

# 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

# 2020 Interim Report

## Company Profile

Midea Real Estate Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**” or “**Midea Real Estate**”) (Stock Code: 3990) is a listed company of The Stock Exchange of Hong Kong Limited, one of the top 26 listed real estate companies in China, one of top 100 private enterprises in Guangdong Province, and is included in the constituent of seven composite indexes such as Hang Seng Stock Connect Hong Kong Index. Founded in 2004, the Group upholds the development orientation of “**Smart Property Manufacturer**”, and aims to create a better lifestyle by building “**5M Smart Health Community**” with intelligent, industrialised, digital and high-quality construction and services, leveraging on 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 295 premium projects in five economic regions (data as at 30 June 2020), including the Yangtze River Delta Economic Region (“**Yangtze River Delta**”), the Pearl River Delta Economic Region (“**Pearl River Delta**”), the Midstream of Yangtze River Economic Region (“**Midstream of Yangtze River**”), North China Region and Southwest Economic Region, with presence in national core cities such as Shanghai, Guangzhou, Tianjin, Chongqing, Chengdu, Zhengzhou, and Wuhan, and in provincial capitals such as Hangzhou, Nanjing, Changsha, Hefei, Kunming, Shijiazhuang, Nanchang and Guiyang.

Adhering to real estate development as its core business, Midea Real Estate has formed a business structure of “one principal and two secondary business lines” (一主兩翼), where the main business covers development of boutique residential properties, development and operation of commercial properties, cultural tourism 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 have created 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 (兩翼), the Group has developed intelligent industrialisation and building industrialisation, thereby establishing a closed loop of the full value chain from research and development, design, production and construction to management, operation and maintenance, which helps establish our advantages in integrated products and services. Midea Real Estate is recognised 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 nation with high-quality residence and create better values for a broad range of stakeholders.

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# Financial Overview

## OVERVIEW OF RESULTS

	For the Six Months Ended 30 June		
	2020	2019	Change
Revenue (RMB million)	<b>20,936.6</b>	14,194.9	47.5%
Gross profit (RMB million)	<b>5,523.8</b>	5,093.3	8.5%
Net profit (RMB million)	<b>2,354.2</b>	1,888.8	24.6%
Core net profit* (RMB million)	<b>2,357.0</b>	1,889.4	24.7%
Profit attributable to owners of the Company (RMB million)	<b>2,024.1</b>	1,769.4	14.4%
Basic earnings per share (RMB)	<b>1.64</b>	1.49	10.1%

## OVERVIEW OF BALANCE SHEET

	As at 30 June 2020	As at 31 December 2019	Change
Total assets (RMB million)	<b>256,037.2</b>	249,713.8	2.5%
Total cash and bank deposits (RMB million)	<b>25,996.4</b>	26,935.6	-3.5%
Short-term borrowings (RMB million)	<b>11,508.0</b>	9,136.2	26.0%
Long-term borrowings (RMB million)	<b>44,604.5</b>	45,515.5	-2.0%
Total equity (RMB million)	<b>34,689.0</b>	31,138.3	11.4%
Total liabilities/total assets	<b>86.5%</b>	87.5%	-1.0 percentage points
Gearing ratio	<b>86.8%</b>	89.0%	-2.2 percentage points

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

Dear Shareholders:

I am pleased to present to you the interim report of the Group for the six months ended 30 June 2020 (the **"Reporting Period"**).

## INTERIM RESULTS

During the Reporting Period, the outbreak of COVID-19 (the **"Epidemic"**) posed a head-on collision to the macro economy and real estate industry. The Group achieved steady operation on the basis of scale layout. With the external environment full of uncertainties and industry competition entering into a deep-water zone, the Group had to concentrate more on building operational quality and its own core competitiveness, firmly adhering to city expansion through penetration and city upgrades, optimising the urban layout structure, accurately controlling the pace of development, strictly controlling asset quality, strengthening the value of its products and services, and building the business evaluation system with ROIC (return on invested capital) at the core, and the effects of our quality growth were starting to show.

During the Reporting Period, the Group achieved performance growth bucking the trend and maintained steady increase in profits, and continued to lower leverage, resulting in an upgrading of its comprehensive capabilities. The Group's revenue amounted to RMB20,936.62 million, representing an increase of 47.5% as compared to the corresponding period of 2019; gross profit amounted to RMB5,523.79 million, representing an increase of 8.5% as compared to the corresponding period of 2019. During the Reporting Period, the core net profit of the Group amounted to RMB2,356.97 million, representing an increase of 24.7% as compared to the corresponding period of 2019. As at 30 June 2020, the gearing ratio was 86.8%, representing a decline of 2.2 percentage points as compared to the end of 2019.

## BUSINESS REVIEW FOR THE FIRST HALF OF 2020

### (I) Review of the Real Estate Industry

**The Chinese government continued to adhere to "housing is not for speculation" and housing regulations varying by city was more practical.** With the emphasis on requiring local governments to shoulder primary responsibility and achieving the goal of stabilising land prices, housing prices, and meeting public expectations, local governments still adhered to the bottom line of policies such as lending curbs and purchase restrictions. Nonetheless, the housing policy became more viable following relaxing of residency policy and issuing of housing purchase subsidies.

**The industry's V-shaped reversal had strong resilience and urban differentiation was obvious.** The Epidemic caused a greater impact on the real estate market, but after the Epidemic eased, there was a rapid release of the backlog of housing demand. Real estate transactions helped the market recovery from both ends of supply and demand, though there was an intensification of the differentiation between cities. Tier-one, core tier-two and tier-three cities assumed a relatively rapid recovery, while weak tier-two and vast tier-three and tier-four cities came under significant pressure.

**The real estate financing policy remained stable and the overall financing interest rate dropped.** The central bank continued to use active monetary policy to maintain reasonable and sufficient liquidity. In the first half of the year, the onshore financial environment was marginally loose, and the overall financing interest rate had dropped.

**As premium plots entered the market in a concentrated manner, the land auction market was in high demand.** Under the loose monetary policy, the capital position of some real estate companies improved. This combined with premium plots in hot-spot cities entering the market in a concentrated manner, caused real estate companies to become quite enthusiastic about acquiring land.

### (II) Sales Performance

**Sales grew against the trend.** The Group took the initiative to expand its customer base, and marketing through multiple routes by combining online and offline channels, using scientific method to arrange prompt product supply, and aggressively achieving greater performance, thereby offsetting the impact of the Epidemic on the Group's sales in the first quarter. During the Reporting Period, the contracted sales of the Group and its joint ventures and associates reached approximately RMB48.20 billion, bucking the trend and representing an increase of 2.1% as compared to the corresponding period of 2019, with the ranking increasing by 3 places (data source: CRIC's List of Top 200 Chinese Real Estate Companies by Sales for the first half of 2020); also the contracted sales area reached approximately 4.379 million square metres. Benefiting from the entry of projects in higher-tiered cities and the rapid increase in product capabilities, the average selling price achieved RMB11,008 per square metre, representing an increase of 5.6% as compared to the corresponding period of 2019.

**The Yangtze River Delta region posted strong sales growth.** In the Yangtze River Delta region, the real estate industry recovered rapidly due to its vast economic hinterland and large market capacity. The Group reaped the returns from its forward-looking layout in the Yangtze River Delta region. During the Reporting Period, the Group's contracted sales in the Yangtze River Delta region was RMB22.41 billion, representing an increase of 37.2% as compared to the corresponding period of 2019.

**Dividends from city expansion through penetration were reaped.** During the Reporting Period, cities with deep penetration had increasingly contributed to the Group's results. For example, we have penetrated into cities such as Xuzhou and Handan for the past 10 years, which had achieved good sales results in the first half of the year. The customer reputation accumulated over the years had increased the brand premium.

**Results from city upgrade strategies were showing.** During the Reporting Period, projects in newly-included higher-tiered cities had entered the market one after another, gaining market favourability. Benefiting from the strategy of city upgrades in recent years, the proportion of contribution of results from newly-included higher-tiered cities such as Hangzhou and Dongguan increased during the Reporting Period, with tier-one/strong tier-two cities accounting for 29%, and tier-two cities accounting for 43%.

### (III) Business Layout

During the Reporting Period, the Group responded to market changes, continued to implement the strategies of regional expansion through penetration and city upgrades, adhered to the strategies of determining production and investment based on sales figures, so as to make remarkable achievements in structural adjustment of land reserves and achieve a more rational land reserve layout. As at 30 June 2020, the total gross floor area ("GFA") of the Group's land reserves\* reached 54.31 million square metres, comprising 295 property development projects, covering 61 cities in 18 provincial-level administrative divisions across 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 Reporting Period, the Group had continuously reduced its financing costs and improved its rating, actively reduced leverage and improved the efficiency of its financial management, thereby providing sufficient financial support for the Group's steady development.

**Financing costs hit a record low, and financing competitiveness was strengthened.** During the Reporting Period, Midea Real Estate Group Limited (美的置業集團有限公司) ("Midea Real Estate Group"), a major subsidiary of the Group gained an AAA rating as assessed by United Credit Ratings Co., Ltd., the second AAA rating acquired by Midea Real Estate Group. During the Reporting Period, the weighted average effective interest rate of the Group's total borrowings further decreased to 5.52%, of which the weighted average effective interest rate of new borrowings was 5.18%. Midea Real Estate Group seized the window of opportunity in the first half of the year and successfully issued corporate bonds with a coupon rate as low as 4.0%, representing a decrease of 120 basis points as compared to the previous issuance, and setting a record low of the Group's corporate bonds' coupon rate.

**Financial resources were ample, and leverage level was further reduced.** As at 30 June 2020, the Group had total cash and bank deposits of RMB25,996.45 million, and unused credit facilities from banks of RMB87,410.00 million. As at 30 June 2020, the Group's gearing ratio was 86.8%, representing a decrease of approximately 2.2 percentage points from the end of 2019.

**(V) Operational Measures**

Starting off the new year, the Group continued to inherit and uphold Midea's manufacturing DNA. Through a series of measures, such as precise investment, refined management, lean operations, product capabilities upgrades, "two secondary business lines" (兩翼) industry empowerment, etc., the Group's operational efficiency, capabilities in products, service and marketing were all effectively improved, which strengthened the model of steady and high-quality growth.

**Precise investments and insistence on city expansion through penetration and upgrades.** The Group continued to gain further penetration in cities that are in line with its deep penetration strategy and possess development potential, thus obtaining higher brand premiums and profit realisation. During the Reporting Period, the proportion of newly acquired land reserves which were located in tier-two or above cities reached 85%, which strengthened the results of the Group's strategy of city upgrades, improved the production capacity of a single city, reasonably controlled the total number of cities, and acquired suitable land at the right time, thus maintaining appropriate land reserves.

**Lean productions and optimisation of operational leverage.** Through standardised management action, dynamic balance management of supply, inventory and sales and effective coordination between large-scale operations and large-scale production were achieved. As production was determined by sales, we supplied our products effectively through planning management, and controlled our inventory to sales ratio within a healthy range. We established a full-caliber planning management system to accurately track the commencement, supply, revenue recognition and delivery status of buildings, and to raise rectification warnings on a timely basis. Inefficient management is reduced and ineffective management is eliminated. Cost adaptation is implemented and the concept of controlling ineffective costs is thoroughly implemented.

**Digitisation empowered the entire operation process, effectively enabling refined management.** On the basis of progressive achievements, we will continue to speed up digitisation throughout the entire business process, enable management data to be made available online and digitisation of the entire budget, the cost management of the entire cycle of project development and real-time integration of business and finance, and one-stop bidding and purchasing business management and services, etc. The online sales centre was firstly launched during the Epidemic, generating almost RMB10 billion in online sales in the first half of the year. The Epidemic management function was rapidly launched to ensure the safety of 80,000 workers back to work and production.

### (V) Operational Measures (Continued)

**“5M Smart Health Community” maintained leading advantage, improved capabilities in products and services.** The Group launched the first AI smart community in association with Alibaba Cloud Computing Co., Ltd., and the Smart Home standard was updated and iterated to version 4.1 from version 4.0 in 2019. As at 30 June 2020, approximately 40,000 sets of Smart Home were delivered in total. Based on sufficient customer research, the Group cooperated with the Architectural Design and Research Institute of Tsinghua University and Antao Design Group to carry out innovative technological research and launched the Midea Healthy Habitat Plan with eight health scenarios to build new lifestyles for future communities. We have completed the integration of our customer relationship system which enhanced and improved our service capabilities.

**The accelerated development of the “two secondary business lines” (兩翼) industry.** The strategy of carrying out independent research and development together with ecological construction was adopted for intelligent industrialisation and building industrialisation, and the AI smart system of residences in the community was successfully developed. The full implementation of Artificial Intelligence of Things (AIoT) and complete coverage of scenarios in smart dwellings were achieved, and the smart hardware and software ecosystems were improved. The industry and product research institute was established and two factories in the prefabricated industry were put into production to expedite the layout of the ecosystem of prefabricated interior decoration.

## BUSINESS OUTLOOK FOR THE SECOND HALF OF 2020

### Market Outlook

In the second half of the year, “housing is not for speculation” remains to be the motto, and there is limited space for marginal relaxation. The real estate work forum organised by the central government stressed once again that “housing is not for speculation”, and several cities introduced tightening policies on regulation of the real estate market. Under the long-term management mechanism of “implementation of policies according to the city”, the local policies on the real estate market are more stable, and the market will continue to maintain stable operational momentum.

Industrial business development will face upgrading, new space will need to be found for city constructions and real estate development. The shortage of land supply in core cities will lead to an upsurge of urban renewals, driving the industry to an era of intensive cultivation of stock. The differentiation of city potential will drive the resources of real estate enterprises to flow towards mainstream cities. The product capitalisation of high-quality projects can be realised to obtain value-added profits only by entering the mainstream market.

### Development Strategy and Outlook

The year of 2020 is a year of strategic consolidation of the Group. We will firmly and thoroughly implement operational measures, combined with the opportunity from the increased demands for residential quality in the post-Epidemic era, to strengthen the sorting of our internal business and market research and assessment. We will pursue quality growth as our target, guided by our cash flow and profit, consider customers to be our focus, using our products and services as the basis for competition, and digitalisation as a means, to achieve improvement of quality and efficiency and comprehensively upgrade and maintain our competitiveness.

In the second half of 2020, the Group will study and assess market changes thoroughly, set its investment pace reasonably, comprehensively consider conducting land acquisitions based on the combination of industry cycle, city cycle, city inventory and sustainable development capabilities, and strengthen its efforts to acquire lands for urban renewal projects, to create the competitiveness for city expansion through penetration.



### Development Strategy and Outlook (Continued)

**Comprehensively push forward digitalised operations to realise lean management.** Digitalisation methods will cover the entire property development process and comprehensive online monitoring will be guided by “profit” and “cash flow” to establish a closed-loop management system based on operating indicators for reserves, construction, supply, sales and inventory.

**Build a security system and create system-wide precision quality.** Through implementation of standardised management of projects, strategic centralised procurement from suppliers, intelligentisation and informatisation of management tools, and six third-party evaluation systems, a steady increase in our construction quality to produce exceptional products can be achieved.

**Focus on intelligence and health, and strengthen the core competitiveness of products.** Push forward product upgrades through the dual-dimensional empowerment of intelligence and health. We will emphasise on investments in smart research and development projects, straighten out management mechanism of M-Smart, put “trendy and popular products” forward according to customers, lifestyle and experience, focus on innovative technologies, reshape the “5M Smart Health Community”, and continuously strengthen the core competitiveness of our products.

**Focus on service quality and realise the continuous offering of value to customers.** We will continue to push forward the upgrading of the integration of our customer relationship system, pay attention to our customer's living experience over the full life cycle, create a smart and healthy lifestyle that can be delivered, return and focus on community services and continue to improve customer satisfaction to realise continuous offering of value to customers.

### APPRECIATION

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

Chairman, Executive Director and President

**Hao Hengle**

20 August 2020

Hong Kong

# Management Discussion and Analysis

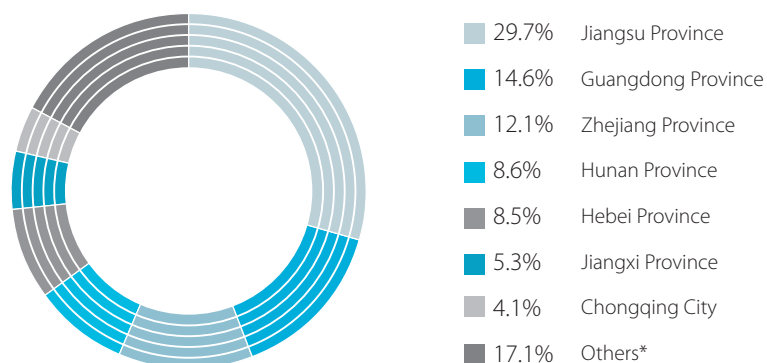
## OVERALL PERFORMANCE

During the Reporting Period, the Group recorded a revenue of RMB20,936.62 million (the corresponding period of 2019: RMB14,194.85 million), representing an increase of 47.5% as compared to the corresponding period of 2019. Operating profit amounted to RMB3,393.63 million (the corresponding period of 2019: RMB3,265.69 million), representing an increase of 3.9% as compared to the corresponding period of 2019. Profit for the Reporting Period amounted to RMB2,354.24 million (the corresponding period of 2019: RMB1,888.76 million), representing an increase of 24.6% as compared to the corresponding period of 2019. Core net profit for the Reporting Period increased by 24.7% to RMB2,356.97 million (the corresponding period of 2019: RMB1,889.37 million). Profit attributable to owners of the Company reached RMB2,024.10 million (the corresponding period of 2019: RMB1,769.38 million), representing an increase of 14.4% as compared to the corresponding period of 2019. Basic and diluted earnings per share reached RMB1.64 (the corresponding period of 2019: RMB1.49).

## CONTRACTED SALES

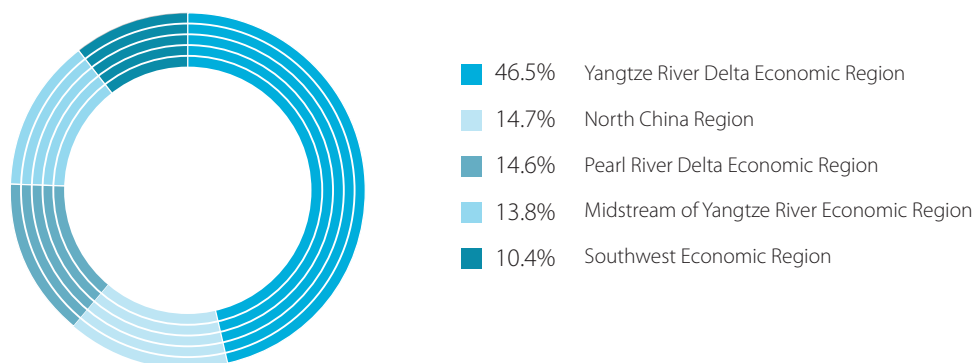
During the Reporting Period, the Group and its joint ventures and associates recorded contracted sales of approximately RMB48.20 billion with a contracted sales GFA of approximately 4.379 million square metres. Specifically, the Yangtze River Delta, the Pearl River Delta and other regions accounted for 46.5%, 14.6% and 38.9% of the Group's contracted sales respectively, reflecting the strong operating capabilities of the Group which focuses on the most economically prosperous and dynamic areas in China, the Yangtze River Delta and the Pearl River Delta, while building presence in the Midstream of Yangtze River, North China Region and Southwest Economic Region, which have growth potential and sustained population inflow.

### DISTRIBUTION MAP OF CONTRACTED SALES BY PROVINCE



\* Others: Fujian Province, Anhui Province, Shanghai City, Liaoning Province, Tianjin City, Henan Province, Guizhou Province, Sichuan Province, Yunnan Province and Guangxi Zhuang Autonomous Region

### DISTRIBUTION MAP OF CONTRACTED SALES BY REGION



## LAND RESERVES

### Overview of Newly-added Land Reserves

During the Reporting Period, the Group strategically replenished its land reserves according to market conditions. We continued to expand towards the central cities and key tier-one and tier-two cities. The total GFA of the newly acquired land reserves\* reached 3.99 million square metres, and newly-developed markets included Wenzhou and Luoyang.

#### List of Newly-added Land Reserves:

Region	City	Project name	Interest attributable to the Group**	Land reserves (sq.m)
Pearl River Delta Economic Region	Foshan City	Foshan Chancheng Midea Times Phase 2 (佛山禪城美的時光二期)	100%	74,772.89
		Foshan Shunde Beijiao Town West Road Project (佛山順德北滘環鎮西路項目)	100%	148,119.89
		Foshan Gaoming Midea-Helenbergh Cloud Bay* (佛山高明美的海倫堡雲灣)*	49%	59,161.58
Yangtze River Delta Economic Region	Yangzhou City	Yangzhou Dawang Temple Project (揚州大王廟項目)	100%	433,868.33
	Wenzhou City	Wenzhou Oujiang Estuary Yanhong Road Project* (溫州甌江口雁鴻路項目)*	50%	291,597.91
	Quanzhou City	Quanzhou Midea Yunxi Community (泉州美的雲璽台)	100%	195,818.70
		Quanzhou Zhongnan-Midea Heyue* (泉州中南美的和樾)*	40%	84,509.78
	Jinhua City	Jinhua Yiwu Fugang Avenue Project (金華義烏富港大道項目)	100%	259,455.31
	Xuzhou City	Xuzhou Quanshan District Xuefu Road No. 2 Project (徐州泉山區學府路02項目)	100%	41,049.44
		Xuzhou Quanshan District East of Armed Police Detachment Project* (徐州泉山區武警支隊東項目)*	50%	152,092.46
	Wuxi City	Wuxi Fangcheng Avenue Project* (無錫紡城大道項目)*	50%	136,507.26
	Suzhou City	Suzhou Libo Road Project* (蘇州麗波路項目)*	33%	35,764.01
	Zhenjiang City	Zhenjiang Elegance of Seasons Phase 2* (鎮江四季風華里二期)*	34%	12,654.14
Midstream of Yangtze River Economic Region	Zhuzhou City	Zhuzhou Eastern Midea City • Central Park Project (株洲東部美的城•公園裡項目)	100%	294,559.11
	Changde City	Changde Jinke-Midea Willow Leaf Peace Garden Phase 3 (常德金科美的柳葉和園三期)	50%	65,296.69
	Nanchang City	Nanchang Zhenro-Jinmao-Midea Cloud Realm* (南昌正榮金茂美的雲境)*	33%	59,886.12
		Nanchang Lianfa-Midea Yunxi Community* (南昌聯發美的雲璽台)*	49%	77,746.50

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

## Management Discussion and Analysis (Continued)

Region	City	Project name	Interest attributable to the Group**	Land reserves (sq.m)
North China Region	Shenyang City	Shenyang Wanghua North Street Project (沈陽望花北街項目)	100%	136,505.14
		Shenyang Broad Aluminium Industry Project (沈陽遠大鋁業項目)	51%	270,995.40
		Shenyang Yuhong Pingluo Bay Project (沈陽於洪平羅灣項目)	100%	362,290.15
	Luoyang City	Luoyang Midea-Haode Yunxi Mansion (洛陽美的·浩德雲熙府)	40%	210,618.20
Southwest Economic Region	Guiyang City	Guiyang Midea Elegance of Jingyue (貴陽美的璟悅風華)	100%	530,585.50
		Guiyang Midea Lincheng Times North • Light of Digital (貴陽美的林城時代北側數字之光)	100%	60,252.44

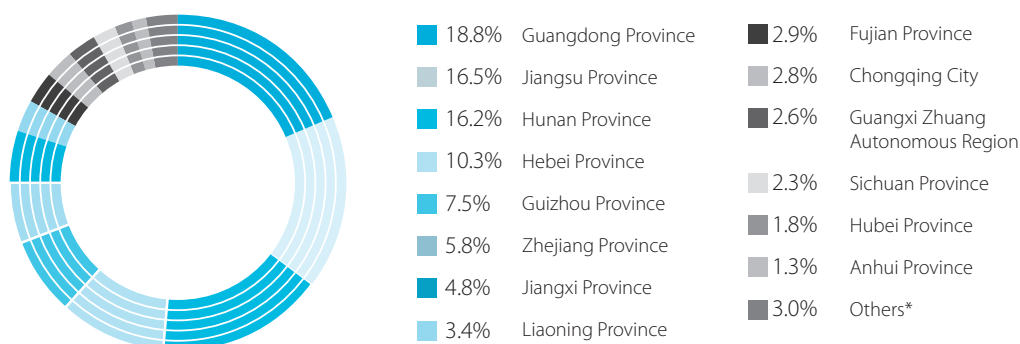
\* Properties held by our joint ventures/associates of which the land reserves GFA has been discounted in proportion to ownership percentage.

\*\* "Interest attributable to the Group" refers to the equity interest held by the Group in each project company as at 30 June 2020, and the ownership structures of some projects may be further adjusted according to the cooperation agreements in the future.

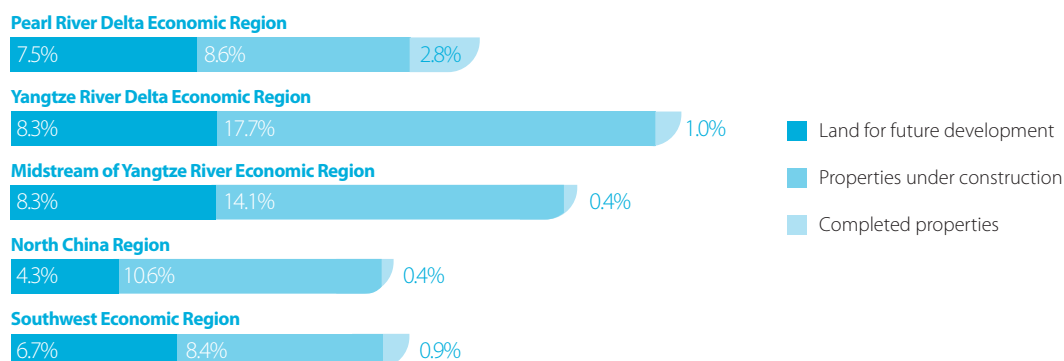
### Land Reserves

As at 30 June 2020, the Group had a total of 295 property development projects and 67 of these projects were participated through joint ventures and associates, covering 61 cities in 18 provincial-level administrative divisions across China, and had a total GFA of land reserves of 54.31 million square metres.

#### DISTRIBUTION MAP OF LAND RESERVES BY PROVINCE



#### REGIONAL DISTRIBUTION MAP BY PROJECT STATUS



\* Others: Henan Province, Yunnan Province, Tianjin City and Shanghai City.

**LAND RESERVES BY CITY (AS AT 30 JUNE 2020)****Properties developed by our subsidiaries**

Region	City	Number of projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)
<b>Pearl River Delta Economic Region</b>	Foshan City	31	1,042,546	1,458,010	1,635,543	4,136,099
	Yangjiang City	2	117,928	270,734	1,005,882	1,394,544
	Maoming City	2		308,567	699,919	1,008,486
	Heyuan City	2		492,822	313,320	806,142
	Zhaoqing City	5	88,923	454,462	92,371	635,756
	Jiangmen City	4	20,056	399,202		419,258
	Huizhou City	2		379,766		379,766
	Guangzhou City	1		112,875	20,791	133,666
	Zhongshan City	3	93,310			93,310
	Shenzhen City	1	636			636
<b>Subtotal</b>		<b>53</b>	<b>1,363,399</b>	<b>3,876,438</b>	<b>3,767,826</b>	<b>9,007,663</b>
<b>Yangtze River Delta Economic Region</b>	Xuzhou City	16	153,020	2,193,378	882,187	3,228,585
	Ningbo City	10	156,556	881,073	333,464	1,371,093
	Quanzhou City	4		348,086	864,863	1,212,949
	Yangzhou City	4	6,223	389,972	734,680	1,130,875
	Zhenjiang City	5	59,630	759,698	254,661	1,073,989
	Wuxi City	5	2,772	841,729	117,834	962,335
	Jinhua City	6	38,724	485,729	259,455	783,908
	Changzhou City	4		675,778		675,778
	Suzhou City	3		642,523		642,523
	Taizhou City	2		369,658		369,658
	Fuyang City	1		242,401	83,883	326,284
	Hangzhou City	1		183,948	72,055	256,003
	Hefei City	2	23,170	233,844		257,014
	Shanghai City	2		220,446		220,446
	Taizhou City	1		168,369		168,369
	Zhoushan City	1		95,489		95,489
	Nanjing City	1	44,814			44,814
<b>Subtotal</b>		<b>68</b>	<b>484,909</b>	<b>8,732,121</b>	<b>3,603,082</b>	<b>12,820,112</b>

## Management Discussion and Analysis (Continued)

Region	City	Number of projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)
Midstream of Yangtze River Economic Region	Zhuzhou City	11	101,195	1,113,801	821,888	2,036,884
	Changsha City	8		1,399,515	529,158	1,928,673
	Xiangtan City	3	6,050	386,818	953,164	1,346,032
	Wuhan City	2		452,847	521,846	974,693
	Chenzhou City	2		595,571	353,333	948,904
	Yueyang City	3	8,335	703,601	163,617	875,553
	Ganzhou City	2		619,818	222,327	842,145
	Hengyang City	3		416,827	384,163	800,990
	Shangrao City	3	48,643	585,144		633,787
	Jiujiang City	2	1,488	374,299		375,787
	Changde City	1		182,524	170,314	352,838
	Nanchang City	2	35,294	141,395	53,541	230,230
	<b>Subtotal</b>	<b>42</b>	<b>201,005</b>	<b>6,972,160</b>	<b>4,173,351</b>	<b>11,346,516</b>
North China Region	Handan City	15	119,111	2,788,551	679,725	3,587,387
	Shenyang City	10	12,597	874,194	927,133	1,813,924
	Xingtai City	6		653,350	351,291	1,004,641
	Zhengzhou City	1		213,571		213,571
	Luoyang City	1			210,618	210,618
	Kaifeng City	1		183,304		183,304
	Tianjin City	1		98,981		98,981
	Shijiazhuang City	1	12,667			12,667
	<b>Subtotal</b>	<b>36</b>	<b>144,375</b>	<b>4,811,951</b>	<b>2,168,767</b>	<b>7,125,093</b>
Southwest Economic Region	Guiyang City	7	272,672	900,318	1,293,057	2,466,047
	Zunyi City	6	90,959	1,084,318	317,936	1,493,213
	Chongqing City	4	20,627	649,638	422,629	1,092,894
	Wuzhou City	1		303,688	766,223	1,069,911
	Chengdu City	3		478,970	203,693	682,663
	Leshan City	1		202,666	115,164	317,830
	Kunming City	1	44,150	251,892		296,042
	Meishan City	2		112,123	88,700	200,823
	Nanning City	2		193,226		193,226
	Liuzhou City	1		94,194		94,194
	Dali City	1		79,561	70,352	149,913
	<b>Subtotal</b>	<b>29</b>	<b>428,408</b>	<b>4,350,594</b>	<b>3,277,754</b>	<b>8,056,756</b>

### Properties held by our joint ventures/associates

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)
Pearl River Delta Economic Region	Foshan City	8	119,722	472,164	267,296	859,182
	Jiangmen City	3	17,364	128,647	20,362	166,373
	Guangzhou City	2		90,314	23,411	113,725
	Dongguan City	1		82,862		82,862
	<b>Sub-total</b>	<b>14</b>	<b>137,086</b>	<b>773,987</b>	<b>311,069</b>	<b>1,222,142</b>
Yangtze River Delta Economic Region	Wenzhou City	1			291,598	291,598
	Changzhou City	2		204,193	77,475	281,668
	Xuzhou City	3	49	48,095	176,327	224,471
	Nanjing City	4		118,654	64,569	183,223
	Wuxi City	2	19,112		136,507	155,619
	Hefei City	1		149,666		149,666
	Hangzhou City	1		129,783		129,783
	Suzhou City	4	26,663	34,182	35,764	96,609
	Zhoushan City	1		84,649		84,649
	Quanzhou City	1			84,510	84,510
	Nantong City	1		59,396		59,396
	Zhenjiang City	2		31,326	12,654	43,980
	Jinhua City	1	16,872	21,197		38,069
	<b>Sub-total</b>	<b>24</b>	<b>62,696</b>	<b>881,141</b>	<b>879,404</b>	<b>1,823,241</b>
Midstream of Yangtze River Economic Region	Nanchang City	5		278,354	137,633	415,987
	Changsha City	2		211,831	44,939	256,770
	Yueyang City	1			129,074	129,074
	Jiujiang City	2	3,624	124,595		128,219
	Changde City	1	22,544	81,051		103,595
	<b>Sub-total</b>	<b>11</b>	<b>26,168</b>	<b>695,831</b>	<b>311,646</b>	<b>1,033,645</b>
North China Region	Handan City	6	67,801	841,789	50,315	959,905
	Tianjin City	1		89,620	103,916	193,536
	Xingtai City	1		40,970		40,970
	<b>Sub-total</b>	<b>8</b>	<b>67,801</b>	<b>972,379</b>	<b>154,231</b>	<b>1,194,411</b>
Southwest Economic Region	Chongqing City	6	68,892	148,944	218,284	436,120
	Zunyi City	1			98,478	98,478
	Dali City	1			69,929	69,929
	Nanning City	1		46,296		46,296
	Chengdu City	1		29,637		29,637
	<b>Sub-total</b>	<b>10</b>	<b>68,892</b>	<b>224,877</b>	<b>386,691</b>	<b>680,460</b>
	<b>Total</b>	<b>295</b>	<b>2,984,739</b>	<b>32,291,479</b>	<b>19,033,821</b>	<b>54,310,039</b>

**PROPERTIES DISTRIBUTION MAP**



\* Including 67 projects that are involved through joint ventures and associates.





### INDUSTRIAL BUSINESS DEVELOPMENT

#### Prefabricated Construction

In the first half of 2020, Midea Real Estate received over 80,000 cubic metres of PC component orders in the field of prefabricated construction which gradually ramped up the production capacity of its factories in Xuzhou and Handan. We have launched four information systems, including MHR, ERP, SRM and MEC, with different system scenarios based on different business demands to promote efficient information construction, and to enhance project internal management to ensure orders will be delivered with high quality and on a timely manner. In addition, we have also gradually established a quality control mechanism in the factory to strengthen product quality control through the promotion and implementation of quality evaluation system and safeguard for quality control system.

In January 2020, the first PC component for Green Construction Technology Park Project (綠建科技產業園項目) of Handan Liancheng Housing Industrialisation Technology Co., Ltd. (邯鄲聯城住工科技有限公司) was successfully produced, marking the second prefabricated construction production base of Midea Real Estate which was smoothly put into operation for production, and facilitated the development of prefabricated construction industry in the Beijing-Tianjin-Hebei Region.

In terms of research and development and innovation, Midea Real Estate had increased its investment in the field of prefabricated construction. As of the first half of 2020, over 200 patents related to prefabricated construction were obtained.

In May 2020, Guangdong Tianyuan Architectural Design Co., Ltd. (天元建築設計有限公司) ("Tianyuan Design Company"), a subsidiary of Midea Real Estate, was successfully enlisted as "base for the Guangdong prefabricated construction (design) industry". Driven by the development in transformation of prefabricated construction, Tianyuan Design Company integrated the original BIM design centre to establish a digital construction innovation centre. With prefabricated construction and BIM and CIM technology, it can provide design and technology consultation services for the whole process ranging from design planning, construction plan, division of construction drawing and component detail drawing to guidance for on-site installation. Currently, the research and development of prefabricated construction and BIM and CIM technology has been applied to several projects.

#### Assembled Sanitary Ware

With development achieved in the first half of the year, Guangdong Ruizhu Youka Technology Co., Ltd. (廣東睿住優卡科技有限公司) ("Ruizhu Youka"), in which the Group holds interests, made remarkable improvement in the standardisation of operation management, planning for product series, operation and testing for production equipment, standardisation of warehouse management, standardisation of construction and installation management, and value chain system of production, sales and supply, and gradually increased its production capacity.

In May 2020, 690 sets of assembled sanitary ware products that Ruizhu Youka undertook for Foshan Shunde Midea Wealth Centre project (佛山順德美的財富中心項目) were installed on-site, and it was the first sizable physical project of Ruizhu Youka.

In June 2020, Ruizhu Youka entered into an order agreement for 6,900 sets of products with Guangzhou Zengcheng Vanke City project (廣州增城萬科城項目). It was the first order with large quantity that Ruizhu Youka received, signifying a solid step that Ruizhu Youka took in its application in the real estate industry.

### Smart Home

In the first half of 2020, Guangdong Ruizhu Technology Co., Ltd. (廣東睿住科技有限公司) (“Ruizhu Technology”) followed the Group’s strategy of “one principal and two secondary business lines” (一主兩翼) to promote the implementation of “smart industrialisation” and empower the real estate industry for smart upgrading.

In March 2020, Midea Real Estate held online news conference for the implementation of AI smart community, announcing that the first AI community with “community brain functions” was rolled out in the Foshan Midea Elite Residence (佛山美的領賢公館). After continuous exploration over the past half year, the concept of “community brain” was achieved with 10 Black Technologies in the AI community, including intelligent non-inductive passage, cloud community App, AI Eye, AI identification of non-mask wearers, AI special watch and warning, environmental health monitoring and surveillance, key area occupation surveillance, local intrusion detection, intelligent video-based night patrol and IOC monitoring control centre. With “2+2+1” as its core, Midea Real Estate created a “cloud-edge-end” smart community AI solution to successfully build an AI smart community and transformed system intelligence to space intelligence and cognition intelligence, thus providing property owners with a greater and better intelligence experience.

In terms of smart community, Cloud Neighbourhood Community 3.0 App and Cloud Neighbourhood Manager App were developed, went live and were promoted nationwide. Currently, promotion was finished for 101 projects, and more than 50,000 property owners upgraded to the latest App.

As the smart home implementation service platform, Guangdong Ruizhu Intelligence Technology Co., Ltd. (廣東睿住智能科技有限公司) promoted smart home and delivered over 40,000 sets. In terms of expansion of external market, the Group won the bid for Foshan SUNAC Rongbin Huafu (佛山融創融濱華府) smart home project, Foshan Dongjian Pujun community (佛山東建普君社區) intelligent project, Langfang Wen’an AVIC Residence (廊坊文安中航公館) smart community project and several other smart home and smart community benchmark projects in the first half of 2020.

### INVESTMENT AND OPERATION OF COMMERCIAL PROPERTIES

While enhancing our capabilities in operating commercial properties and improving our commercial brand system, we had launched three product lines — urban complexes, community neighbourhood commerce and long-term rental apartments to meet the needs of different cities and customers. Foshan Wonderful Apartment (佛山悅然寓), the first long-term rental project built by the Group, was released to the market on 15 June 2020, signifying the full implementation of the three major product lines of “Wonderful (“悅然”) Series”.

On 1 August 2020, Zhenjiang Midea Wonderful Square opened for business, and the existing commercial properties in operation increased to 5 projects, including Foshan Midea Wonderful Square, Foshan Midea Wonderful Street (formerly known as Foshan Midea Xinduhui Mall), Zhuzhou Midea Times Square in Hunan, Xuzhou Midea Square in Jiangsu and Zhenjiang Midea Wonderful Square, with the areas in operation and management exceeding 300,000 square metres. It is expected that Handan Midea Wonderful Square, Guiyang Midea Wonderful Square, Guiyang Midea Wonderful Street and Foshan Midea Wonderful Future City will be put into operation successively in the year of 2021 to 2023. We will make the cities more charming with our forward-looking planning, strong investment strength, innovative operation ability and smart commercial complexes with vigorous vitality.

### PROPERTY MANAGEMENT

Our property management team continued to practice the service concept of “Caring Everywhere” and focus on providing owners with quality property management services in the first half of 2020. When we were struck by COVID-19 pandemic at the beginning of 2020, our property management team made active effort to undertake the mission to fight against the pandemic by applying AI system’s non-contact service approach, and taking various measures to build up the last line of defense for our property owners. We also kept up with the application of new technologies such as the Internet, the Internet of Things and big data, and constantly researched on new service models in the industry to address the needs and pain points of property owners based on the nature of services. In June 2020, our Cloud Neighbourhood Community 3.0 APP went live. It is a mobile application that we designed to serve the property owners, and strive to provide property owners with comprehensive and one-stop smart community and smart home life solution.

### FINANCIAL REVIEW

#### Revenue

##### Property Development and Sales

During the Reporting Period, the Group’s recognised revenue from property development and sales increased by 47.9% to RMB20,533.53 million from RMB13,884.15 million in the corresponding period of 2019, primarily due to the increase in the total GFA recognised. Total GFA recognised amounted to 2.3683 million square metres, representing an increase of 52.8% from 1.5500 million square metres in the corresponding period of 2019.

##### Property Management Services

During the Reporting Period, the Group’s revenue derived from property management services increased by 61.5% to RMB346.45 million from RMB214.47 million in the corresponding period of 2019, primarily due to an increase in the GFA of the property under contract management.

##### Investment and Operation of Commercial Properties

During the Reporting Period, the Group’s revenue from investment and operation of commercial properties decreased by 41.1% to RMB56.64 million from RMB96.23 million in the corresponding period of 2019. The decrease was due to the impact of the Epidemic on the cultural-tourism projects.

#### 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 Reporting Period, the Group’s cost of sales increased by 69.3% to RMB15,412.83 million from RMB9,101.51 million in the corresponding period of 2019, primarily due to the increase in recognised GFA of 52.8% to 2.3683 million square metres from the corresponding period of 2019.

#### Gross Profit

During the Reporting Period, the Group’s gross profit increased by 8.5% to RMB5,523.79 million from RMB5,093.34 million in the corresponding period of 2019. The increase in gross profit was primarily driven by the increase in sales revenue.

#### Other Income and Gains — Net

During the Reporting Period, the Group’s other income and gains — net increased by 52.6% to RMB413.16 million from RMB270.81 million in the corresponding period of 2019. The Group’s other income and gains primarily consists of management and consulting service income, realised and unrealised gains on financial assets at fair value through profit or loss, government subsidy income, compensation income, etc.

### Selling and Marketing Expenses

During the Reporting Period, the Group's selling and marketing expenses increased by 20.5% to RMB1,259.50 million from RMB1,045.47 million in the corresponding period of 2019, primarily due to the increase of marketing and advertising to promote sales in response to the poor market conditions caused by Epidemic.

### Administrative Expenses

During the Reporting Period, the Group's administrative expenses increased by 22.5% to RMB1,262.96 million from RMB1,030.66 million in the corresponding period of 2019, 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 impairment risks.

### Finance Income — Net

The Group's net finance income primarily consists of interest expenses for bank loans, other borrowings, issued domestic corporate bonds and lease liability net of capitalised interest relating to properties under construction, 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 Reporting Period, the Group's net finance income recorded a net gain of RMB119.51 million as compared with RMB82.07 million in the corresponding period of 2019, representing an increase of 45.6%, primarily due to an increase in interest income from RMB92.69 million in the corresponding period of 2019 to RMB160.18 million during the Reporting Period.

### Profit Attributable to Owners of the Company

During the Reporting Period, profit attributable to owners of the Company increased by 14.4% to RMB2,024.10 million from RMB1,769.38 million in the corresponding period of 2019.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB25,996.45 million as at 30 June 2020 (31 December 2019: RMB26,935.62 million), including RMB19,913.19 million in cash and cash equivalents (31 December 2019: RMB19,097.27 million), nil in term deposits with initial terms of over three months (31 December 2019: RMB141.16 million) and RMB6,083.26 million in restricted cash (31 December 2019: RMB7,697.19 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 30 June 2020, the Group's unused credit facilities from banks were RMB87,410.00 million.

### Borrowings and Gearing Ratio

As at 30 June 2020, the Group's total borrowings amounted to RMB56,112.50 million. Bank and other borrowings, and corporate bonds were RMB44,146.11 million and RMB11,966.39 million, respectively. As at 30 June 2020, the gearing ratio was 86.8% (31 December 2019: 89.0%). 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 as at 30 June 2020 are set out in note 22 to the consolidated financial statements.

### Borrowing Cost

During the Reporting Period, the total borrowing costs of the Group amounted to RMB1,624.44 million, representing a decrease of RMB63.66 million from RMB1,688.10 million for the corresponding period of 2019, mainly due to the decrease of weighted average effective interest of the Group's total borrowings during the Reporting Period to 5.52% from 5.95% in the same period of last 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 30 June 2020, the value of the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB70,465.42 million (31 December 2019: RMB62,687.03 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 30 June 2020, the value of the Group's guarantee for the loans of joint ventures and associates amounted to RMB9,547.39 million (31 December 2019: RMB6,991.18 million). Details of the Group's mortgage guarantees as at 30 June 2020 are set out in note 15 and note 22 to the consolidated financial statements.

### 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.

## 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.

## HUMAN RESOURCES

As at 30 June 2020, the Group had employed approximately 14,200 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.

### SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Reporting Period, there were no other significant investments held, and no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this interim report.

### CHANGES SINCE 31 DECEMBER 2019

Save as disclosed in this report, there were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the Group's annual report for the year ended 31 December 2019.

### SUBSEQUENT EVENTS

On 14 July 2020, Midea Real Estate Group publicly issued the third tranche of domestic corporate bonds in an aggregate sum of RMB1 billion to qualified investors in China with a coupon rate of 4.10% per annum for a term of 4 years or 4.18% per annum for a term of 5 years, which will mature in July 2024 and July 2025 respectively (the **"2020 Public Issuance of Domestic Corporate Bonds (Third Tranche)"**). Midea Real Estate Group has an option to adjust the coupon rate at the end of (in the case of the 4-year corporate bonds) the second year or (in the case of the 5-year corporate bonds) the third year, and investors are entitled to sell back. For further details about the 2020 Public Issuance of Domestic Corporate Bonds (Third Tranche), please refer to the Company's announcements dated 9 July 2020 and 13 July 2020.

On 3 August 2020, Midea Construction (Hong Kong) Limited, an indirectly wholly-owned subsidiary of the Company (as borrower), the Company (as listing guarantor) and certain of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with certain financial institutions (as lenders) for a dual tranche transferrable term loan facility denominated in HKD and USD in an initial amount of HKD1,050 million and USD60 million respectively, which may be subsequently increased up to HKD1,170 million or its US dollars equivalent (exclusive of the said initial amount). The final repayment date of the loan(s) shall be the date falling 36 months after the first withdrawal date.

## 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 (the “**Stock Exchange**”) 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 30 June 2020, 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) RMB million	Utilised IPO proceeds as at 30 June 2020 RMB million	Unutilised IPO proceeds as at 30 June 2020 RMB million	Expected timeline for the use of unutilised IPO proceeds
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	749.09	1,201.72 (Note 1)	On or before 31 December 2020
Land acquisition and construction for prefabricated construction projects	418.03	418.03	—	—
Research and development of Smart Home solutions	139.34	139.34	—	—
General working capital	278.69	278.69	—	—
<b>Total</b>	<b>2,786.87</b>	<b>1,585.15</b>	<b>1,201.72</b>	

Note:

- The outbreak of the novel coronavirus has affected the business and economic activities of the Group in the first half of 2020 to some extent. The Company predicts that the real estate market of core cities is expected to rebound in the second half of 2020 and has been constantly evaluating targets and potential opportunities for expanding its land reserves through the public land auction market in Changzhou (常州), Wuxi (無錫) and Jiujiang (九江), the PRC with potential investments in an estimated aggregate sum of RMB1,534.42 million to be funded by the unutilised IPO proceeds and other funding resources of the Group in the third quarter of 2020. It is also expected that an estimated aggregate sum of RMB488.22 million will be used for development in Yangzhou (揚州) and Xuzhou (徐州), the PRC in the fourth quarter of 2020. However, the implementation of these projects may vary due to the high competition in the auction or the demand on the local real estate market.

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.



# Corporate Governance and Other Information

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 six months ended 30 June 2020, except for certain deviations as specified under the paragraph headed “Chairman and President” 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 have complied with the Model Code during the six months ended 30 June 2020.

## THE BOARD

### Board Composition

During the six months ended 30 June 2020 and up to the date of this interim 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 six months ended 30 June 2020, the Company has 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 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 six months ended 30 June 2020, 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.

### 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 30 June 2020, 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 recommendations 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.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020, including the accounting principles and policies adopted by the Group. In addition, PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

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

During the six months ended 30 June 2020 and up to the date of this interim report, there is no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the Company's latest published annual report.

### 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 six months ended 30 June 2020.

### EQUITY-LINKED AGREEMENTS

During the six months ended 30 June 2020, 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 30 June 2020.

### SHARE OPTION SCHEME

A share option scheme was approved and adopted by the shareholders of the Company at the Company's annual general meeting held on 29 May 2020 (the **"2020 AGM"**), which is valid and effective for a period of 10 years commencing on the adoption date and ending 28 May 2030 (the **"Share Option Scheme"**). The following is a summary of the principal terms of the Share Option Scheme:

The purposes of the Share Option Scheme are to enable the Group to recognise and acknowledge the contributions that any director or proposed director of any member of the Group, and any management, key technician, officer, manager and employee of any member of the Group (the **"Eligible Participant(s)"**) have made or may make to the Group (whether directly or indirectly), remunerate the best possible quality of the Eligible Participants, and attract, retain and motivate the Eligible Participants to continue to contribute to the growth and development of the Group; and provide Eligible Participants with direct economic benefits in order to maintain a long term relationship between the Group and the Eligible Participants.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the total number of shares in issue as at the date of the 2020 AGM (being 123,056,700 shares), unless the Company seeks approval by its shareholders in a general meeting for refreshing the 10% limit under the Share Option Scheme. The limit on the total number of shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted if such a grant would result in such 30% limit or maximum permissible limit being exceeded.

The maximum entitlement of each Eligible Participant under the Share Option Scheme and any other share option schemes of the Company shall not, in any 12-month period up to and including the date of such grant, exceed 1% of the total number of shares in issue as at the date of the 2020 AGM, being 12,305,670 shares. Any further grant of share options in excess of such limit must be separately approved by its shareholders in a general meeting.

Share options granted under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors, (excluding independent non-executive Director who is the proposed grantee of such share options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, in aggregate more than 0.1% of the total number of shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HKD5 million, within any 12-month period up to and including the date of such grant, must be subject to approval by its shareholders in a general meeting.

The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share prevailing on the date of grant. Consideration for each grant of share options is HKD1.00 or RMB1.00 and is required to be paid within 28 days from the date of grant of share options, with full payment for the exercise price to be made on exercise of the relevant options.

Subject to the terms and conditions of the Share Option Scheme, the Board may in its absolute discretion specify such conditions as it thinks fit when making such an offer to an Eligible Participant (including, without limitation, as to any performance targets which must be satisfied by the Eligible Participant and/or us, and any minimum period for which an option must be held, before an option may be exercised, if any). The exercise period shall not be more than 10 years from the date upon which any particular share options are granted in any event.

As at the date of this interim report, no share options were granted to any Eligible Participants since the adoption of the Share Option Scheme.

## DISCLOSURE OF INTERESTS

### Directors' Interests

Save as disclosed below, as at 30 June 2020, 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 30 June 2020.

Apart from the Share Option Scheme, during the six months ended 30 June 2020, neither the Company nor any of its subsidiaries entered into any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**DISCLOSURE OF INTERESTS (Continued)****Substantial Shareholders' Interests**

Save as disclosed below, as at 30 June 2020, 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**

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding (Note 4)</b>
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 30 June 2020.

### 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 certain 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 HKD2.9 billion (the **"2019 Loan"**).

On 3 August 2020, Midea Construction (Hong Kong) Limited (as borrower), the Company (as listing guarantor) and certain of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with certain financial institutions (as lenders) for a three-year dual tranche transferrable term loan facility denominated in HKD and USD in an initial amount of HKD1,050 million and USD60 million respectively, which may be subsequently increased up to HKD1,170 million or its US dollars equivalent (exclusive of the said initial amount) (the **"2020 Loan(s)"**).

Pursuant to the provisions of each of the facility agreements, if (i) Mr. He and/or Ms. Lu (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 will be a "Change of Control" upon which the financial institutions may, among other things, require repayment of all or part of the 2019 Loan and/or the 2020 Loan, together with accrued interest, and all other amounts accrued or outstanding.

### USE OF PROCEEDS FROM IPO

Please refer to the "Management Discussion and Analysis" section set out on page 22 for the details of the use of proceeds from IPO.

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (for the corresponding period of 2019: Nil).

# Report on Review of Interim Financial Information



羅兵咸永道

## TO THE BOARD OF DIRECTORS OF MIDEA REAL ESTATE HOLDING LIMITED

*(incorporated in Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 58, which comprises the interim condensed consolidated balance sheet of Midea Real Estate Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 20 August 2020



# Interim Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	6	<b>20,936,620</b>	14,194,850
Cost of sales	7	<b>(15,412,831)</b>	(9,101,508)
<b>Gross profit</b>		<b>5,523,789</b>	5,093,342
Other income and gains — net	8	<b>413,155</b>	270,813
Selling and marketing expenses	7	<b>(1,259,503)</b>	(1,045,473)
Administrative expenses	7	<b>(1,262,958)</b>	(1,030,663)
Net impairment losses on financial assets		<b>(20,850)</b>	(22,331)
<b>Operating profit</b>		<b>3,393,633</b>	3,265,688
Finance income	9	<b>160,183</b>	92,688
Finance costs	9	<b>(40,678)</b>	(10,615)
Finance income — net	9	<b>119,505</b>	82,073
Share of results of joint ventures and associates	13	<b>198,027</b>	90,013
<b>Profit before income tax</b>		<b>3,711,165</b>	3,437,774
Income tax expenses	10	<b>(1,356,930)</b>	(1,549,015)
<b>Profit for the period</b>		<b>2,354,235</b>	1,888,759
<b>Profit attributable to:</b>			
Owners of the Company		<b>2,024,099</b>	1,769,384
Non-controlling interests		<b>330,136</b>	119,375
<b>Total comprehensive income for the period</b>		<b>2,354,235</b>	1,888,759
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>2,024,099</b>	1,769,384
Non-controlling interests		<b>330,136</b>	119,375
		<b>2,354,235</b>	1,888,759
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
<b>Basic and diluted earnings per share</b>	11	<b>1.64</b>	1.49

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

# Interim Condensed Consolidated Balance Sheet

		<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	<b>1,205,919</b>	1,199,369
Investment properties	14	<b>1,772,795</b>	1,737,291
Right-of-use assets		<b>471,183</b>	529,632
Intangible assets		<b>148,839</b>	146,719
Properties under development	15	<b>2,947,686</b>	2,670,275
Investments in joint ventures	13(a)	<b>7,857,884</b>	6,074,679
Investments in associates	13(b)	<b>5,381,016</b>	4,685,994
Finance lease receivables		<b>38,690</b>	26,421
Deferred income tax assets		<b>2,757,276</b>	2,333,448
		<b>22,581,288</b>	19,403,828
<b>Current assets</b>			
Inventories		<b>67,847</b>	49,270
Contract assets and contract acquisition costs	6(a)	<b>1,960,818</b>	1,496,830
Properties under development	15	<b>140,552,697</b>	142,697,242
Completed properties held for sale		<b>8,900,551</b>	8,767,493
Trade and other receivables	16	<b>41,009,459</b>	36,205,754
Prepaid taxes		<b>13,025,159</b>	12,244,457
Financial assets at fair value through profit or loss	17	<b>1,942,954</b>	1,913,355
Restricted cash	18	<b>6,083,260</b>	7,697,191
Term deposits with initial terms of over three months	18	<b>–</b>	141,159
Cash and cash equivalents	18	<b>19,913,188</b>	19,097,265
		<b>233,455,933</b>	230,310,016
<b>Total assets</b>		<b>256,037,221</b>	249,713,844
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	19	<b>7,654,595</b>	9,465,989
Other reserves	20	<b>1,898,536</b>	1,875,120
Retained earnings	20	<b>10,332,629</b>	8,308,530
		<b>19,885,760</b>	19,649,639
Non-controlling interests		<b>14,803,231</b>	11,488,654
<b>Total equity</b>		<b>34,688,991</b>	31,138,293

## Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Corporate bonds	21	5,910,022	8,049,059
Bank and other borrowings	22	38,694,522	37,466,454
Lease liabilities		129,472	199,662
Deferred income tax liabilities		1,376,793	1,548,454
		<b>46,110,809</b>	47,263,629
<b>Current liabilities</b>			
Contract liabilities	6(b)	93,863,011	84,891,715
Corporate bonds	21	6,056,368	2,437,720
Bank and other borrowings	22	5,451,588	6,698,484
Lease liabilities		61,375	49,830
Trade and other payables	23	64,340,173	71,823,898
Current income tax liabilities		5,464,906	5,410,275
		<b>175,237,421</b>	171,311,922
<b>Total liabilities</b>		<b>221,348,230</b>	218,575,551
<b>Total equity and liabilities</b>		<b>256,037,221</b>	249,713,844

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

Approved by the Board of Directors on 20 August 2020 and were signed on its behalf.

**Hao Hengle**  
Director

**Lin Ge**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>Balance at 1 January 2019</b>	8,787,079	1,293,695	6,076,085	16,156,859	7,427,577	23,584,436
<b>Comprehensive Income</b>						
Profit for the period	–	–	1,769,384	1,769,384	119,375	1,888,759
<b>Total comprehensive income for the period ended 30 June 2019</b>	–	–	1,769,384	1,769,384	119,375	1,888,759
<b>Total transactions with owners, recognised directly in equity</b>						
Disposal of subsidiaries	–	–	–	–	(378,966)	(378,966)
Dividends paid to shareholders	–	–	(1,282,003)	(1,282,003)	–	(1,282,003)
Acquisition of subsidiaries which do not contain a business	–	–	–	–	425,527	425,527
Capital injections from non-controlling interests	–	–	–	–	3,337,497	3,337,497
Additional investment in subsidiaries	–	(7,653)	–	(7,653)	1,547	(6,106)
<b>Total transactions with owners</b>	–	(7,653)	(1,282,003)	(1,289,656)	3,385,605	2,095,949
<b>Balance at 30 June 2019</b>	8,787,079	1,286,042	6,563,466	16,636,587	10,932,557	27,569,144
<b>Balance at 1 January 2020</b>	<b>9,465,989</b>	<b>1,875,120</b>	<b>8,308,530</b>	<b>19,649,639</b>	<b>11,488,654</b>	<b>31,138,293</b>
<b>Comprehensive Income</b>						
Profit for the period	–	–	2,024,099	2,024,099	330,136	2,354,235
<b>Total comprehensive income for the period ended 30 June 2020</b>	–	–	2,024,099	2,024,099	330,136	2,354,235
<b>Total transactions with owners, recognised directly in equity</b>						
Disposal of subsidiaries	–	–	–	–	(690,343)	(690,343)
Disposal of ownership interests in subsidiaries without change of control	–	31,698	–	31,698	(28,198)	3,500
Dividends payable to shareholders	(1,811,394)	–	–	(1,811,394)	–	(1,811,394)
Acquisition of subsidiaries which do not contain a business	–	–	–	–	123,417	123,417
Capital injections from non-controlling interests	–	–	–	–	3,593,205	3,593,205
Additional investment in subsidiaries	–	(8,282)	–	(8,282)	(13,640)	(21,922)
<b>Total transactions with owners</b>	<b>(1,811,394)</b>	<b>23,416</b>	<b>–</b>	<b>(1,787,978)</b>	<b>2,984,441</b>	<b>1,196,463</b>
<b>Balance at 30 June 2020</b>	<b>7,654,595</b>	<b>1,898,536</b>	<b>10,332,629</b>	<b>19,885,760</b>	<b>14,803,231</b>	<b>34,688,991</b>

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

# Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
Cash used in operations		(2,218,725)	(3,744,220)
Income tax paid		(2,588,937)	(2,831,469)
Interest paid		(1,887,660)	(1,690,517)
<b>Net cash used in operating activities</b>		<b>(6,695,322)</b>	<b>(8,266,206)</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of subsidiaries, net of cash acquired	26	186,866	(374,324)
Net cash outflow from disposal of subsidiaries		(559,411)	(527,040)
Purchases of property, plant and equipment		(58,260)	(159,069)
Purchases of land use right for own-used properties		–	(33,681)
Purchases of intangible assets		(6,139)	(12,521)
Investments in joint ventures		(974,866)	(198,622)
Investments in associates		(563,002)	(1,188,812)
Proceeds from disposal of a joint venture		2,400	–
Dividend received from a joint venture		66,700	–
Repayment of advances from joint ventures and associates		5,039,915	3,462,541
Proceeds from disposal of property, plant and equipment, investment properties and intangible assets		14,834	24,200
Decrease in term deposits with initial terms of over three months		141,159	2,729,638
Payments for financial assets at fair value through profit or loss		(19,263,372)	(12,791,127)
Proceeds from disposal of financial assets at fair value through profit or loss		19,360,498	13,807,914
Interest received		160,183	92,688
<b>Net cash generated from investing activities</b>		<b>3,547,505</b>	<b>4,831,785</b>
<b>Cash flows from financing activities</b>			
Capital injections from non-controlling interests		505,850	3,337,497
Payments for acquisition of additional interests in subsidiaries		(21,922)	(2,066)
Proceeds from disposal of interests in subsidiaries without loss of control		3,500	–
Proceeds from bank and other borrowings		17,004,567	21,145,062
Repayments of bank and other borrowings		(14,569,333)	(17,457,967)
Principal elements of lease payments		(58,645)	(46,000)
Proceeds from corporate bonds		2,911,952	5,049,422
Repayment of corporate bonds		(1,440,000)	(3,499,268)
Repayment of advances from related parties controlled by the Ultimate Controlling Parties		(396,090)	(29,998)
Dividends paid to shareholders		–	(1,282,003)
<b>Net cash generated from financing activities</b>		<b>3,939,879</b>	<b>7,214,679</b>
<b>Net increase in cash and cash equivalents</b>		<b>792,062</b>	<b>3,780,258</b>
Cash and cash equivalents at the beginning of the period		19,097,265	15,439,152
Exchange gains on cash and cash equivalents		23,861	4,606
<b>Cash and cash equivalents at end of the period</b>		<b>19,913,188</b>	<b>19,224,016</b>

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

# Notes to the Interim Financial Information

## 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 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").

This interim financial information for the six months ended 30 June 2020 ("Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated, and was approved by the Board of Directors of the Company for issue on 20 August 2020.

## 2 BASIS OF PRESENTATION AND PREPARATION

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2019 ("2019 Financial Statements"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Stock Exchange of Hong Kong Limited, and any public announcements made by the Company during the interim reporting period.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of 2019 Financial Statements, except for the adoption of new and amendments to the HKFRS effective for the financial year beginning 1 January 2020.

### (a) New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### (b) New standards and amendments to existing standards have been issued but not yet effective and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Amendment to HKFRS 16	Covid-19 — related rent concessions	1 June 2020
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment — proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

None of these is expected to have a significant impact on the Group's accounting policies.

## 4 ESTIMATES

The preparation of Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Financial Statements.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

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 Interim Financial Information does not include all financial risk management information and disclosures required in the 2019 Financial Statements, and should be read in conjunction with the 2019 Financial Statements.

There have been no significant changes in the risk management policies since 31 December 2019.

### 5.2 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
<b>As at 30 June 2020 (Unaudited)</b>					
Corporate bonds	6,720,686	3,897,919	2,378,690	–	12,997,295
Bank and other borrowings	7,826,543	15,052,544	25,587,167	2,565,687	51,031,941
Lease liabilities	63,432	41,284	102,498	31,115	238,329
Trade and other payables (excluding salaries payable and other taxes payable)	58,567,461	–	–	–	58,567,461
Financial guarantees	71,999,080	2,561,992	5,010,835	440,900	80,012,807
	145,177,202	21,553,739	33,079,190	3,037,702	202,847,833

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### 5.2 Liquidity risk (Continued)

	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
<b>As at 31 December 2019 (Audited)</b>					
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
Lease liabilities	52,762	71,090	84,397	69,735	277,984
Trade and other payables (excluding salaries payable and other taxes payable)	66,313,109	–	–	–	66,313,109
Financial guarantees	63,832,290	2,227,962	3,397,955	220,000	69,678,207
	142,220,200	22,571,015	30,274,453	2,857,018	197,922,686

### 5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2020 and 31 December 2019, 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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At 30 June 2020 (Unaudited)</b>				
Financial assets at fair value through profit or loss	37,074	1,905,880	–	1,942,954
<b>At 31 December 2019 (Audited)</b>				
Financial assets at fair value through profit or loss	61,304	1,852,051	–	1,913,355

- There were no transfers among level 1, 2 and 3 during the period.
- There were no changes in valuation techniques during the period.



## 6 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

For the six months ended 30 June 2020 and 2019, 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.

Revenue of the Group for the six months ended 30 June 2020 and 2019 is analysed as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Property development and sales	20,533,533	13,884,154
Property management services	346,445	214,469
Investment and operation of commercial properties		
— Property lease income	26,402	27,079
— Hotel operation	3,360	5,049
— Cultural-tourism project	26,880	64,099
	20,936,620	14,194,850

Represented by:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from property development and sales:		
Recognised at a point in time	15,860,755	8,684,677
Recognised over time	4,672,778	5,199,477
	20,533,533	13,884,154
Revenue from rendering of services:		
Recognised over time	376,685	283,617
Revenue from other sources:		
Property lease income	26,402	27,079
	20,936,620	14,194,850

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.

**6 REVENUE AND SEGMENT INFORMATION (Continued)****(a) Details of contract assets and contract acquisition costs**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Contract assets related to property development and sales (i)	<b>1,339,786</b>	972,568
Contract acquisition costs (ii)	<b>621,032</b>	524,262
Total contract assets and contract acquisition costs	<b>1,960,818</b>	1,496,830

- (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.
- (ii) Management expects to recover the contract acquisition costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sale contracts. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amount of amortisation for the six months ended 30 June 2020 were RMB151,983,000 (six months ended 30 June 2019: RMB108,517,000). There was no impairment loss in relation to the costs capitalised.

**(b) Contract liabilities**

The Group has recognised the following revenue-related contract liabilities:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Contract liabilities	<b>93,863,011</b>	84,891,715

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 following table shows how much of the revenue recognised during the period related to carried-forward contract liabilities.

	<b>Six months ended 30 June 2020 RMB'000 (Unaudited)</b>	2019 RMB'000 (Unaudited)
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Property development and sales	<b>16,142,795</b>	9,519,625

**6 REVENUE AND SEGMENT INFORMATION (Continued)****(c) Unsatisfied contracts related to property development and sales**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Expected to be recognised within one year	<b>53,562,853</b>	51,019,872
Expected to be recognised after one year	<b>50,262,465</b>	45,061,689
	<b>103,825,318</b>	96,081,561

- (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.

**7 EXPENSES BY NATURE**

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

	<b>Six months ended 30 June 2020 RMB'000 (Unaudited)</b>	2019 RMB'000 (Unaudited)
Cost of property development and sales — including construction cost, land cost, capitalised interest expenses	<b>15,005,235</b>	8,867,691
Employee benefit expenses	<b>955,233</b>	943,622
Marketing and advertising expenses	<b>720,511</b>	419,547
Write-downs of properties under development and completed properties held for sale	<b>253,205</b>	—
Amortisation of contract acquisition costs	<b>151,983</b>	108,517
Taxes and surcharges	<b>155,227</b>	121,529
Depreciation and amortisation	<b>104,412</b>	94,103
Property management fees	<b>46,127</b>	38,240
Auditor's remuneration — Interim review services	<b>1,400</b>	1,400
Travelling and entertainment expenses	<b>42,899</b>	71,735
Office expenses	<b>22,044</b>	77,807
Others	<b>477,016</b>	433,453
Total	<b>17,935,292</b>	11,177,644

**8 OTHER INCOME AND GAINS — NET**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Other income</b>		
Management and consulting service income	<b>185,437</b>	77,946
Government subsidy income	<b>40,929</b>	4,245
Compensation income	<b>38,809</b>	126,094
	<b>265,175</b>	208,285
<b>Other gains — net</b>		
Realised and unrealised gains on financial assets at fair value through profit or loss	<b>126,725</b>	56,397
Losses arising from changes in fair value of investment properties	<b>(3,641)</b>	(813)
Losses on disposal of a joint venture	<b>(5,812)</b>	—
(Losses)/gains on disposal of property, plant and equipment, investment properties and intangible assets	<b>(114)</b>	155
Net foreign exchange gains/(losses)	<b>16,833</b>	(7,940)
Others	<b>13,989</b>	14,729
	<b>147,980</b>	62,528
<b>Other income and gains — net</b>	<b>413,155</b>	270,813

**9 FINANCE INCOME — NET**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Finance costs		
— Interest expenses		
— Bank and other borrowings	<b>(1,264,210)</b>	(1,407,884)
— Corporate bonds	<b>(353,958)</b>	(272,566)
— Lease liabilities	<b>(6,276)</b>	(7,647)
	<b>(1,624,444)</b>	(1,688,097)
Less:		
— Capitalised interest	<b>1,624,444</b>	1,688,097
— Net foreign exchange losses on financing activities	<b>(40,678)</b>	(10,615)
	<b>(40,678)</b>	(10,615)
Finance income		
— Interest income	<b>160,183</b>	92,688
Finance income — net	<b>119,505</b>	82,073

## 10 INCOME TAX EXPENSES

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax		
— Corporate income tax	1,323,494	1,214,511
— PRC land appreciation tax ("LAT")	648,664	948,954
	1,972,158	2,163,465
Deferred income tax		
— Corporate income tax	(615,228)	(614,450)
	1,356,930	1,549,015

Note:

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months to 30 June 2020 is 37%, compared to 45% for the six months ended 30 June 2019. The tax rate was lower in 2020 due to the decrease in LAT expense as a result of the drop in gross profit margin.

As at 30 June 2020, 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 RMB10,817,782,000 (31 December 2019: RMB8,734,814,000). 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 estimations of demand for overseas funding.

## 11 EARNINGS PER SHARE

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (RMB'000):	2,024,099	1,769,384
Weighted average number of ordinary shares in issue (thousands)	1,230,567	1,190,567
Earnings per share — Basic (RMB per share)	1.64	1.49

The Company had no dilutive potential shares in issue during the six months ended 30 June 2020 and 2019, thus the diluted earnings per share equalled the basic earnings per share.

## 12 DIVIDENDS

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

**13(a) INVESTMENTS IN JOINT VENTURES**

The movement of investments in joint ventures are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>At January 1</b>	<b>6,074,679</b>	1,023,571
Transfer from investments in subsidiaries (note 26)	<b>676,058</b>	388,494
Other additions	<b>974,866</b>	198,622
Dividend received from a joint venture	<b>(66,700)</b>	–
Transfer to investments in subsidiaries	<b>(54,814)</b>	–
Disposal	<b>(8,212)</b>	–
Share of results	<b>262,007</b>	115,305
<b>At June 30</b>	<b>7,857,884</b>	1,725,992

As at 30 June 2020 and 31 December 2019, there were no significant commitments and contingencies relating to the Group's interests in the joint ventures, while certain borrowings of the joint ventures were guaranteed by the Group (note 24).

**13(b) INVESTMENTS IN ASSOCIATES**

The movement of investments in associates are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>At January 1</b>	<b>4,685,994</b>	841,896
Additions	<b>759,002</b>	1,188,812
Share of results	<b>(63,980)</b>	(25,292)
<b>At June 30</b>	<b>5,381,016</b>	2,005,416

As at 30 June 2020 and 31 December 2019, there were no significant contingencies relating to the Group's interests in the associates, while certain borrowings of the associates were guaranteed by the Group (note 24).

**14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

	<b>Property, plant and equipment</b> RMB'000	<b>Investment properties</b> RMB'000
<b>Six months ended 30 June 2019 (Unaudited)</b>		
<b>Opening net book amount at 1 January 2019</b>	836,712	749,350
Transfer from properties under development	94,882	–
Other additions	167,418	–
Fair value changes	–	(813)
Disposal of subsidiaries	(665)	–
Other disposals	(24,045)	–
Depreciation	(42,837)	–
<b>Closing net book amount at 30 June 2019</b>	<b>1,031,465</b>	<b>748,537</b>
<b>Six months ended 30 June 2020 (Unaudited)</b>		
<b>Opening net book amount at 1 January 2020</b>	<b>1,199,369</b>	<b>1,737,291</b>
Additions	<b>66,260</b>	<b>46,255</b>
Fair value changes	–	<b>(3,641)</b>
Disposals	<b>(7,838)</b>	<b>(7,110)</b>
Depreciation	<b>(51,872)</b>	–
<b>Closing net book amount at 30 June 2020</b>	<b>1,205,919</b>	<b>1,772,795</b>

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2020 and 31 December 2019, the Group had only level 3 investment properties.

**15 PROPERTIES UNDER DEVELOPMENT**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Properties under development expected to be completed:		
— Within normal operating cycle included under current assets	<b>140,552,697</b>	142,697,242
— Beyond normal operating cycle included under non-current assets	<b>2,947,686</b>	2,670,275
	<b>143,500,383</b>	145,367,517
Properties under development comprise:		
— Construction costs	<b>35,113,219</b>	33,482,853
— Land use rights	<b>103,799,486</b>	107,210,641
— Capitalised interest expenses	<b>6,123,475</b>	6,177,634
	<b>145,036,180</b>	146,871,128
Less: provision of impairment	<b>(1,535,797)</b>	(1,503,611)
	<b>143,500,383</b>	145,367,517

Properties under development were all located in the PRC.

The amounts of RMB90,303,569,000 as at 30 June 2020 (31 December 2019: RMB89,629,245,000) 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 5.81% per annum for the six months ended 30 June 2020 (six months ended 30 June 2019: 5.86% per annum).

As at 30 June 2020, properties under development with net book value of RMB48,022,291,000 (31 December 2019: RMB45,395,676,000) were pledged as collateral for the Group's bank and other borrowings.



**16 TRADE AND OTHER RECEIVABLES**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
<b>Included in current assets:</b>		
Trade receivables — net (note (a))	<b>1,175,783</b>	1,203,717
Other receivables — net (note (b))	<b>31,537,482</b>	30,431,785
Prepayments for land use rights (note (c))	<b>7,072,648</b>	3,744,866
Other prepayments	<b>1,223,546</b>	825,386
	<b>41,009,459</b>	36,205,754

As at 30 June 2020 and 31 December 2019, the fair value of trade and other receivables approximated their carrying amounts.

**(a) Details of trade receivables are as follows:**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Trade receivables — related parties (note 25(b))	<b>202,678</b>	144,646
Trade receivables — third parties	<b>1,004,192</b>	1,092,990
Less: allowance for impairment	<b>(31,087)</b>	(33,919)
Trade receivables — net	<b>1,175,783</b>	1,203,717

Aging analysis of the gross trade receivables based on invoice date at the balance sheet date are as follows:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Within 90 days	<b>752,554</b>	924,707
Over 90 days and within 180 days	<b>67,341</b>	47,711
Over 180 days and within 365 days	<b>118,810</b>	15,641
Over 365 days	<b>268,165</b>	249,577
	<b>1,206,870</b>	1,237,636

The Group's trade receivables are denominated in RMB.

**16 TRADE AND OTHER RECEIVABLES (Continued)****(a) Details of trade receivables are as follows: (Continued)**

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 six months ended 30 June 2020, reversal of RMB2,832,000 (six months ended 30 June 2019: provision of RMB9,283,000) were made against the gross amount of trade receivables.

**(b) Details of other receivables are as follows:**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Amounts due from related parties (note 25(b))	<b>13,249,638</b>	16,275,460
Amounts due from non-controlling interests (note (i))	<b>9,168,391</b>	8,162,999
Deposits and others from third parties (note (ii))	<b>9,213,608</b>	6,063,799
	<b>31,631,637</b>	30,502,258
Less: allowance for impairment	<b>(94,155)</b>	(70,473)
Other receivables — net	<b>31,537,482</b>	30,431,785

(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 are mainly related to acquisition of land use rights which will be reclassified to properties under development for sale when land certificates were obtained.

**17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Investments in wealth management products (a)	<b>1,730,730</b>	992,700
Investments in asset management schemes (a)	<b>101,000</b>	786,475
Investments in listed equity security	<b>37,074</b>	61,304
Others	<b>74,150</b>	72,876
	<b>1,942,954</b>	1,913,355

- (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 return rates of these investments as at 30 June 2020 were 1.30% to 5.22% (31 December 2019: 0.30% — 5.22%).

**18 CASH AND CASH EQUIVALENTS**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Cash at bank and in hand	<b>24,220,499</b>	26,533,464
Bank deposits	<b>1,775,949</b>	402,151
	<b>25,996,448</b>	26,935,615
Less: restricted cash	<b>(6,083,260)</b>	(7,697,191)
term deposits with initial terms of over three months	—	(141,159)
	<b>19,913,188</b>	19,097,265

**18 CASH AND CASH EQUIVALENTS (Continued)**

Cash and deposits are denominated in the following currencies:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Denominated in RMB	<b>23,958,988</b>	26,494,846
Denominated in United States Dollar ("USD")	<b>4,708</b>	32,328
Denominated in Hong Kong Dollar ("HKD")	<b>2,032,752</b>	408,441
	<b>25,996,448</b>	26,935,615

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.

**19 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
<b>Authorised</b>						
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	–	–	–
<b>Issued and fully paid</b>						
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		40,000,000	40,000	35,943	642,967	678,910
<b>At 31 December 2019 and 1 January 2020</b>		1,230,567,000	1,230,567	1,041,309	8,424,680	9,465,989
Dividends payable to shareholders (a)		–	–	–	(1,811,394)	(1,811,394)
<b>At 30 June 2020</b>		1,230,567,000	1,230,567	1,041,309	6,613,286	7,654,595

- (a) On 30 March 2020, the board of directors of the Company 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) out of the share premium account of the Company, which was approved by the shareholders of the Company at the annual general meeting held on 29 May 2020.

## 20 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
<b>Balance at 1 January 2019</b>	173,000	1,075,688	45,007	1,293,695	6,076,085	7,369,780
Profit for the period	–	–	–	–	1,769,384	1,769,384
Dividends paid to shareholders	–	–	–	–	(1,282,003)	(1,282,003)
Additional investment in subsidiaries	–	–	(7,653)	(7,653)	–	(7,653)
<b>Balance at 30 June 2019 (unaudited)</b>	173,000	1,075,688	37,354	1,286,042	6,563,466	7,849,508
<b>Balance at 1 January 2020</b>	<b>173,000</b>	<b>1,866,404</b>	<b>(164,284)</b>	<b>1,875,120</b>	<b>8,308,530</b>	<b>10,183,650</b>
Profit for the period	–	–	–	–	2,024,099	2,024,099
Additional investment in subsidiaries	–	–	(8,282)	(8,282)	–	(8,282)
Disposal of ownership interests in subsidiaries without change of control	–	–	31,698	31,698	–	31,698
<b>Balance at 30 June 2020 (unaudited)</b>	<b>173,000</b>	<b>1,866,404</b>	<b>(140,868)</b>	<b>1,898,536</b>	<b>10,332,629</b>	<b>12,231,165</b>

## 21 CORPORATE BONDS

Corporate bonds as at 30 June 2020 and 31 December 2019 were as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
As at 1 January	10,486,779	5,933,586
Additions	2,911,952	8,042,764
Interests charges	353,958	597,562
Interests paid	(346,299)	(587,133)
Repayment upon maturity	(1,440,000)	(3,500,000)
Ending balance	11,966,390	10,486,779
Analysed as		
— Current portion	6,056,368	2,437,720
— Non-current portion	5,910,022	8,049,059
	11,966,390	10,486,779

The Group's corporate bonds of RMB3,060,000,000, as at 30 June 2020 (31 December 2019: RMB3,060,000,000) were guaranteed by its related parties (note 25(a)).

## 22 BANK AND OTHER BORROWINGS

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Bank borrowings	<b>36,040,325</b>	35,847,775
Other loans	<b>8,105,785</b>	8,317,163
	<b>44,146,110</b>	44,164,938
Included in non-current liabilities:		
— Secured/guaranteed	<b>26,729,705</b>	29,002,071
— Unsecured	<b>16,974,105</b>	14,183,079
Less: current portion of non-current liabilities	<b>(5,009,288)</b>	(5,718,696)
	<b>38,694,522</b>	37,466,454
Included in current liabilities:		
— Secured/guaranteed	<b>350,000</b>	350,000
— Unsecured	<b>92,300</b>	629,788
— Current portion of non-current liabilities	<b>5,009,288</b>	5,718,696
	<b>5,451,588</b>	6,698,484
Total	<b>44,146,110</b>	44,164,938

As at 31 December 2019 and 30 June 2020, all of the Group's borrowings were denominated in following currencies:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
RMB	<b>40,215,590</b>	41,983,176
HKD	<b>3,930,520</b>	2,181,762
	<b>44,146,110</b>	44,164,938

The Group's bank and other borrowings as at 30 June 2020 of RMB20,384,920,000 (31 December 2019: RMB21,019,509,000) were secured by certain buildings, right-of-use for land, properties under development and completed properties held for sale of the Group with total carrying values of RMB48,863,788,000 (31 December 2019: RMB46,212,574,000).

The Group's bank and other borrowings of RMB6,105,785,000, as at 30 June 2020 (31 December 2019: RMB6,000,163,000) were guaranteed by its related parties (note 25(a)), and RMB589,000,000 (31 December 2019: RMB2,332,399,000) were guaranteed by third parties.

The annual weighted average effective interest rate of bank and other borrowings is 5.41% per annum for the six months ended 30 June 2020 (year ended 31 December 2019: 5.79% per annum).

**23 TRADE AND OTHER PAYABLES**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Trade payables (note (a))	<b>28,398,681</b>	32,477,765
— related parties (note 25(b))	<b>50,491</b>	22,793
— third parties	<b>28,348,190</b>	32,454,972
Amounts due to related parties (note 25(b))	<b>12,368,554</b>	10,554,551
Amounts due to non-controlling interests (note (b))	<b>9,334,177</b>	17,196,319
Outstanding acquisition considerations payable	<b>1,766,171</b>	1,867,489
Deposit payables	<b>2,169,788</b>	1,624,857
Accrued expenses	<b>854,158</b>	592,301
Salaries payable	<b>680,684</b>	1,114,310
Interests payable	<b>442,193</b>	713,068
Other taxes payable	<b>5,092,028</b>	4,396,479
Dividends payable to shareholders	<b>1,811,394</b>	—
Other payables (note (c))	<b>1,422,345</b>	1,286,759
	<b>64,340,173</b>	71,823,898

(a) The aging analysis of the trade payables based on invoice dates is as follows:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Within 90 days	<b>14,740,260</b>	25,668,865
Over 90 days and within 365 days	<b>13,204,585</b>	6,033,564
Over 365 days	<b>453,836</b>	775,336
	<b>28,398,681</b>	32,477,765

The Group's trade and other payables as at 30 June 2020 and 31 December 2019 are 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.

**24 GUARANTEES**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	<b>70,465,422</b>	62,687,030
Guarantees to joint ventures and associates in respect of borrowings (note (b))	<b>9,547,385</b>	6,991,177
	<b>80,012,807</b>	69,678,207

- (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 the purchasers and joint ventures and associates as at initial recognition and 30 June 2020 and 31 December 2019 were insignificant.



## 25 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

		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>(i) Entities controlled by the Ultimate Controlling Parties</b>			
Rendering of property management services	3,204	3,347	
Management and consulting service income	7,451	1,289	
Purchase of home appliances and smart home technology products	56,846	27,719	
Purchase of information technology support services	–	1,069	
Interest expenses on loans from related parties	40,948	14,844	
Receiving guarantee in respect of borrowings	9,165,785	7,234,622	
Licensing fees	4,567	4,399	
Guarantee fees	20,130	15,517	
Lease payments	579	362	
Interest expenses on lease liabilities	15	16	
<b>(ii) Entities controlled by certain directors</b>			
Lease payments	–	3,715	
Interest expenses on lease liabilities	–	93	
<b>(iii) Joint ventures</b>			
Management and consulting service income	144,430	29,006	
Providing guarantee in respect of borrowings	6,578,323	2,590,474	
Rendering of property management services	18,303	10,615	
<b>(iv) Associates</b>			
Management and consulting service income	23,454	–	
Providing guarantee in respect of borrowings	2,969,062	2,187,091	
Rendering of property management services	6,544	3,281	
<b>(v) Directors and/or their close family members</b>			
Sales of properties	–	9,750	

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

**25 RELATED PARTY TRANSACTIONS (Continued)****(b) Balances with related parties**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
<b>(i) Joint ventures</b>		
Amounts due from related parties	<b>10,117,378</b>	11,123,648
Amounts due to related parties	<b>8,917,146</b>	7,550,957
<b>(ii) Associates</b>		
Amount due from related parties	<b>3,232,018</b>	5,227,579
Amount due to related parties	<b>3,463,455</b>	2,639,701
<b>(iii) Entities controlled by the Ultimate Controlling Parties</b>		
Amounts due from related parties	<b>102,915</b>	66,556
Amounts due to related parties	<b>38,423</b>	386,686
Lease liabilities	<b>315</b>	47
<b>(iv) Entities controlled by certain directors and/or their close family members</b>		
Amounts due from related parties	<b>5</b>	2,323
Amounts due to related parties	<b>21</b>	–
Lease liabilities	<b>–</b>	536
<b>(v) Analysis on amounts due from related parties:</b>		
Trade	<b>202,678</b>	144,646
Non-trade	<b>13,249,638</b>	16,275,460
<b>(vi) Analysis on amounts due to related parties:</b>		
Trade	<b>50,491</b>	22,793
Non-trade	<b>12,368,554</b>	10,554,551

Amounts due from/to related parties mainly represented the cash advances which are unsecured, interest-free, and repayable on demand.

**25 RELATED PARTY TRANSACTIONS (Continued)****(c) Loans from related parties**

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Beginning of the period	–	–
Loans advanced	1,809,358	1,003,356
Loans repayments	(1,809,358)	(1,003,356)
End of the period	–	–

During the six months ended 30 June 2020 and 2019, loans from related parties carried variable interest rates ranging 5.50% to 6.00% per annum, and the terms of the loans were between 3 months to 6 months.

**(d) Key management compensation**

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Key management compensation		
— Salaries and other employee benefits	11,856	11,382
— Pension costs	74	86
— Fees	273	263
	12,203	11,731

## 26 DISPOSAL OF SUBSIDIARIES

During the current period, the Group disposed of interests in a number of subsidiaries. Details of the disposal are as follows:

	Six months ended 30 June 2020 RMB'000 (Unaudited)
Disposal consideration	
— Fair value of investments in joint ventures	676,058
Cash and cash equivalents	(559,411)
Restricted cash	(377,213)
Deferred income tax assets	(19,739)
Prepaid taxes	(591,070)
Properties under development and completed properties held for sale	(6,343,462)
Trade and other receivables	(3,453,145)
Trade and other payables	3,053,353
Bank and other borrowings	2,974,740
Contract liabilities	3,982,050
Others	(32,504)
Total net assets disposed of	(1,366,401)
Non-controlling interest disposed of	690,343
Gains on disposal	—
Cash proceeds from disposal, net of cash disposed of	
— Cash and cash equivalents of the subsidiaries disposed of	(559,411)
Net cash outflow on disposal	(559,411)

## 27 SUBSEQUENT EVENTS

In July 2020, Midea Real Estate Group Limited issued two corporate bonds in an aggregate principal amounts of RMB1,000,000,000. These corporate bonds carry a coupon interest rate of 4.10% and 4.18% per annum with maturity dates of 14 July 2024 and 14 July 2025, respectively. At the end of the second year and the third year, respectively, Midea Real Estate Group Limited has the option to adjust the coupon rate, and investors have the option to sell their bonds back.

On 3 August 2020, Midea Construction (Hong Kong) Limited, an indirectly wholly-owned subsidiary of the Company (as borrower), the Company (as listing guarantor) and certain of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with certain financial institutions (as lenders) for a dual tranche transferrable term loan facility denominated in HKD and USD in an initial amount of HKD1,050 million and USD60 million respectively, which may be subsequently increased up to HKD1,170 million or its US dollars equivalent (exclusive of the said initial amount) (the "Loan(s)"). The final repayment date of the Loan(s) shall be the date falling 36 months after the first withdrawal date.

## 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  
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Guangdong Province, the PRC

## PLACE OF BUSINESS IN HONG KONG, CHINA

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## REGISTERED OFFICE

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Grand Cayman KY1-9008, Cayman Islands

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Corporate Centre  
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Grand Cayman KY1-9008, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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183 Queen's Road East, Hong Kong

## AUDITOR

PricewaterhouseCoopers

## 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 CITIC Bank International 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

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### **COMPANY'S WEBSITE**

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