghui Real Estate Development Co., Ltd	25/01/2019	Property Development	RMB50,000	51%	49%
衡陽市鼎華房地產開發有限公司 Hengyang Dinghua Real Estate Development Co., Ltd	28/01/2019	Property Development	RMB300,000	70%	30%
徐州美君房地產有限公司(*) Xuzhou Meijun Real Estate Co., Ltd	25/02/2019	Property Development	RMB125,000	34%	66%
佛山市禪城區美葆房地產開發有限公司 Foshan Chancheng Meibao Real Estate Development Co., Ltd	08/03/2019	Property Development	RMB50,000	100%	–
茂名市電白區美航房地產開發有限公司 Maoming Dianbai Meihang Real Estate Development Co., Ltd	15/04/2019	Property Development	RMB583,000	51%	49%
贛州慧谷房地產開發有限公司 Ganzhou Huigu Real Estate Development Co., Ltd	16/04/2019	Property Development	RMB50,000	51%	49%

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
常州市美科房地產發展有限公司 Changzhou Meike Real Estate Development Co., Ltd	15/04/2019	Property Development	RMB819,000	51%	49%
台州市美泰房地產開發有限公司 Taizhou Meitai Real Estate Development Co., Ltd	16/04/2019	Property Development	RMB120,000	60%	40%
鎮江美新房地產開發有限公司 Zhenjiang Meixin Real Estate Development Co., Ltd	23/04/2019	Property Development	RMB100,000	100%	–
台州嘉豪置業有限公司(*) Taizhou Jiahao Real Estate Co., Ltd	19/04/2019	Property Development	RMB600,000	50%	50%
惠州市旭美房地產開發有限公司(*) Huizhou Xumei Real Estate Development Co., Ltd	22/04/2019	Property Development	RMB150,000	50%	50%
瀋陽正匯房地產開發有限公司 Shenyang Zhenghui Real Estate Development Co., Ltd	08/05/2019	Property Development	RMB562,968	100%	–
長沙和匯房地產開發有限公司(*) Changsha Hehui Real Estate Development Co., Ltd	15/05/2019	Property Development	RMB500,000	50%	50%
武漢市鼎輝雅樂房地產開發有限公司 Wuhan Dinghui Yale Real Estate Development Co., Ltd	08/05/2019	Property Development	RMB2,100,000	51%	49%
昆明美龍置業有限公司 Kunming Meilong Real Estate Co., Ltd	24/05/2019	Property Development	RMB160,000	100%	–
茂名市茂南區金驍房地產開發有限公司(*) Maoming Maonan Jinxiao Real Estate Development Co., Ltd	14/06/2019	Property Development	RMB640,000	50%	50%
杭州錦瀾置業有限公司(*) Hangzhou Jinlan Real Estate Co., Ltd	18/06/2019	Property Development	RMB700,000	50%	50%
杭州璟琇商貿有限責任公司(*) Hangzhou Jingxiu Trading LLC	18/06/2019	Property Development	RMB350,000	50%	50%
昆明藍宇置業有限公司 Kunming Lanyu Real Estate Co., Ltd	13/06/2019	Property Development	RMB160,000	100%	–

35. Subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China (continued)					
江門市美溢房地產開發有限公司 Jiangmen Meiyi Real Estate Development Co., Ltd	17/06/2019	Property Development	RMB50,000	100%	–
寧波市美睿房地產發展有限公司(*) Ningbo Meirui Real Estate Development Co., Ltd	21/06/2019	Property Development	RMB550,000	50%	50%
江門市美碧房地產開發有限公司 Jiangmen Meibi Real Estate Development Co., Ltd	26/06/2019	Property Development	RMB50,000	100%	–
長沙市桂和房地產開發有限公司 Changsha Guihe Real Estate Development Co., Ltd	16/07/2019	Property Development	RMB500,000	73%	28%
重慶美頌房地產開發有限公司 Chongqing Meisong Real Estate Development Co., Ltd	23/07/2019	Property Development	RMB100,000	100%	–
鎮江悅璟房地產開發有限公司(*) Zhenjiang Yuejing Real Estate Development Co., Ltd	09/09/2019	Property Development	RMB61,000	34%	66%
金華市美潤房地產發展有限公司 Jinhua Meirun Real Estate Development Co., Ltd	16/09/2019	Property Development	RMB280,000	70%	30%
泉州市聚龍遠南房地產有限公司 Quanzhou Julongyuannan Real Estate Development Co., Ltd	16/09/2019	Property Development	RMB118,000	65%	35%
湖南旺華置業有限公司 Hunan Wanghua Real Estate Co., Ltd	31/10/2019	Property Development	RMB30,000	70%	30%

* As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through contractual arrangements and the existing rights to direct the relevant activities including but not limited to budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

\# Pursuant to the contractual arrangements entered into between the Group and the non-controlling shareholders, the non-controlling shareholders of these companies do not bear any risk and loss from their investments and are only entitled to guaranteed returns. Therefore, from an accounting perspective, the Group effectively acquired 100% interests in these companies.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

36. Disposal of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	Year ended 31 December 2019 RMB'000
Disposal consideration	
— Fair values of investments in joint ventures	2,233,032
Deferred income tax assets	(58,952)
Properties under development and completed properties held for sale	(10,332,453)
Trade and other receivables	(3,016,657)
Prepaid taxes	(999,760)
Restricted cash	(96,419)
Cash and cash equivalents	(1,711,149)
Contract liabilities	3,831,361
Bank and other borrowings	4,684,050
Trade and other payables	3,389,184
Deferred income tax liabilities	62,758
Others	(2,033)
Total net assets disposed of	(4,250,070)
Non-controlling interest disposed of	2,017,038
	(2,233,032)
Gains on disposal	–
Cash proceeds from disposal, net of cash disposed of	
— From third parties	–
— Cash and cash equivalents of the subsidiaries disposed of	(1,711,149)
Net cash outflow on disposal	(1,711,149)

37. Business combinations

Business combinations during the year represented acquisitions of certain property development companies. The directors of the Company consider that none of these subsidiaries acquired was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

37. Business combinations (continued)

The acquired companies' principal activities are property development in the PRC. The financial information of these acquired companies on the acquisition date is listed as follows:

	Year ended 31 December 2019 RMB'000
Business combinations	
— Cash paid	92,885
— Cash consideration outstanding and included in other payables	232,071
Purchase consideration	324,956
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	112,605
Properties under development and completed properties held for sale	1,131,871
Intangible assets	11,642
Trade and other receivables	44,453
Trade and other payables	(683,421)
Current income tax liabilities	(10,987)
Deferred income tax liabilities	(145,601)
Others	1,823
Total identifiable net assets	462,385
Non-controlling interests	(199,391)
Goodwill	61,962
	324,956
Outflow of cash to acquire business net of cash acquired	
— cash considerations	92,885
Less: cash paid as additional capital injection into a subsidiary	(78,000)
— cash and cash equivalents of the subsidiaries acquired	(34,605)
Cash outflow on acquisitions	(19,720)

As a result of the acquisitions, the Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB61,962,000 arising from the acquisitions are attributable to acquired customer base and economies of scale expected from combining the operations of the Group and the acquired companies. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired businesses contributed total revenues of RMB8,428,000 and net loss of RMB5,493,000 to the Group for the period from their respective acquisition dates to 31 December 2019.

Had these companies been consolidated from 1 January 2019, the consolidated statement of comprehensive income would show pro-forma total revenue of RMB41,152,947,000 and net profit for the year of RMB4,316,001,000.

The outstanding acquisition consideration of RMB374,324,000 of previous acquisition was settled in 2019.

38. Balance sheet and reserve movement of the Company

		As at 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**4,183,660**	4,183,660
Amount due from a subsidiary		**3,087,340**	2,856,409
		7,271,000	7,040,069
Current assets			
Amount due from a subsidiary		**7,471,179**	5,975,312
Trade and other receivables		**4,479**	133
Cash and cash equivalents		**29,672**	1,253,263
		7,505,330	7,228,708
Total assets		**14,776,330**	14,268,777
EQUITY			
Share capital and premium		**9,465,989**	8,787,079
Other reserves	(a)	**4,183,465**	4,183,465
Retained earnings	(a)	**184,575**	1,292,599
Total equity		**13,834,029**	14,263,143
LIABILITIES			
Current liabilities			
Trade and other payables		**837,439**	5,634
Amount due to a subsidiary		**104,862**	–
Total liabilities		**942,301**	5,634
Total equity and liabilities		**14,776,330**	14,268,777

The balance sheets of the Company was approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

38. Balance sheet and reserve movement of the Company (Continued)

(a) Other reserves and accumulated losses

	Other reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000
At 1 January 2018	4,183,465	(11,249)
Profit for the year	–	1,303,848
At 31 December 2018	4,183,465	1,292,599
At 1 January 2019	**4,183,465**	**1,292,599**
Dividends paid to shareholders	**–**	**(1,282,003)**
Profit for the year	**–**	**173,979**
At 31 December 2019	**4,183,465**	**184,575**

39. Benefits and interests of directors

(a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group during the year are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries and other benefits	**18,483**	17,570
Pension costs	**152**	120
Fees	**531**	373
	19,166	18,063

39. Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

(i) For the year ended 31 December 2019

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Hao Hengle	–	9,264	46	9,310
Mr. Yao Wei	–	3,222	30	3,252
Mr. Lin Ge	–	3,182	46	3,228
Ms. Lin Dongna	–	2,815	30	2,845
Non-executive directors:				
Mr. He Jianfeng	–	–	–	–
Mr. Zhao Jun	–	–	–	–
Independent non-executive directors:				
Mr. Tan Jinsong	177	–	–	177
Mr. O'Yang Wiley	177	–	–	177
Mr. Lu Qi	177	–	–	177
	531	18,483	152	19,166

(ii) For the year ended 31 December 2018

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Hao Hengle	96	8,184	30	8,310
Mr. Yao Wei	80	4,227	30	4,337
Mr. Lin Ge	80	2,543	30	2,653
Ms. Lin Dongna	–	2,616	30	2,646
Non-executive directors:				
Mr. He Jianfeng	–	–	–	–
Mr. Zhao Jun	–	–	–	–
Independent non-executive directors:				
Mr. Tan Jinsong	39	–	–	39
Mr. O'Yang Wiley	39	–	–	39
Mr. Lu Qi	39	–	–	39
	373	17,570	120	18,063

39. Benefits and interests of directors (continued)

(a) Directors' emoluments (Continued)

No Director has waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

The non-executive Directors, Mr. He Jianfeng and Mr. Zhao Jun, did not receive any emoluments from the Group for the years ended 31 December 2019 and 2018 as they are not entitled to any emoluments under their letters of appointment.

Mr. He Jianfeng was appointed as a non-executive Director on 15 May 2018.

Mr. Tan Jinsong, Mr. O'Yang Wiley and Mr. Lu Qi were appointed as independent non-executive Directors on 15 May 2018 with effect from 11 October 2018.

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

During the year, no payments to the directors of the Company as compensation for the early termination of the appointment.

(d) Consideration provided to third parties for making available directors' services

During the year, the Company did not pay to any third party for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

During the year, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

40. Subsequent events

In February and March 2020, Midea Real Estate Group issued two corporate bonds in an aggregate principal amounts of RMB2,424,000,000. These corporate bonds carry a coupon interest rate of 4.00% and 4.20% per annum with maturity dates of 24 February 2024 and 26 March 2025 respectively. At the end of the second year and the third year, respectively, Midea Real Estate Group has the option to adjust the coupon rate , and investors have the option to sell their bonds back.

Since early 2020, the epidemic of COVID-19 has affected the business and economic activities of the Group in the first quarter of year 2020 to some extent. The Group will pay close attention to the development of COVID-19 and evaluate its impact on the financial position and operating results of the Group. As at the approval date of the financial statements, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of COVID-19.

Consolidated Assets, Equity and Liabilities

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
ASSETS					
Non-current assets	**19,403,828**	10,488,553	6,581,822	4,632,604	2,077,808
Current assets	**230,310,016**	166,830,557	106,397,077	53,255,807	32,667,364
Total assets	**249,713,844**	177,319,110	112,978,899	57,888,411	34,745,172
EQUITY AND LIABILITIES					
Total equity	**31,138,293**	23,584,436	12,164,780	3,094,419	1,409,797
Non-current liabilities	**47,263,629**	34,468,930	30,128,494	18,330,101	6,271,076
Current liabilities	**171,311,922**	119,265,744	70,685,625	36,463,891	27,064,299
Total liabilities	**218,575,551**	153,734,674	100,814,119	54,793,992	33,335,375
Total equity and liabilities	**249,713,844**	177,319,110	112,978,899	57,888,411	34,745,172

Statement of Comprehensive Income

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**41,138,570**	30,119,811	17,716,924	11,992,340	8,312,707
Cost of sales	**(28,131,087)**	(20,265,888)	(12,819,864)	(9,263,426)	(6,524,565)
Gross profit	**13,007,483**	9,853,923	4,897,060	2,728,914	1,788,142
Other income and gains — net	**938,793**	691,508	334,702	235,224	76,060
Gains arising from changes in fair value of and transfer to investment properties	**198,450**	3,306	18,801	33,039	10,424
Selling and marketing expenses	**(2,540,686)**	(1,533,913)	(807,877)	(586,257)	(376,245)
Administrative expenses	**(3,695,200)**	(2,285,191)	(776,262)	(444,275)	(405,726)
Net impairment losses on financial assets	**(5,578)**	(34,297)	(29,090)	(15,620)	(3,514)
Operating profit	**7,903,262**	6,695,336	3,637,334	1,951,025	1,089,141
Finance (costs)/income — net	**152,084**	55,225	(31,329)	(221,503)	(264,637)
Share of results of joint ventures and associates	**325,362**	(93,374)	2,118	(4,492)	(321)
Profit before income tax	**8,380,708**	6,657,187	3,608,123	1,725,030	824,183
Income tax expenses	**(4,054,099)**	(3,370,318)	(1,714,554)	(731,719)	(440,679)
Profit for the year	**4,326,609**	3,286,869	1,893,569	993,311	383,504
Profit attributable to:					
Owners of the Company	**4,305,164**	3,209,997	1,912,442	1,007,387	391,076
Non-controlling interests	**21,445**	76,872	(18,873)	(14,076)	(7,572)
	4,326,609	3,286,869	1,893,569	993,311	383,504
Earnings per share (expressed in RMB per share)					
Basic and diluted earnings per share	**3.61**	3.08	2.54	1.34	0.52
Gross margin	**31.6%**	32.7%	27.6%	22.8%	21.5%
Net profit margin	**10.5%**	10.9%	10.7%	8.3%	4.6%

Corporate Information

Executive Directors

Mr. Hao Hengle (Chairman and President)
Mr. Yao Wei
Mr. Lin Ge
Ms. Lin Dongna

Non-Executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent Non-Executive Directors

Mr. Tan Jinsong
Mr. O'Yang Wiley
Mr. Lu Qi

Audit Committee

Mr. Tan Jinsong (Chairman)
Mr. Zhao Jun
Mr. O'Yang Wiley

Remuneration Committee

Mr. O'Yang Wiley (Chairman)
Mr. Hao Hengle
Mr. Zhao Jun
Mr. Tan Jinsong
Mr. Lu Qi

Nomination Committee

Mr. Hao Hengle (Chairman)
Mr. Tan Jinsong
Mr. Lu Qi

Authorised Representatives

Mr. Hao Hengle
Mr. Zeng Chaoming

Joint Company Secretaries

Mr. Zeng Chaoming
Ms. Chan Bo Shan

Principal Place of Business and Head Office in the Mainland China

34/F, Tower 4, Midea Real Estate Plaza
No.1 Chengde Road, Beijiao Town
Shunde District, Foshan City
Guangdong Province, the PRC

Place of Business in Hong Kong, China

Suites 3906–3910, 39/F, Tower 6, The Gateway
Harbour City, No. 9 Canton Road
Tsim Sha Tsui, Kowloon, Hong Kong

Registered Office

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008, Cayman Islands

Cayman Islands Principal Share Registrar and Transfer Office

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Auditor

PricewaterhouseCoopers

Compliance Adviser

Haitong International Capital Limited

Legal Adviser

Hogan Lovells

Principal Banks in the Mainland China (in Alphabetical Order)

Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank Corporation
China Everbright Bank Company Limited
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Guangdong Shunde Rural Commercial Bank Company Limited
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.

Principal Banks in Hong Kong, China (in Alphabetical Order)

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Company Limited, Hong Kong Branch
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
LUSO International Banking Ltd.
Shanghai Pudong Development Bank Company Limited, Hong Kong Branch
Tai Fung Bank Limited
The Bank of East Asia, Limited

Stock Code

3990

Email of Investor Relations

investor@midea.com

Company's Website

http://www.mideadc.com

Key Dates

• Annual Results Announcement	30 March 2020
• Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at annual general meeting)	26 May 2020 to 29 May 2020 (both days inclusive)
• Annual General Meeting	29 May 2020
• Ex-dividend Date	16 June 2020
• Record Date (for determination of shareholders who qualify for the final dividend)	19 June 2020
• Payment of Final Dividend (HK$1.60 per share)	On or about 10 July 2020

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