



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 ANNUAL REPORT

Company Profile

Midea Real Estate Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**” or “**Midea Real Estate**”) (Stock Code: 3990.HK) is listed on The Stock Exchange of Hong Kong Limited. The Midea’s founder Mr. He Xiangjian is the controlling shareholder of the Company. It is one of the top 24 listed real estate companies in China and one of the top 100 private enterprises in Guangdong Province, also in the constituents of seven indexes such as Hang Seng Stock Connect Hong Kong Index. Founded in 2004, the Company 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.

Midea Real Estate holds on the principle of “intensive development in focused areas and strategy upgrade”, it has established 321 premium projects in five core economic regions (data as at 31 December 2020), covering the Yangtze River Delta Economic Region, Pearl River Delta Economic Region, the Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region, presenting in national core cities such as Shanghai, Guangzhou, Tianjin, Chongqing, Chengdu,

Zhengzhou and Wuhan, as well as provincial capitals such as Hangzhou, Nanjing, Changsha, Hefei, Kunming, Shijiazhuang, Nanchang and Guiyang.

The Group adheres to the development of “four major business lines” in a coordinated manner, namely residential development, mega services, industry and commerce. 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. It has 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 industry front, the Group has vigorously built an industry chain for creating a smart and technology-based living environment, so as to cultivate it into a “second runway” for independent development. The Group 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, and it continuously provides smart and green prefabricated integration solutions to third parties.

Looking forward, Midea Real Estate 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 value for a broad range of stakeholders.



Property
Development



Property
Management
Services



Investment and
Operation of
Commercial Properties

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The total GFA of the Group's land reserves reached 53.98 million square metres, comprising 321 property development projects in 63 cities, which are located in five major regions namely the Pearl River Delta Economic Region, Yangtze River Delta Economic Region, Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region.



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Midea Property Management continued to focus on enhancing its service capability and strengthening customer experience, and further advanced its edge in intelligent and digital services through a series of initiatives, including renovating old and dilapidated communities nationwide to improve their quality, consolidating 400 service hotlines, building digital customer service platforms, launching the service system "Smart Service — Midea Housekeeper", connecting the smart home system and smart community system, and upgrading the Cloud Neighbourhood Community 3.0 APP, which focus more on community services and dedicate itself to boosting service capacity. In August 2020, Midea Property Management was officially renamed as Bomei Property Services (铂美物業) and then was later delisted from the NEEQ.



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Commercial properties which we have develop and operated covering urban complex, community centre and long-term rental apartments

Financial Overview

Overview of Results

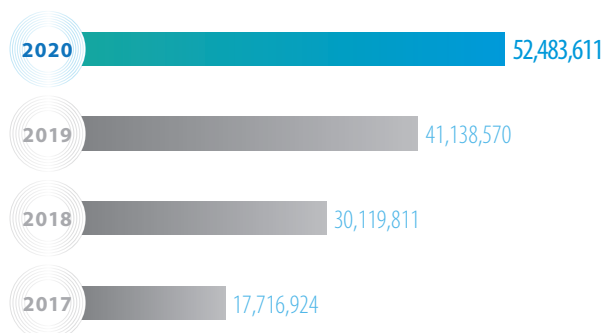
	For the Year Ended 31 December		
	2020	2019	Change
Revenue (RMB million)	52,483.6	41,138.6	27.6%
Gross profit (RMB million)	11,658.0	13,007.5	-10.4%
Gross margin	22.2%	31.6%	-9.4%
Net profit (RMB million)	4,825.5	4,326.6	11.5%
Net profit margin	9.2%	10.5%	-1.3%
Profit attributable to owners of the Company (RMB million)	4,326.5	4,305.2	0.5%
Basic earnings per share (RMB)	3.52	3.61	-2.5%
Proposed final dividend per ordinary share to be distributed (HKD)	1.60	1.60	0.0%

Overview of Balance Sheet

	As at 31 December		
	2020	2019	Change
Total assets (RMB million)	283,754.5	249,713.8	13.6%
Total cash and bank deposits (RMB million)	26,787.6	26,935.6	-0.5%
Short-term borrowings (RMB million)	12,254.8	9,136.2	34.1%
Long-term borrowings (RMB million)	46,385.4	45,515.5	1.9%
Total equity (RMB million)	40,219.4	31,138.3	29.2%
Return on equity	19.6%	21.9%	-2.3%
Total liabilities/total assets	85.8%	87.5%	-1.7%
Net gearing ratio	79.2%	89.0%	9.8%

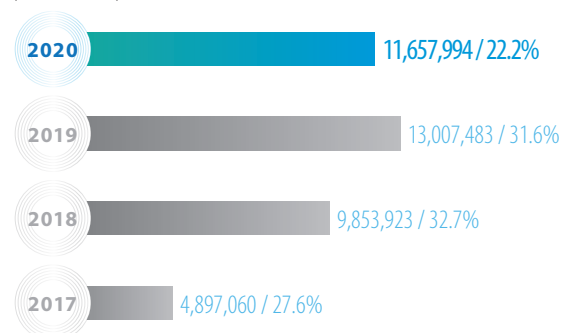
REVENUE

(RMB'000)



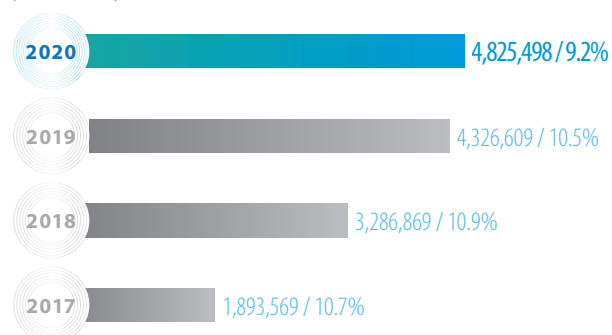
GROSS PROFIT AND GROSS MARGIN

(RMB'000/%)



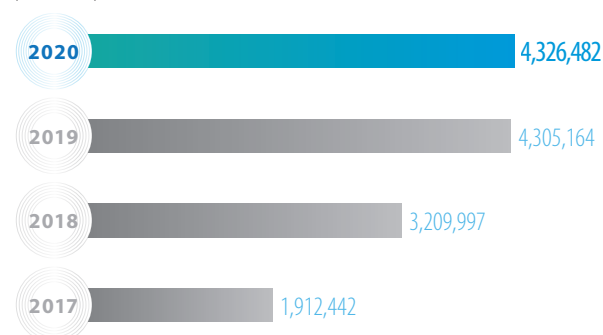
NET PROFIT AND NET MARGIN

(RMB'000/%)



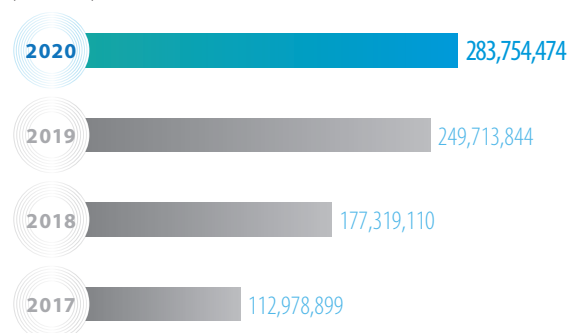
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RMB'000)



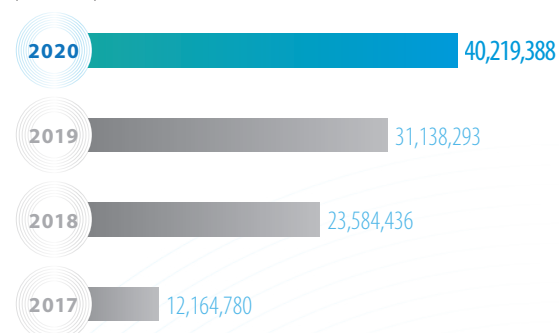
TOTAL ASSETS

(RMB'000)



TOTAL EQUITY

(RMB'000)



Milestones in 2020

JAN



In January, Ruizhu Technology Co. Ltd., a subsidiary of the Group, and Architectural Design and Research Institute of Tsinghua University Co. Ltd. jointly established the “Research Centre for Low-carbon Healthy Human Settlements”.

JAN-
FEB



From January to February, 7,000 property management personnel of Midea safeguarded the health and safety of 600,000 home owners for 70 consecutive days, and the Group invested a total of approximately RMB18.5 million to fight COVID-19 through measures including donation of money and supplies, waiver of rent for its commercial properties, and foundation of a “community care fund” by its property management subsidiary.

MAR



In March, the Group teamed up with Alibaba Cloud to launch the first “AI community” in Foshan Midea Elite Residence which realises smart control of indoor & outdoor and online & offline scenarios through an integrated system.

MAY



In May, Midea Real Estate’s Smart Life Research Institute and the 5th Electronics Research Institute of Ministry of Industry and Information Technology jointly established a joint laboratory for cutting-edge cyberspace security technologies.

In May, Midea Real Estate Group Limited (美的置業集團有限公司) (the “**Midea Real Estate Group**”), a subsidiary of the Company, was rated AAA with a stable outlook by United Credit Rating Co., Ltd. Thus it had obtained two AAA ratings from United Credit Rating Co., Ltd and China Chengxin Securities Rating Co., Ltd.

JUN-
JUL



In June, our upgraded home owner service app “Cloud Neighbourhood Community” 3.0 was launched to connect smart home and smart community systems, enabling coordination between smart homes and smart facilities in public areas. This marked that smart community entered the 3.0 era.

In July, the value system of 5M Smart Health Community was upgraded.

OCT



In October, the Group held the “5M Smart Health Community Product Launch Online Conference” to formally roll out AI Family Brain and Wei G Health Community and launch a product strategy upgrade plan.

NOV



In November, Foshan Remac Green Building Technology Industrial Park was officially put into operation.

Major Honours and Awards

▼ Business Achievements

Ranked 214th among Top 500 Chinese Private Enterprises, and 67th among Top 100 Chinese Private Enterprises in Service Industry

(All-China Federation of Industry and Commerce)

Top 10 Chinese Real Estate Developers by Sound Operations in 2020

(China Real Estate Association, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

Top 50 Chinese Real Estate Developers in 2020

(China Real Estate Association, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

Top 30 Chinese Listed Real Estate Companies by Comprehensive Strength in 2020

(China Real Estate Association, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

Top 30 Chinese Listed Real Estate Companies in 2020

(Guandian Index Academy)

Ranked 1,264th in Forbes' 2020 Global 2000 list

(Forbes)

Ranked 32nd among Top 100 Guangdong Private Enterprises in 2020

(Guangdong Federation of Industry and Commerce)



▼ Investment Value and Growth Potential

Top 10 Listed Real Estate Companies by Operating Capabilities in 2020

(China Securities Market Research and Design Centre, Hexun Finance China Association)

The Fifth Financial "Golden Sail Award" – 2020 Excellent Growth Value Award

(Southern Finance Omnimedia Corp.)

Top 5 Chinese Listed Real Estate Companies by Capital Operation in 2020

(China Real Estate Association, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)



▼ Smart Real Estate/Innovation

China Real Estate Golden Brick Award–2020 Leading Smart Real Estate Company

(21st Century Business Herald)

Top 20 Chinese Real Estate Companies by Digital Power in 2020

(E-House's CRIC, National Real Estate CIO Alliance)

The service case of Guangdong Tianyuan Architectural Design Co., Ltd. won the “Special Award” of Commercial Complex Category in the 11th “Innovation Cup” Building Information Model (BIM) Application Competition

(China Engineering & Consulting Association, Autodesk Software (China) Co., Ltd.)

Foshan Midea Elite Residence received the designation of “2020 China Real Estate Digital Power Smart Community Benchmark Project”.

(E-House's CRIC, National Real Estate CIO Alliance)



▼ Product Strength

Ranked 27th among Chinese Real Estate Companies by Product Strength in 2020

(E-House CRIC Research Centre and CRIC Wishbuild)

“Cloud Mansion” series won the Award of Top Ten Quality Aesthetic Home Product Series in 2020

(E-House CRIC Research Centre and CRIC Wishbuild)

“Royal Orchid” series was included in the Top 15 Chinese Real Estate Product Series by Brand Value and Top 10 Ingenious and Aesthetic Real Estate Product Series by Brand Value in China in 2020

(Leju Finance Research Institute)

Changzhou Midea-Shimao Cloud Villas and Changsha Midea Lu Mansion were included in the Top Ten Cost-effective Products in the first half of 2020

(E-House CRIC Research Centre and CRIC Wishbuild)



Major Honours and Awards (Continued)

▼ Service Strength

Midea Property Management received the awards of Leading Company in Residential Property Services in 2020, Leading Company in Smart Property Services in 2020, and Top 20 Branded Property Management Companies in South China

(China Property Management Research Institute, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre)

Midea Property Management won the award of Top 30 Chinese Real Estate Property Management Companies by Service Satisfaction in 2020

(China Real Estate Business, Fangchan.com, Zhongfang Think Tank)



▼ Social Responsibility

2020 Top Anti-COVID-19 Donors in the Real Estate Industry

(Guandian Real Estate New Media)

2020 Social Poverty Alleviation Role Model

(China Securities Market Research and Design Centre, Hexun Finance China Association)

CSR Competitiveness in 2020–Social Responsibility Practice Award of China Corporate Social Responsibility Evaluation

(China Business Journal, China Business Future)

Real Estate Companies with Outstanding Contribution to Targeted Poverty Alleviation in 2020

(Guangdong Real Estate Association)

Top 30 Chinese Green Property Developers

(Investment Association of China, Global magazine, Institute of Standard Ranking)



Dear shareholders:

I am pleased to present to you the annual report of Midea Real Estate Holding Limited and its subsidiaries (the "Group") for the year ended 31 December 2020.

Annual Results

The COVID-19 outbreak brought certain impact on the business and economic activities of the Group in early 2020. As domestic pandemic infections were under control, the business of the Group gradually returned to normal. However, the tightened regulation of "Five Red Lines" (五道紅線), deleveraging among real estate companies and households had become an effective measure for the long-term mechanism, and the industry had ushered in a management-driven era featuring new cycle, new strategies, new niche markets and new competitive landscape. The Group remained at the frontline of the industry in terms of the year-on-year growth rate of contracted sales for the year by seizing the structural opportunities from the differential development of cities and the industry and strengthening its operating leverage to drive high-quality growth. Specifically, the Group focused on its deep penetration strategy in cities to increase production capacity in each region and city; upgraded its product strategy to enhance the core competitiveness of products through AI Smart Brain and Wei G Health Community; upgraded the strategy of "one principal and two secondary business lines" (一主兩翼) to the strategy of "four major business lines" (四大主航道) for a combination of competitive strengths; and reinforced its advantage of low-cost financing to improve financial soundness.

During the year, the Group recorded a revenue of RMB52,483.61 million, representing a year-on-year increase of 27.6%; and the Group's core net profit for the year was RMB4,804.69 million, representing a year-on-year increase of 15.0%. The overall revenue and profit saw steady and rapid growth.

(I) Review of the Real Estate Industry

During the year, the size of the industry reached a new high with intensifying divergence. In 2020, China's total housing sales recovered rapidly and exceeded the RMB17 trillion mark. As a cornerstone of the national economy, the real estate industry was advancing with resilience, but market performance was uneven across regions, which intensified the divergence of industry players in growth.

The "Five Red Lines" forced the industry to shift to "endogenous growth". The traditional high-leverage, high-debt business model is unsustainable, forcing real estate companies to control financial leverage, improve operational and management efficiency, activate marketing channels, and accelerate cash turnover. In the future, real estate companies with abundant cash, sound finance and lean management will be better positioned to gain access to more high-quality resources and development opportunities.

Diversified ways of land acquisition, asset splitting and value reshaping had become the mainstream. Given the financing restrictions, real estate companies had chosen to acquire land and broaden investment patterns through means such as urban renewal, commercial development, cultural tourism & health services, and TOD, etc. They had also divided assets and made industry chain investments to incubate new fast-growing business segments.

Demand-side reform of the housing market posed new requirements for real estate companies. Under the COVID-19 pandemic, there was a greater demand for housing improvement as home buyers had urgent needs for healthy, green and smart housing. With the implementation of the demand-side reform and the consumption upgrade in the fields of education, elderly care and entertainment, the "service attributes" of real estate products were intensified, and diversified strategic expansion was shifting from residential attributes to consumption attributes. Service-oriented consumption has promising growth prospects and is shifting to a buyer's market at a faster pace.

(II) Sales Performance

Sales grew steadily, with sales topping RMB10 billion for eight months in a row. During the year, the contracted sales of the Group, together with its joint ventures and associates, reached approximately RMB126.16 billion, representing a year-on-year increase of 24.6%. In particular, the contracted sales topped RMB10 billion for eight months in a row from May to December, with a contracted sales area of approximately 11.114 million square metres, representing a year-on-year increase of 10.9%. Having benefited from the tier upgrade of the Group's targeted cities, the Group's average selling price increased by 12.4% year-on-year to RMB11,351 per square metre.

Enhancement of urban capacity and product power boosted a significant increase in the average selling price.

During the year, the Group's contracted sales in the Yangtze River Delta Economic Region amounted to approximately RMB58.71 billion, representing a year-on-year increase of approximately 61.7%, and contracted sales in the Pearl River Delta Economic Region amounted to approximately RMB22.72 billion, representing a year-on-year increase of approximately 21.5%. The contracted sales in the Yangtze River Delta and the Pearl River Delta accounted for more than 60% of the Group's total sales.

Regional expansion through penetration worked effectively, becoming the key to the deadlock.

During the year, the contracted sales in the Yangtze River Delta and the Pearl River Delta further increased to 64.5% of the Group's total sales. Six of the 11 major regions posted contracted sales of more than RMB10 billion for the year. Regional expansion through penetration worked to be more valuable and effective, becoming the key to the deadlock and steady growth.

(III) Financial Performance

During the year, the Group continued to expand towards the central cities and the key tier-one and tier-two cities, and to implement the strategies of regional expansion through penetration and city upgrades. As at 31 December 2020, the total gross floor area ("GFA") of the Group's land reserves* reached 53.98 million square metres, comprising 321 property development projects, covering 63 cities, 89 of which were participated through joint ventures and associates.

The Group carried out the development of "four primary business segments" in a coordinated manner, while cultivating a "second runway" (第二跑道) in an aggressive way. In 2020, the Group's strategy of having one principal and two secondary business lines was upgraded to the "four primary business segments", namely residential property development, mega services, industrial development and commercial operations, in a coordinated manner. Based on the Group's own industrial advantages, intelligence platform and building industrialisation acted as the "second runway" for its development, which focused on creating a smart, healthy and ecological chain for a green technology-based living environment.

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

Consolidated our financing competitiveness by reducing financing costs against the trend.

Midea Real Estate Group, a major subsidiary of the Company, received once again an AAA credit rating with a stable rating outlook from China Chengxin International Credit Rating Co., Ltd. During the year, the weighted average effective interest rate of the Group's total borrowings further decreased to 5.33%, of which the weighted average effective interest rate of new borrowings was 4.91%, further highlighting the Group's advantages in low-cost financing.

Strengthened our "capital generation" (造血能力) ability to pro-actively lower leverage.

During the year, the Group continued to improve its capital management capabilities by speeding up sales and payment collections, and strengthening its "capital generation" ability, achieving a decline in net gearing ratio for four years in a row. As at 31 December 2020, the net gearing ratio was 79%, representing a decline of approximately 10 percentage points as compared to the end of 2019.

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

Further optimised our debt structure. During the year, the Group continued to optimise its debt structure by repaying its existing short-term borrowings with new long-term borrowings. As at 31 December 2020, the Group's proportion of bank loans and bonds financing was 83%, and the proportion of interest-bearing liabilities due within one year was 21%.

Ample cash and financial resources. Real estate enterprises were under pressure from financing after the banks introduced the "Two Red Lines" measures following the rollout of the new "Three Red Lines" regulatory policy by the authorities. In this context, the Group continued to maintain ample cash in hand and credit facilities. As at the end of the year, the Group had total cash and bank deposits of RMB26,788 million, and unused credit facilities from banks of RMB87,734 million, which enhanced its capability to defend against financial systemic risks.

(IV) Operation Measures

The high turnover, high growth and high profit era had passed. The industry now focuses on internal operation and management. In the manufacturing industry, the Group will apply the manufacturing industry's refined management essence to the entire process of real estate development, improve its own organisational model and carry out self-reform and upgrade on an ongoing basis.

Reshaped the business positioning for implementing the middle-office strategy. The three-tier management and operation positioning was reshaped to make the Group an elite headquarters, a regional specialist and a leading player in urban development. Resources management and service support were provided by the headquarters and the region was transformed into a middle-office hub port and a distribution centre for capabilities and resources to cater for the front line needs quickly. Cities were built into "strong engines" to become a production and profit centre.

Focused on high-value areas and upgraded the benefits of expansion through penetration. The phased achievements of urban upgrade and expansion through penetration were consolidated, and more focus was placed on the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area as well as the core metropolitan areas and city clusters in China. The Group's investments were penetrated into the first-tier cities, which we were encouraged to spend more resources on and consolidate their expansion through penetration. In 2020, there were 10 cities that the Group posted contracted sales over RMB4 billion. Handan, Xuzhou, Foshan, etc. were among the top market performers that the Group had been expanding through penetration for many years.

Thorough digitisation enhanced operational capabilities. In 2020, over 40 digital operation systems and over 800 modules were launched online. Organisational and management efficiency was increased by 50% along with the thorough and in-depth connection with digital systems. Digital operation management ran through the entire process of "store-build-finance-supply-sales-inventory-return-settlement", connected to all aspects of operation and management, boosted operations and increased management efficiency.

Product power and serviceability were further upgraded with a customer-centred approach. By focusing on customer needs, we emphasised on business objectives and upgraded and promoted our four standard product lines in an all-round way. The "5M Smart Health Community" value system was upgraded and AI Community Brain, AI Family Brain and Wei G Health Community were rolled out innovatively, enabling our products to continue to maintain the industry's leading edge in smart health products. The first customer service centre was set up in China to act as a mega service platform to deliver customer services, property, intelligent and other services, while "Five Beauty" services were rolled out to run through the entire cycle of customer services, making closed-loop management possible with a service productisation conceptual approach.

Business Outlook For 2021

Market Outlook

The year of 2021 is the first year of the 14th Five Year Plan. The 14th Five Year Plan has clearly set out that the real estate sector is the facilitator of domestic economy due to its close relation to daily consumption and investment development. Therefore, the fundamentals of the real estate policy, will continue to highlight "stability" while "housing for living in, not for speculation" and "one city one policy" will remain as the main tone of policies. The long-term mechanism for the healthy development of the real estate sector has developed into the phase of technical solution, aiming to stabilising land prices, housing prices and meeting market expectations through weakening the financial features of the sector, preventing risks and avoiding excessive resource occupation.

To emphasise property as a service and as an important part of people's lives, land supply structure will be optimised to expand land supply for affordable public housing such as rental housing and talent housing, the former of which will be increased to solve prominent housing problems in big cities. Demand for better housing will be released gradually, ushering in the era of urban renewal and community redevelopment to improve urbanisation quality.

As China is entering into the middle to late stages of urbanisation, the competitiveness and attractiveness of a city becomes the main factor that drive population migrations, further benefitting city clusters. Featuring strong economic resilience and increasing population migrations, Yangtze River Delta region, Pearl River Delta region, Beijing-Tianjin-Hebei region, Chengdu-Chongqing region and other city clusters and key metropolitan areas will deliver stable market performance.

The inflection point of daily COVID-19 infection growth rates dropped across the globe as many countries rolled out massive vaccination programs in 2021. It is expected that the global economic recovery will gather pace and the economy growth will get back on track. It is unlikely that COVID-19 pandemic will have any material adverse impact on the financial conditions and operating results of the Group.

Development Strategy and Outlook

In 2021, we will pay attention to our core competitive advantages including operational quality, production quality and financial quality, revamp value chain and establish our four strategic business segments, namely residential property development, mega services, industrial development and commercial operations, in an effort to develop strategic portfolio and competition capability in the long run.

Residential property development

To enhance urban productivity, we will introduce "core + satellite cities" model to carry out intensive development in urban areas. Focusing on high value regions such as the Greater Bay Area and Yangtze River Delta and their industrial hinterland, we will tap into niche markets and develop ten-billion bases in approximately 40 selected core cities while building satellite cities adjacent to them to concentrate resources on intensive urban development. To improve turnover ratio, we will integrate investment, financing and operations to support management optimisation and upgrade. By balancing resources and capital through all stages of property development, we will integrate investment, financing and operations in relation to business collaboration, operating indicators and management mechanism to ensure that there is no deviation from and attenuation of our core business objectives including core net profit and IRR, and strengthen synergy among investment, financing and operations through organisation, responsibility and organisational operation systems. We will strengthen customer study, product positioning, innovation capability, adaptability and turnover ratio to achieve life cycle value realisation of products. We will develop benchmark projects for the four product series and launch the "Jingrui" product under the TOP series to facilitate the overall upgrade of productivity and increase product premium.

Mega services

We will resolutely implement the "1+N" strategy to enhance service capability and quality. We will extend service chain and scope by strengthening pre-sales service such as referral and entrusted construction, intensifying sales service such as property sales venues and brokerage of remaining units, expanding community ancillary service such as finance, leasing and sales, media and community senior care, and exploring new services such as industrial parks, cultural tourism and urban public space. To develop business capabilities from the perspectives of people, space and asset, we will centre on people and use space service as a vehicle to achieve continuous increase in value of the assets under management and value maximisation, thus realising our commercial value.

Commercial operations

Sticking to the parallel development strategy of "urban complex + community centre", we have introduced the commercial brand "Wonderful" to complete a preliminary nation-wide layout of commercial properties. The Group will carry out in-depth planning in the core area of major cities, focus on high-value commercial properties, strengthen rationality of asset allocation and actively expand land acquisition channels and financing channels to facilitate the steady development of its commercial operations.

Industry

We will actively develop the "second runway" by establishing a digital technology company and support the vertical integration of industrial chain through technological innovation. To seize the upgrade trend arising from new competition in real estate sector, we will accelerate the vertical integration of industrial chain through technological innovation, develop intelligent platform and building industrialisation as the "second runway", and provide customers with market-leading comprehensive solution by means of industrial chain digitalisation and development of software service platform to explore and establish market ecology, and create value through providing products and services to the third parties.

Appreciation

On behalf of the board of directors (the "Board" or "Directors") of the Company, I would like to take this opportunity to express sincere gratitude to all sectors of the society for your trust and support. The Group will continue to improve in 2021 to create more value for shareholders, investors, partners, customers and the society.

Chairman, Executive Director and President

Hao Hengle

Hong Kong
24 March 2021

Management Discussion and Analysis

Overall Performance

During the year, the Group recorded revenue of RMB52,483.61 million (2019: RMB41,138.57 million), representing a year-on-year increase of 27.6%. Profit for the year amounted to RMB4,825.50 million (2019: RMB4,326.61 million), representing a year-on-year increase of 11.5%. Core net profit for the year increased by 15.0% to RMB4,804.69 million (2019: RMB4,177.77 million). Profit attributable to owners of the Company reached RMB4,326.48 million (2019: RMB4,305.16 million), representing a year-on-year increase of 0.5%. Basic and diluted earnings per share reached RMB3.52 (2019: RMB3.61).

Land Reserves

During the year, the Group continued to expand towards the central cities and key tier-one and tier-two cities and consistently implemented its strategy of regional expansion through penetration and city upgrades.

As at 31 December 2020, the total GFA of the Group's land reserves* reached 53.98 million square metres, comprising 321 property development projects, covering 63 cities. These land reserves are located in five major regions namely the Pearl River Delta Economic Region, Yangtze River Delta Economic Region, Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region.

During the year, the Group placed more focus on the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area as well as the core metropolitan areas and city clusters in China, and newly entered cities including Wenzhou, Luoyang, Shaoxing and Zhuhai.

List of Newly Acquired Land Parcels

Economic Region	City	Project Name	Attributable Interest	Gross Floor Area (square metres)
Pearl River Delta Economic Region	Foshan	Foshan Shunde Beijiao Town West Road Project (佛山順德北滘環鎮西路項目)	65.0%	148,545
		Foshan Shunde Daliang Desheng West Road Project (佛山順德大良德勝西路項目)	75.0%	358,395
		Foshan Chancheng Fengxiang Bay No. One (佛山禪城鳳翔灣壹號)	46.0%	320,444
		Foshan Chancheng Midea Times Phase II (佛山禪城美的時光二期)	100.0%	75,133
		Foshan Gaoming Midea-Helenbergh Cloud Bay (佛山高明美的海倫堡雲灣)	49.0%	121,688
		Foshan Shunde Greentown-Midea Willow Commandery (佛山順德綠城·美的楊柳郡)	39.0%	317,869
		Foshan Gaoming Helenbergh-Midea Jiuyue Mansion (佛山高明海倫堡美的玖悅府)	49.0%	181,146
	Guangzhou	Foshan Nanhai Dongyue Bay (佛山南海東樾灣)	50.0%	263,764
	Guangzhou	Guangzhou Nansha District Hengli Avenue Project (廣州南沙區橫瀝大道項目)	67.0%	117,199
	Jiangmen	Jiangmen Midea-Sino-Ocean Yunzhu (江門美的遠洋雲著)	49.0%	182,101
Zhuhai	Zhuhai Midea-Powerlong City (珠海美的·寶龍城)	49.0%	240,819	

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

Economic Region	City	Project Name	Attributable Interest	Gross Floor Area (square metres)
Yangtze River Delta Economic Region	Xuzhou	Xuzhou Midea-Jinke Royal Orchid Lake (徐州美的金科君蘭湖山)	55.0%	41,046
		Xuzhou Midea-Gongrun Yunlan Paradise (徐州美的工潤雲瀾天境)	50.0%	292,325
		Xuzhou Midea-Agile-Dexin Chinoiserie Mansion (徐州美的雅居樂德信九章賦)	23.7%	131,386
	Quanzhou	Quanzhou Dehua Midea Yunxi Community (泉州德化美的雲璽台)	70.0%	193,236
		Quanzhou Taishang Midea Yunxi Community (泉州台商美的雲璽台)	100.0%	272,690
		Quanzhou Zhongnan-Midea Heyue (泉州中南美的和樾)	40.0%	211,267
	Yangzhou	Yangzhou Midea-Yuzhou Great River (揚州美的禹洲大河)	70.0%	435,973
	Jinhua	Jinhua Midea Yunchao Mansion (金華美的雲潮府)	100.0%	265,298
	Fuyang	Fuyang Midea-Xinhua City (阜陽美的新華城)	50.0%	55,927
		Fuyang Ganglong-Midea Cloud Villas (阜陽港龍美的雲築)	33.0%	559,303
	Hangzhou	Hangzhou Midea Lakeside Green Mansion (杭州美的濱湖翠邸)	100.0%	38,621
	Nantong	Nantong Midea Cloud Villas (南通美的雲築)	100.0%	84,750
		Nantong Chongzhou Yunxi (南通崇州雲璽)	40.0%	167,697
	Nanjing	Nanjing Shanyu Xi Mansion (南京山語熙府)	37.0%	64,737
		Nanjing Tianxi Road Project (南京天禧路項目)	34.0%	113,786
		Nanjing Shanyu Jing Mansion (南京山語境府)	30.0%	69,033
	Changzhou	Changzhou Roadking-Midea Forest No. One (常州路勁美的竹林壹號)	49.0%	164,140
		Wuxi Uptown No. One (無錫上城壹號)	50.0%	272,983
	Wuxi	Wuxi Yangxi Project (無錫洋溪項目)	39.0%	131,719
		Wuxi Zhenro-Midea Yunyue (無錫正榮美的雲樾)	49.0%	128,152
	Wenzhou	Wenzhou Midea-CIFI City (溫州美的旭輝城)	50.0%	575,747
	Ningbo	Ningbo Midea-Poly Royal Orchid Fairview Garden (寧波美的保利君蘭錦繡花園)	50.0%	153,308
	Shaoxing	Shaoxing Shimao-Midea Cloud Villas (紹興世茂美的雲築)	50.0%	312,548
Suzhou	Suzhou Yuehu Mountain Harmony Villa (蘇州閱湖山雅苑)	33.0%	108,504	
	Suzhou Uptown Times (蘇州上城時光)	50.0%	241,666	
Zhenjiang	Zhenjiang Elegance of Seasons Phase II (鎮江四季風華里二期)	34.0%	37,136	

Management Discussion and Analysis (Continued)

Economic Region	City	Project Name	Attributable Interest	Gross Floor Area (square metres)	
Midstream of Yangtze River Economic Region	Zhuzhou	Zhuzhou Eastern Midea City • Gongyuanli Project (株洲東部美的城•公園裡項目)	100.0%	295,323	
	Changde	Changde Jinke-Midea Willow Leaf Peace Garden Tangyue (常德金科美的柳葉和園堂悅)	50.1%	65,297	
		Changde Midea-Zhongliang Yuhu Byland (常德美的•中梁御湖半島)	50.0%	368,902	
	Nanchang	Nanchang Zhenro-Jinmao-Midea Cloud Realm (南昌正榮金茂美的雲境)	33.0%	179,564	
		Nanchang Lianfa-Midea Yunxi Community (南昌聯發美的雲臺台)	49.0%	158,461	
		Nanchang County Dongxiang Road Project (南昌縣東祥路項目)	50.0%	143,777	
		Nanchang County Wenbei Fourth Road Project (南昌縣文北四路項目)	49.9%	152,862	
	Jiujiang	Jiujiang Jiuhu Road Project (九江九湖路項目)	29.4%	35,189	
	North China Region	Handan	Handan Millennium Western City (邯鄲盛世西望)	60.0%	122,454
			Handan Midea-Bringspring Roland Pinnacle View (邯鄲美的•榮科羅蘭峯景)	51.0%	133,653
Handan Midea-Tien Zon Smart City (邯鄲美的•天正智慧城)			51.0%	318,511	
Shenyang		Shenyang Midea Rundong Mansion (瀋陽美的潤東府)	100.0%	142,397	
		Shenyang Meiyue Mansion (瀋陽美悅府)	51.0%	276,847	
		Shenyang Xuefu Midea City (瀋陽學府美的城)	85.0%	360,279	
Zhengzhou		Zhengzhou Midea-Sundrun Smart City (鄭州美的•東潤智慧城)	100.0%	359,268	
Luoyang		Luoyang Midea-Haode Yunxi Mansion (洛陽美的•浩德雲熙府)	40.0%	210,618	

Economic Region	City	Project Name	Attributable Interest	Gross Floor Area (square metres)
Southwest Economic Region	Guiyang	Guiyang Midea Elegance of Jingyue (貴陽美的璟悅風華)	100.0%	532,390
		Digital Light to the north of Guiyang Midea Lincheng Times (貴陽美的林城時代北側數字之光)	100.0%	58,745
	Kunming	Kunming Meihua Jingyue Bay (昆明美華璟月灣)	100.0%	370,676
		Kunming Jindaoying Project (昆明金刀營項目)	100.0%	623,274
	Nanning	Nanning Midea-New Hope Lakeside Cloud Villas (南寧美的新希望錦雲湖光)	50.0%	220,285
	Chengdu	Chengdu Vanke Gaoxian Park (成都萬科高線公園)	32.3%	501,843
Chengdu Shuangliu District Shuangnan Avenue Project (成都雙流區雙楠大道項目)		45.0%	144,700	

Financial Review

Revenue

Property Development and Sales

During the year, the Group's recognised revenue from property development and sales increased by 27.4% to RMB51,516.19 million from RMB40,430.58 million in 2019, primarily due to the increase in the GFA recognised. Total GFA recognised amounted to 6.076 million square metres, representing an increase of 33.2% from 4.5624 million square metres in 2019.

Property Management Services

During the year, the Group's revenue derived from property management services increased by 59.9% to RMB776.29 million from RMB485.42 million in 2019, primarily due to an increase in the GFA under management.

Investment and Operation of Commercial Properties

During the year, the Group's revenue from investment and operation of commercial properties decreased by 14.1% to RMB191.13 million from RMB222.57 million in 2019, primarily driven by the impact of the epidemic on property leasing business.

Management Discussion and Analysis (Continued)

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 business activities. During the year, the Group's cost of sales increased by 45.1% to RMB40,825.62 million from RMB28,131.09 million in 2019. The increase was due to the growth of total GFA recognised by 33.2% from 2019 to 6.076 million square metres and the increased average cost per square meter as compared with that of 2019.

Gross Profit

During the year, the Group's gross profit decreased by 10.4% to RMB11,657.99 million from RMB13,007.48 million in 2019, and the Group's gross profit margin decreased by 9.4 percentage points to 22.2% from 31.6% in 2019. Both were primarily driven by the increase in costs of sales.

Other Income and Gains — Net

During the year, the Group's other income and gains — net decreased by 42.4% to RMB654.74 million from RMB1,137.24 million in 2019. Other income and gains primarily consist of management and consulting service income, realised and unrealised gains on financial assets at fair value through profit or loss, government subsidy income and compensation income, etc. During the year, the Group's gains arising from changes in fair value of and transfer to investment properties decreased, and combined with a decrease in compensation income, resulted in a decrease in other income and gains as compared with 2019.

Selling and Marketing Expenses

During the year, the Group's selling and marketing expenses decreased by 13.6% to RMB2,194.35 million from RMB2,540.69 million in 2019, primarily due to Group's strengthened management of selling costs and decrease in marketing and promotion costs.

Administrative Expenses

During the year, the Group's administrative expenses decreased by 4.8% to RMB3,518.26 million from RMB3,695.20 million in 2019. The decrease was due to the Group's stringent cost control, the enhancement of average efficiency of staff and the decrease in impairment provision for those property development projects subject to risks during the year.

Finance Income — Net

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

During the year, the Group's net finance income recorded a net gain of RMB687.59 million as compared with RMB152.08 million in 2019, representing an increase of 352.1%, primarily due to the significant increase in interest income to RMB441.43 million from RMB206.04 million in 2019 and a significant increase in net exchange gains of RMB246.17 million as compared with net exchange losses of RMB53.96 million in 2019 for the Group during the year.

Profit Attributable to Owners of the Company

During the year, profit attributable to owners of the Company increased by 0.5% to RMB4,326.48 million from RMB4,305.16 million in 2019.

Liquidity and Capital Resources

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB26,787.64 million as at 31 December 2020 (31 December 2019: RMB26,935.62 million), including RMB18,595.11 million in cash and cash equivalents (31 December 2019: RMB19,097.27 million), RMB52.31 million in term deposits with initial terms of over three months (31 December 2019: RMB141.16 million) and RMB8,140.22 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 31 December 2020, the Group's unused credit facilities from banks were RMB87,734 million.

Borrowings

As at 31 December 2020, the Group's total borrowings amounted to RMB58,640.25 million. Bank and other borrowings, and corporate bonds were RMB42,596.02 million and RMB16,044.23 million, respectively. As at 31 December 2020, the gearing ratio was 79% (31 December 2019: 89%). 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.

Borrowing Costs

During the year, the total borrowing costs of the Group amounted to RMB3,095.95 million, representing a decrease of RMB431.87 million from RMB3,527.82 million in 2019, mainly due to the lower interest resulting from the increase in the proportion of low-cost financing during the year.

Contingent Liabilities and Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees were issued from the date of grant of the relevant mortgage loans, and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 31 December 2020, the value of the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB80,416.62 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 31 December 2020, the value of the Group's guarantee for the loans of joint ventures and associates amounted to RMB11,917.46 million (31 December 2019: RMB6,991.18 million).

Management Discussion and Analysis (Continued)

Commitments

As at 31 December 2020, the Group's capital and property development expenditure commitments amounted to RMB30,414.02 million (31 December 2019: RMB36,197.59 million).

Interest Rate Risk

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

Currency Risk

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

Legal Contingencies

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

Subsequent Events

On 30 December 2020, China Securities Regulatory Commission (中國證券監督管理委員會) has approved the application of Midea Real Estate Group, an indirectly wholly-owned subsidiary of the Company, for the public offering of corporate bonds in an aggregate sum not exceeding RMB6.721 billion to qualified investors.

On 2 January 2021, Midea Real Estate Group redeemed the outstanding corporate bonds with a principal amount of RMB1,000,000,000 in full at a redemption price equal to 100% of the principal amount of the corporate bonds and the accrued and unpaid interest as of the redemption date.

On 2 February 2021, Midea Real Estate Group publicly issued the first tranche of domestic corporate bonds in an aggregate sum of RMB1.52 billion to qualified investors in the PRC with a coupon rate of 4.40% per annum for a term of 4 years or 4.60% per annum for a term of 5 years, which will mature in February 2025 and February 2026 respectively (the **"2021 Public Issuance of Domestic Corporate Bonds (First 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 2021 Public Issuance of Domestic Corporate Bonds (First Tranche), please refer to the Company's announcements dated 27 January 2021 and 1 February 2021.

Use of Proceeds From Initial Public Offering

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

As at 31 December 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 31 December 2020 RMB million	Unutilised IPO proceeds as at 31 December 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	1,218.25	732.56 (Note 1)	By the end of 2021
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	–	–
Total	2,786.87	2,054.31	732.56	

Note:

1. According to the Company's prospectus dated 28 September 2018, the Group intended to apply approximately 70% of the IPO proceeds for land acquisition to increase the land reserves by seeking and acquiring land parcels or suitable merger and acquisition opportunities in cities in which we currently operate and plan to expand by the end of 2020. The Group had attempted to utilise the IPO proceeds according to the schedule in the second half of 2020 for expanding its land reserves in Changzhou, Wuxi, Yangzhou and Xuzhou respectively. However, the utilisation of such proceeds was delayed due to the implementation of the control policies on the real estate industry and the business and economic activities of the Group had been affected in 2020 to some extent. We used RMB500 million in January 2021 for the land payment of the project of Quanzhou Taishang Midea Yunxi Community. It is also expected that the remaining unutilised IPO proceeds of RMB232.56 million will be used for expanding our land reserves in Jiangsu Province in 2021. Nonetheless, the implementation of these projects may vary due to the high competition in the auction or the demand on the local real estate market.

As at the date of this report, the Board confirms that there will not be any change to the original intended use of IPO proceeds or the allocated amount. However, additional time will be required to utilise the remaining IPO proceeds due to the reasons stated above. It is expected that the unutilised IPO proceeds will be utilised by the end of 2021. The Board will constantly evaluate the Group's business objectives and may change or modify the plans against changing market conditions as necessary and will make the necessary announcement(s) in compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) where appropriate.

Human Resources

As at 31 December 2020, the Group had employed approximately 15,252 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.

Principal Risks and Uncertainties

Principal risks and uncertainties of the Group include:

Uncertainties about the Potential Impact of the “Three Red Lines” Policy on China’s Real Estate Industry

The financing regulation over the real estate industry is still tightening, as evidenced by the introduction of a series of policies including “Three Red Lines” and “New Rules for Trust Companies”. If industry players fail to catch up with the requirements of and changes in regulatory policies by optimising the asset-liability structure, their financing may be restricted, which is not conducive to fully meeting their capital needs. In addition, if an enterprise cannot fully utilise its idle capital to enhance the capital turnover ratio, the profitability of the enterprise would be negatively impacted due to the lower capital usage efficiency.

Uncertainty about China’s economic condition and the performance of China’s real estate market

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

Risks related to project development and operation

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

Property Previews

Some of our Residential Projects

Pearl River Delta Economic Region

▼ Jiangmen Midea Yueshan Mansion



▼ Midea Yunyue Landscape



▼ Maoming Midea Real Estate Square



▼ Guangzhou Midea-Huafa Tianbo



▼ Guangzhou Midea-Huafa Tianbo



Yangtze River Delta Economic Region

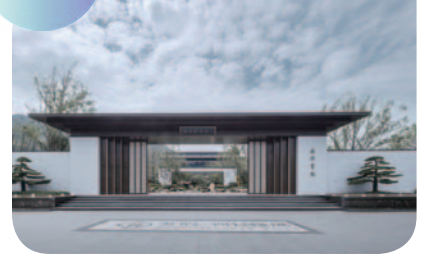
▼ Shanghai Ten Miles Riverside



▼ Taizhou Midea-Yincheng Royal Orchid Mansion



▼ Hangzhou Midea Xijing Xiaofeng



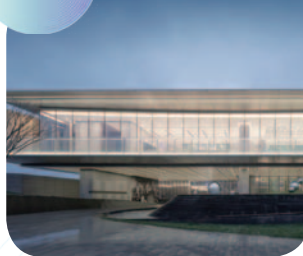
▼ Jinhua Midea Shanghu Huazhang



▼ Xuzhou Midea Skyfame



▼ Changzhou Midea-Shimao Cloud Villas



▼ Zhenjiang Midea Royal Orchid Joy



Property Previews (Continued)

Some of our Residential Projects

Midstream of Yangtze River Economic Region

▼ Wuhan Midea Royal Orchid Byland



▼ Hengyang Midea Egret Bay



North China Region

▼ Tianjin Midea Yunxi Mansion



▼ Tianjin Midea-CIFI Grand Joy Mansion



▼ Shenyang Midea East Court



▼ Zhengzhou Midea Grand Joy Mansion



Southwest Economic Region

▼ Chengdu Midea-Seazen Grand Garden



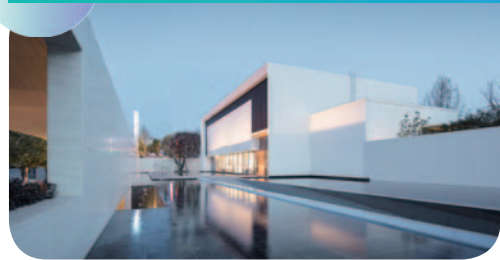
▼ Guiyang Midea Elegance of Jingyue



▼ Guiyang Midea Elegance of Jingyue



▼ Zunyi Midea Riverside Mansion



▼ Chongqing Midea-Jinke Yuanshang



Property Previews (Continued)

Some of our Commercial Projects

▼ Foshan – Wonderful Square



▼ Foshan – Wonderful Square



▼ Zhenjiang – Wonderful Square



▼ Foshan – Wonderful Village



▼ Foshan – Wonderful Village



▼ Foshan – Wonderful Apartment



▼ Foshan – Wonderful Apartment



▼ Foshan – Wonderful Apartment



▼ Handan – Wonderful Square



▼ Handan – Wonderful Square



▼ Guiyang – Wonderful Square



▼ Guiyang – Wonderful Square



Property Previews (Continued)

Some of our Commercial Projects

▼ Guiyang – Wonderful Times



▼ Guiyang – Wonderful Times



▼ Wuhan – Wonderful Square



▼ Wuhan – Wonderful Square



▼ Foshan – Wonderful Future City



▼ Foshan – Wonderful Future City

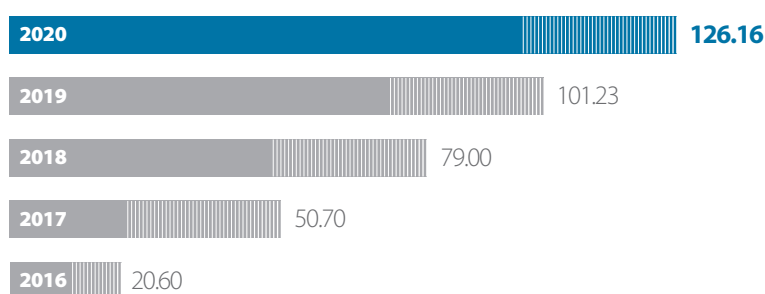


Property Development

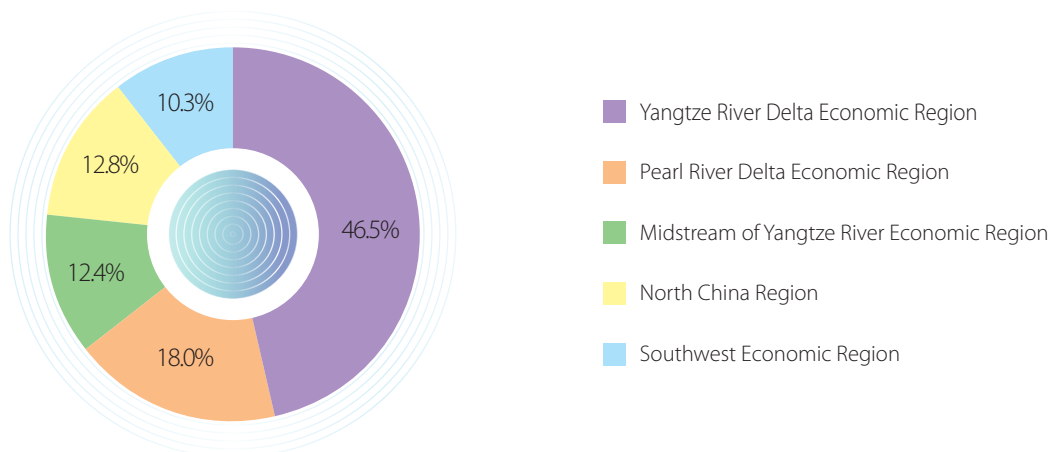
Contracted sales

In 2020, the Group, together with its joint ventures and associates, achieved a total contracted sales amount of about RMB126.16 billion, with contracted GFA sales of approximately 11.114 million square metres. In particular, the contracted sales amount from the Yangtze River Delta, the Pearl River Delta and other regions accounted for 46.5%, 18.0% and 35.5% of the total contracted sales amount of the Group, respectively, which reflected the strong operation capability of the Group to focus on the most prosperous and active regions of Yangtze River Delta and Pearl River Delta, as well as core cities with growth potential and continuing population inflows.

Contracted sales amount by year (unit: RMB billion)



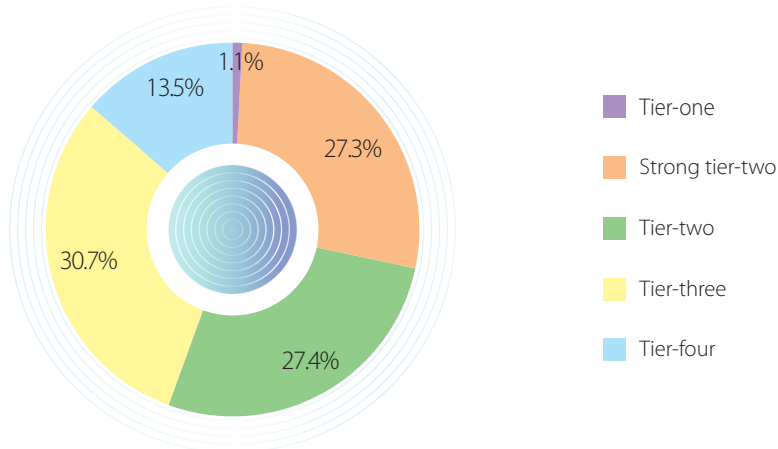
Contracted sales amount by economic region



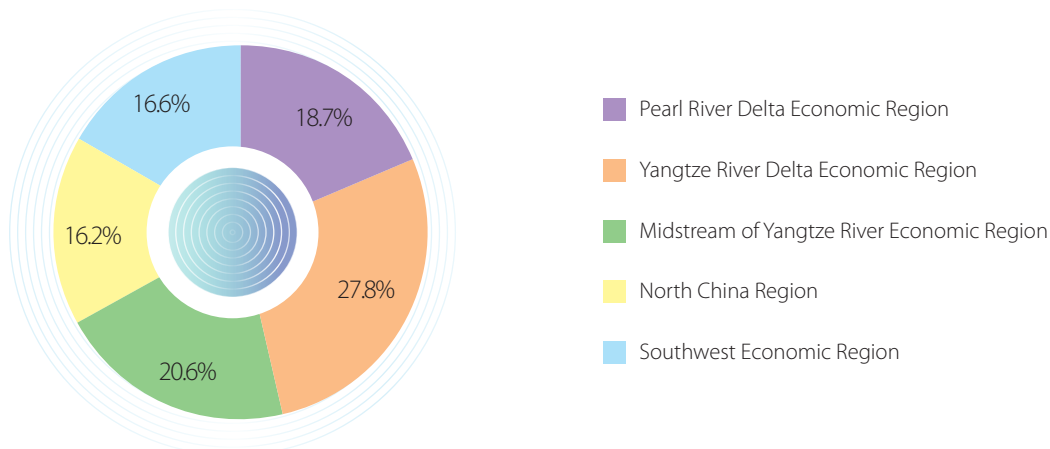
Land reserves

As at 31 December 2020, the total GFA of the Group's land reserves reached 53.98 million square metres, comprising 321 property projects in 63 cities, 89 of which were participated through joint ventures and associates.

Land reserves by city tier

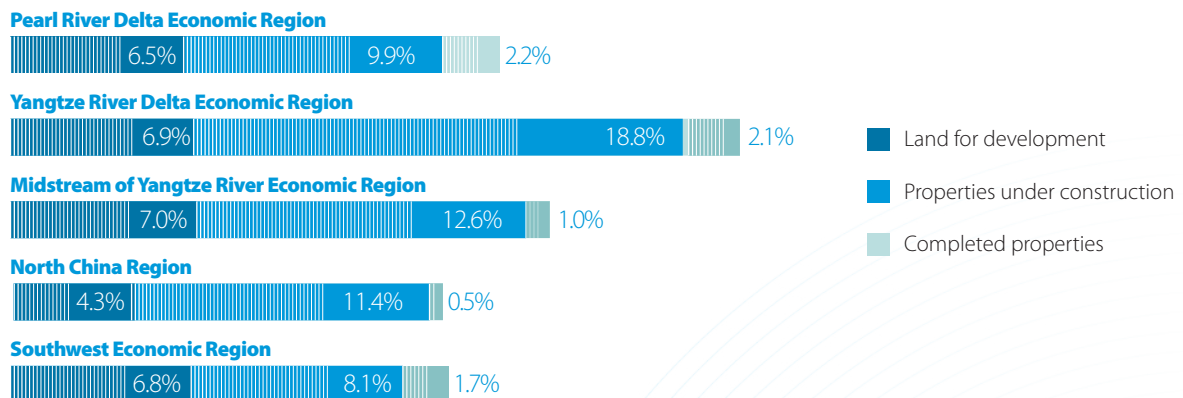


Land reserves by economic region



Land reserves by project status

MAPPING ACCORDING TO THE PROJECT STATUS



Properties distribution map

As at 31 December 2020, the Group owned 232 property development projects and participated in 89 projects through joint ventures and associates, which are located in five major regions namely the Pearl River Delta Economic Region, the Yangtze River Delta Economic Region, the Midstream of Yangtze River Economic Region, the North China Region and the Southwest Economic Region.

5

Core Economic Regions

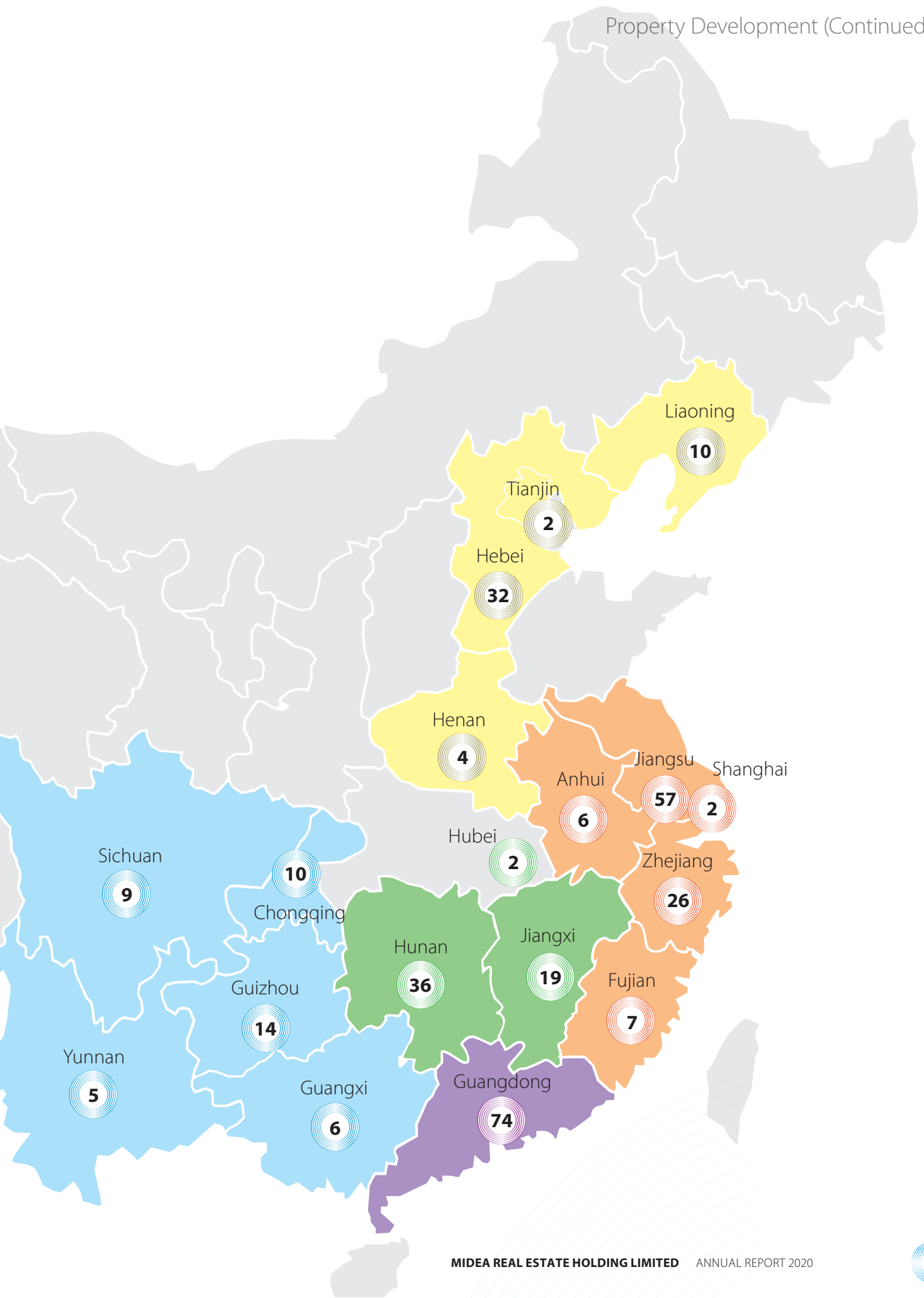
63

Cities

321

Projects*

* Including 89 projects participated through joint ventures and associates.



Breakdown of property development projects (As at 31 December 2020)

Property development projects of our subsidiaries

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated)	Company's Attributable Interest
						Date of Completion	
Foshan Midea Xinduhui Mall	Foshan	25,883	25,883	–	–	September 2016	100.0%
Foshan Midea Flowerbay City	Foshan	52,975	52,975	–	–	August 2018	100.0%
Foshan Shunde Beijiao Midea Real Estate Square	Foshan	262,595	262,595	–	–	December 2019	100.0%
Foshan Midea Lakeside Court	Foshan	163,153	47,777	115,376	–	March 2021	100.0%
Foshan Midea Peninsula Garden	Foshan	94,181	–	58,345	35,836	June 2023	75.8%
Foshan Midea-CCCC Hancheng	Foshan	15,383	15,383	–	–	January 2020	70.0%
Foshan Midea West River Mansion	Foshan	243,405	65,263	94,546	83,596	December 2022	100.0%
Foshan Nanhai Midea Square	Foshan	155,629	–	45,684	109,945	December 2023	100.0%
Foshan Midea Jiufeng Square	Foshan	118,433	–	118,433	–	September 2022	90.0%
Foshan Shunde Midea Real Estate Wanda Plaza	Foshan	379,772	–	379,772	–	March 2023	56.0%
Foshan Chancheng Midea Times	Foshan	170,703	–	170,703	–	September 2022	100.0%
Foshan Shunde Beijiao Town West Road Project	Foshan	148,545	–	91,738	56,807	April 2024	65.0%
Foshan Midea West Coast	Foshan	19,463	19,463	–	–	August 2018	100.0%
Foshan Midea Minghu	Foshan	27,006	27,006	–	–	June 2019	100.0%
Foshan Midea Egret Lake Forest Resort	Foshan	1,034,033	198,740	271,789	563,504	May 2023	90.0%
Foshan Midea City	Foshan	25,964	25,964	–	–	October 2020	100.0%
Foshan Gaoming Midea Egret Park	Foshan	112,202	–	74,833	37,368	December 2023	60.0%
Foshan Shunde Daliang Desheng West Road Project	Foshan	358,395	–	107,734	250,660	February 2025	75.0%
Foshan Chancheng Fengxiang Bay No. One	Foshan	320,444	–	78,042	242,402	August 2024	46.0%
Yangjiang Midea Future Centre	Yangjiang	1,076,187	10,855	262,569	802,763	August 2023	60.0%
Yangjiang Midea Grand View Garden	Yangjiang	224,276	20,459	203,817	–	July 2023	80.0%
Maoming Midea Real Estate Square	Maoming	685,669	–	220,844	464,825	December 2025	51.0%
Heyuan Midea City	Heyuan	622,835	52,121	543,597	27,117	February 2023	60.0%
Heyuan Midea Cloud Villas	Heyuan	125,915	–	98,598	27,317	October 2023	80.0%
Zhaoqing Midea Grand Garden	Zhaoqing	135,803	1,596	134,207	–	July 2023	100.0%
Zhaoqing Midea-Country Garden SkyTeam	Zhaoqing	117,791	23,384	94,407	–	December 2022	50.0%
Zhaoqing Country Garden-KWG-Midea Riverside Mansion	Zhaoqing	200,775	3,866	196,909	–	October 2022	34.0%
Zhaoqing Midea Yueshan	Zhaoqing	97,707	–	97,707	–	September 2022	100.0%
Jiangmen Midea Grand Garden	Jiangmen	14,403	14,403	–	–	December 2019	100.0%
Jiangmen Midea-Excellence Group Skyfame Garden	Jiangmen	72,292	31,320	40,972	–	October 2021	50.0%
Jiangmen Midea Begonia Residence	Jiangmen	121,857	–	121,857	–	March 2023	100.0%
Jiangmen Midea Yueshan Mansion	Jiangmen	155,407	–	155,407	–	May 2023	100.0%
Huizhou Midea-CIFI Landscape Residence	Huizhou	154,610	–	154,610	–	September 2021	50.0%
Huizhou Midea-Redco-Kaisa Cloud Villa Garden	Huizhou	225,156	–	225,156	–	October 2022	34.0%
Zhongshan Midea Residence	Zhongshan	11,141	11,141	–	–	July 2019	100.0%
Zhongshan Midea Joy Mansion	Zhongshan	29,082	29,082	–	–	January 2020	100.0%
Guangzhou Midea Cloud Villas	Guangzhou	133,196	78,990	54,206	–	September 2022	100.0%

Property Development (Continued)

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated)	Company's Attributable Interest
						Date of Completion	
Liuzhou Jinke-Midea-Bright Lanshan Palace	Liuzhou	94,171	–	93,281	889	December 2022	34.0%
Xuzhou Midea Grand Garden	Xuzhou	146,354	50,787	95,568	–	September 2021	100.0%
Xuzhou Eastern Midea City	Xuzhou	283,329	15,717	158,354	109,258	October 2024	100.0%
Xuzhou Midea Joy City	Xuzhou	206,419	2,283	204,135	–	November 2022	75.0%
Xuzhou Midea Greenfields Garden	Xuzhou	93,323	93,323	–	–	December 2020	100.0%
Xuzhou Midea Guantang	Xuzhou	108,591	108,591	–	–	December 2020	51.0%
Xuzhou CIFI-Midea Tianque	Xuzhou	234,622	–	234,622	–	April 2023	51.0%
Xuzhou Midea East Lake Sky City	Xuzhou	434,062	–	434,062	–	April 2023	100.0%
Xuzhou Midea-Redsun-Bright East Lake Joy Mansion	Xuzhou	228,924	–	228,924	–	September 2022	34.0%
Xuzhou Midea Skyfame	Xuzhou	965,785	–	590,688	375,097	March 2024	100.0%
Xuzhou Midea-Dexin Academician Mansion	Xuzhou	56,100	–	56,100	–	September 2022	51.0%
Xuzhou Midea-Jinke Cloud Villas	Xuzhou	136,836	–	136,836	–	December 2022	55.0%
Xuzhou Midea-Jinke Royal Orchid Lake	Xuzhou	41,046	–	41,046	–	February 2023	55.0%
Ningbo Midea Butterfly Sea	Ningbo	218,580	96,981	121,599	–	January 2021	100.0%
Ningbo Midea Mingzhou Yard	Ningbo	17,699	17,699	–	–	December 2019	100.0%
Ningbo Midea Yinghaichao	Ningbo	338,283	–	338,283	–	May 2022	100.0%
Ningbo Meishan Bonded Port Area parcel 41*	Ningbo	275,525	–	38,276	237,249	April 2023	100.0%
Ningbo Midea-Country Garden Mountainside Villa	Ningbo	68,222	–	68,222	–	January 2021	51.0%
Ningbo Midea Meiyi Garden	Ningbo	32,816	–	32,816	–	January 2021	100.0%
Ningbo Midea-KWG Meiyun Hefu	Ningbo	118,677	–	118,677	–	November 2022	50.0%
Quanzhou Midea Grand Garden	Quanzhou	137,989	–	137,989	–	December 2021	51.0%
Quanzhou Julong Midea Junyue Mansion	Quanzhou	229,019	–	123,858	105,161	June 2024	65.0%
Nan'an Midea Smart City	Quanzhou	652,255	–	246,384	405,871	December 2024	86.0%
Quanzhou Dehua Midea Yunxi Community	Quanzhou	193,236	–	193,236	–	July 2022	70.0%
Quanzhou Taishang Midea Yunxi Community	Quanzhou	272,690	–	–	272,690	June 2023	100.0%
Zhenjiang Midea City	Zhenjiang	318,228	119,098	199,129	–	June 2021	100.0%
Zhenjiang Jinshan Masterpiece	Zhenjiang	189,896	1,104	135,032	53,760	May 2022	32.8%
Zhenjiang Midea Royal Orchid Joy	Zhenjiang	309,665	–	166,965	142,700	October 2023	100.0%
Zhenjiang Midea Yuelan Mountain	Zhenjiang	156,150	–	156,150	–	October 2022	100.0%
Zhenjiang Midea-China Merchants-Seazen Harmony Villa	Zhenjiang	88,699	–	88,699	–	November 2021	34.0%
Yangzhou Midea-Vanke Jade Cloud Deck	Yangzhou	538,911	–	239,474	299,437	November 2024	50.0%
Yangzhou Midea VIP Mansion	Yangzhou	151,872	–	151,872	–	November 2021	60.0%
Yangzhou Midea-Yuzhou Great River	Yangzhou	435,973	–	65,585	370,388	April 2024	70.0%
Wuxi Midea VIP Mansion	Wuxi	19,046	19,046	–	–	November 2020	100.0%
Wuxi Midea-China SCE Royal Bay	Wuxi	290,004	151,222	138,782	–	June 2022	60.0%
Wuxi Midea Taihu Royal Mansion	Wuxi	291,956	163,680	128,276	–	April 2022	34.0%
Wuxi Midea-Love Cloud Villas	Wuxi	236,215	–	236,215	–	May 2023	55.0%
Jinhua Midea Golden Mansion	Jinhua	11,324	11,324	–	–	July 2019	100.0%
Jinhua Midea VIP Mansion	Jinhua	25,482	25,482	–	–	December 2019	63.9%
Jinhua Midea-Powerlong Inheritance Garden	Jinhua	285,517	–	285,517	–	January 2021	50.0%
Jinhua Midea Shanghu Huazhang	Jinhua	129,715	–	129,715	–	March 2022	100.0%
Jinhua Midea-Dafa Cloud Villas	Jinhua	71,675	–	71,675	–	March 2022	70.0%
Jinhua Midea Yunchao Mansion	Jinhua	265,298	–	181,943	83,355	July 2023	100.0%

Property Development (Continued)

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Changzhou Midea VIP Mansion	Changzhou	204,470	–	204,470	–	November 2021	100.0%
Changzhou Midea Academician Mansion	Changzhou	149,658	98,157	51,500	–	September 2021	100.0%
Changzhou Midea-Yango Jiangshanyue	Changzhou	96,182	–	96,182	–	March 2021	51.0%
Changzhou Midea-Jinke Grand Garden	Changzhou	223,797	–	223,797	–	July 2022	51.0%
Suzhou Midea Cloud Villas	Suzhou	236,670	–	236,670	–	April 2022	100.0%
Suzhou Midea Ziyu Mansion	Suzhou	196,732	–	196,732	–	August 2021	34.0%
Suzhou Midea Lanyue Villas	Suzhou	210,692	–	210,692	–	March 2022	51.0%
Taizhou Huahong-Midea Meichen Garden	Taizhou	263,467	–	263,467	–	November 2021	50.0%
Taizhou Midea-Yincheng Royal Orchid Mansion	Taizhou	106,150	–	106,150	–	November 2021	60.0%
Fuyang Midea-Xinhua City	Fuyang	55,927	–	49,689	6,238	March 2023	50.0%
Hangzhou Midea Xijing Xiaofeng	Hangzhou	256,974	–	256,974	–	July 2022	90.0%
Hangzhou Midea Lakeside Green Mansion	Hangzhou	38,621	–	9,285	29,336	November 2022	100.0%
Shanghai Ten Miles Riverside Phase I	Shanghai	116,152	–	116,152	–	October 2021	34.0%
Shanghai Ten Miles Riverside Phase II	Shanghai	102,383	–	102,383	–	April 2022	34.0%
Nantong Midea Cloud Villas	Nantong	84,750	–	–	84,750	March 2023	100.0%
Hefei Lujiang Midea City	Hefei	181,150	13,386	167,764	–	March 2021	100.0%
Hefei Midea-KWG Grand Garden	Hefei	19,336	19,336	–	–	December 2020	50.0%
Jingjiang Midea Riverside Mansion	Taizhou	168,405	–	168,405	–	October 2021	100.0%
Zhoushan Midea Grand Garden	Zhoushan	95,489	–	95,489	–	July 2021	100.0%
Nanjing Midea Greenfields Garden	Nanjing	39,062	39,062	–	–	November 2019	100.0%
Nanjing Shanyu Xi Mansion	Nanjing	64,737	–	–	64,737	September 2022	37.0%
Zhuzhou Midea Blue Valley	Zhuzhou	157,912	9,559	148,353	–	April 2023	100.0%
Zhuzhou Midea Times Square	Zhuzhou	29,185	29,185	–	–	January 2017	100.0%
Zhuzhou Eastern Midea City	Zhuzhou	91,234	25,968	65,266	–	October 2021	100.0%
Zhuzhou Midea Tan Mansion	Zhuzhou	110,016	8,127	101,889	–	December 2021	80.0%
Zhuzhou Midea Paramount Mansion	Zhuzhou	138,383	6,497	93,250	38,636	September 2023	100.0%
Zhuzhou Midea Parasol Garden	Zhuzhou	156,537	3,064	130,190	23,282	October 2025	80.0%
Zhuzhou Midea Purple Cloud Community	Zhuzhou	188,610	–	115,948	72,662	August 2024	100.0%
Zhuzhou Midea Bay	Zhuzhou	277,911	–	99,672	178,239	April 2026	100.0%
Zhuzhou Midea Platinum Joy Mansion	Zhuzhou	245,288	–	195,833	49,455	October 2024	100.0%
Zhuzhou Eastern Midea City • Gongyuanli Project	Zhuzhou	295,323	–	108,686	186,638	October 2023	100.0%
Changsha Midea Parasol Garden	Changsha	193,295	–	184,796	8,499	June 2022	100.0%
Changsha Liuyang Midea Phoenix Mountain	Changsha	166,104	–	166,104	–	October 2022	51.0%
Changsha CIFI-Midea Dongyue City	Changsha	240,800	–	240,800	–	August 2021	50.0%
Changsha Midea Lu Mansion	Changsha	168,827	–	168,066	761	May 2023	72.5%
Changsha Midea Real Estate Square	Changsha	126,487	–	93,875	32,612	April 2023	70.0%
Ningxiang Midea City	Changsha	179,266	15,996	147,451	15,819	April 2023	100.0%
Ningxiang Midea VIP Mansion	Changsha	494,940	15,052	157,112	322,776	May 2024	88.2%
Xiangtan Midea VIP Mansion	Xiangtan	284,567	22,767	18,528	243,273	April 2023	100.0%
Xiangtan Midea Lotus Front Mansion	Xiangtan	744,070	–	205,976	538,094	June 2023	96.5%
Xiangtan Midea Lotus Front Mansion East Group	Xiangtan	225,889	3,493	118,083	104,313	November 2024	100.0%
Wuhan Midea Royal Orchid Byland	Wuhan	585,225	–	196,938	388,287	December 2023	100.0%
Wuhan Midea-Agile Cloud Villas	Wuhan	389,469	–	255,909	133,560	January 2023	51.0%
Chenzhou Midea Yunxi Mansion	Chenzhou	462,722	50,207	339,830	72,686	April 2023	60.0%
Chenzhou Midea-Renda Platinum Joy Mansion	Chenzhou	400,049	–	245,034	155,015	November 2022	51.0%

Property Development (Continued)

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						Date of Completion	
Yueyang Midea Parasol Garden	Yueyang	341,008	22,392	183,048	135,569	September 2024	80.0%
Yueyang Midea-Jinke Commandery	Yueyang	113,551	15,732	97,819	–	December 2021	50.1%
Yueyang Midea Platinum Joy Mansion	Yueyang	183,980	–	177,530	6,450	March 2023	100.0%
Ganzhou Midea Royal Orchid Byland	Ganzhou	383,574	–	383,574	–	October 2023	60.0%
Ganzhou Midea Aikang Grand Garden	Ganzhou	458,571	–	340,962	117,609	July 2023	51.0%
Hengyang Midea-Jinke Tanyue	Hengyang	423,313	–	236,212	187,101	April 2023	50.1%
Hengyang Midea Yunxi Mansion	Hengyang	116,697	–	116,697	–	December 2022	100.0%
Hengyang Midea Egret Bay	Hengyang	260,906	–	130,431	130,476	November 2022	70.0%
Shangrao Midea-Yango Millan Mansion	Shangrao	33,149	33,149	–	–	November 2020	50.0%
Shangrao Midea-Newpower Emperor Bay	Shangrao	166,375	74,967	91,408	–	July 2021	34.0%
Shangrao Midea-Country Garden Tianyue	Shangrao	310,142	10,579	299,563	–	August 2021	33.0%
Jiujiang Midea VIP Mansion	Jiujiang	103,271	52,865	50,406	–	September 2021	65.0%
Jiujiang Midea Platinum Joy Mansion	Jiujiang	48,147	22,867	25,280	–	January 2021	100.0%
Changde Jinke-Midea Willow Leaf Peace Garden	Changde	352,903	–	273,313	79,589	March 2023	50.1%
Nanchang Southern Midea City	Nanchang	53,945	53,945	–	–	November 2020	65.0%
Nanchang Midea Riverside Mansion	Nanchang	76,278	30,451	–	45,828	December 2024	65.0%
Handan Midea City	Handan	75,860	75,860	–	–	June 2020	100.0%
Handan Midea Times City	Handan	64,875	64,875	–	–	December 2019	100.0%
Handan Eastern Midea City	Handan	540,704	–	540,704	–	March 2023	51.0%
Handan Midea Vernal Garden	Handan	47,836	47,836	–	–	December 2020	100.0%
Handan Midea Happy Times	Handan	152,202	–	152,202	–	June 2021	100.0%
Handan Midea Parasol Whisper	Handan	113,276	32,132	–	81,144	December 2024	55.0%
Handan Western Midea City	Handan	391,558	–	387,531	4,027	April 2023	100.0%
Handan Midea Real Estate Square	Handan	171,164	–	171,164	–	August 2021	100.0%
Handan Midea Cambridge Commandery	Handan	809,187	–	732,936	76,251	October 2023	49.0%
Handan Midea Riverside Mansion	Handan	129,307	–	129,307	–	April 2022	100.0%
Handan Country Garden-Midea Donglin Mansion	Handan	288,428	–	288,428	–	June 2023	45.0%
Handan Midea Kangde Mansion	Handan	78,101	–	78,101	–	June 2023	65.0%
Handan Midea Jinguan City	Handan	499,917	–	291,342	208,575	December 2024	75.0%
Handan Millennium Western City	Handan	122,454	–	–	122,454	December 2023	60.0%
Handan Midea-Bringspring Roland Pinnacle View	Handan	133,653	–	38,729	94,925	September 2023	51.0%
Handan Midea-Tien Zon Smart City	Handan	318,511	–	100,979	217,531	November 2023	51.0%
Shenyang Midea City	Shenyang	190,170	14,887	149,043	26,240	May 2021	100.0%
Shenyang Midea Times City	Shenyang	62,111	9,302	52,810	–	March 2021	100.0%
Shenyang Midea Grand Joy Mansion	Shenyang	83,174	31,483	51,691	–	May 2021	100.0%
Shenyang Midea Grand Court	Shenyang	176,775	–	176,775	–	October 2021	100.0%
Shenyang Midea Royal Orchid Landscape	Shenyang	240,216	–	109,213	131,003	May 2024	100.0%
Shenyang Midea Han Court	Shenyang	153,780	–	153,780	–	May 2022	100.0%
Shenyang Midea East Court	Shenyang	92,758	–	92,758	–	May 2022	74.0%
Shenyang Midea Rundong Mansion	Shenyang	142,397	–	67,833	74,564	July 2023	100.0%
Shenyang Meiyue Mansion	Shenyang	276,847	–	–	276,847	November 2023	51.0%
Shenyang Xuefu Midea City	Shenyang	360,279	–	105,223	255,056	October 2024	85.0%
Xingtai Midea VIP Mansion South Court	Xingtai	195,373	–	149,698	45,675	March 2024	60.0%
Xingtai Midea VIP Mansion	Xingtai	171,131	–	171,131	–	December 2021	45.0%
Xingtai Midea Grand Garden	Xingtai	197,573	–	95,078	102,495	December 2024	100.0%
Xingtai Midea Times City	Xingtai	116,172	–	116,172	–	June 2022	100.0%

Property Development (Continued)

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Xingtai Midea Future City	Xingtai	125,810	–	125,810	–	May 2023	100.0%
Xingtai Midea-Country Garden Guanlan No. One	Xingtai	196,330	–	118,919	77,411	June 2024	45.0%
Zhengzhou Midea Grand Joy Mansion	Zhengzhou	213,571	–	213,571	–	April 2023	100.0%
Zhengzhou Midea-Sundrun Smart City	Zhengzhou	359,268	–	–	359,268	July 2024	100.0%
Luoyang Midea-Haode Yunxi Mansion	Luoyang	210,618	–	111,699	98,919	December 2023	40.0%
Kaifeng Midea VIP Mansion	Kaifeng	183,304	–	183,304	–	March 2023	100.0%
Tianjin Midea Yunxi Mansion	Tianjin	98,981	–	98,981	–	August 2023	80.0%
Guiyang Midea Lincheng Times	Guiyang	88,989	30,244	–	58,745	December 2021	100.0%
Guiyang Midea Yunxi Mansion	Guiyang	19,766	19,766	–	–	August 2019	100.0%
Guiyang Midea VIP Mansion	Guiyang	818,806	256,877	225,750	336,180	March 2023	100.0%
Guiyang Midea VIP Mansion Phase II and Phase III	Guiyang	313,600	–	24,433	289,167	March 2022	100.0%
Guiyang Midea Square	Guiyang	294,654	–	291,059	3,595	May 2022	90.0%
Guiyang Midea Huaxi Yard	Guiyang	153,085	44,537	108,548	–	June 2021	100.0%
Guiyang Midea Elegance of Jingyue	Guiyang	532,390	–	294,702	237,688	November 2024	100.0%
Zunyi Midea City	Zunyi	89,978	89,978	–	–	November 2019	100.0%
Zunyi Midea Grand Garden	Zunyi	42,529	42,529	–	–	November 2020	100.0%
Zunyi Midea Yunxi Mansion	Zunyi	132,762	6,961	125,801	–	June 2021	100.0%
Zunyi Midea-Jinke Wanlu Mansion	Zunyi	400,175	–	400,175	–	November 2023	51.0%
Zunyi Yunxi Mansion Phase II — Midea Jiangshanyue	Zunyi	236,785	–	236,785	–	November 2022	70.0%
Zunyi Midea Riverside Mansion	Zunyi	474,295	–	169,324	304,972	January 2024	90.0%
Chongqing Midea-Rongan Grand Garden	Chongqing	49,651	49,651	–	–	December 2020	50.0%
Chongqing Jinke-Seazen-Midea Daishan Road No. 8	Chongqing	337,299	61,069	250,800	25,430	October 2022	35.0%
Chongqing Midea Yunlai	Chongqing	90,190	–	90,190	–	August 2021	100.0%
Chongqing Midea-China SCE Yunjing	Chongqing	482,902	28,281	151,286	303,334	December 2024	50.0%
Wuzhou Midea Central Square	Wuzhou	764,714	12,776	253,409	498,529	July 2023	51.0%
Chengdu Midea-Seazen Grand Garden	Chengdu	197,378	92,513	104,865	–	March 2022	70.0%
Chengdu Pengzhou Midea-Country Garden Guanlan Mansion	Chengdu	152,719	24,376	128,343	–	August 2022	78.0%
Chengdu Midea Bridgefront Commandery	Chengdu	203,693	–	–	203,693	April 2023	100.0%
Leshan Midea Junyu Mansion	Leshan	317,830	–	202,666	115,164	March 2023	100.0%
Kunming Midea Shuncheng Mansion	Kunming	209,344	42,898	166,446	–	August 2022	53.3%
Kunming Meihua Jingyue Bay	Kunming	370,676	–	183,484	187,191	October 2023	100.0%
Kunming Jindaoying Project	Kunming	623,274	–	96,448	526,826	October 2023	100.0%
Meishan Midea Cloudbay Commandery	Meishan	112,123	–	112,123	–	May 2022	100.0%
Meishan Midea Jinhui Commandery	Meishan	87,419	–	64,693	22,725	November 2022	50.0%
Nanning Midea Wisdom City	Nanning	115,138	53,003	62,135	–	April 2021	100.0%
Nanning Midea Riverside Mansion	Nanning	69,561	–	69,561	–	October 2022	100.0%
Dali Future City	Dali	152,508	–	81,255	71,253	November 2022	50.0%
Other 24 projects	–	209,717	209,717	–	–	–	–

Properties held by joint ventures/associates*

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated) Date of Completion	Company's Attributable Interest
Foshan Phoenix Grand Palace	Foshan	33,967	67,934	–	–	June 2020	50.0%
Foshan Country Garden-Midea Future City	Foshan	208,704	–	417,408	–	September 2023	50.0%
Foshan Sanshui Midea-CIFI-Agile Changle Mansion	Foshan	116,198	74,093	200,670	66,996	April 2023	34.0%
Foshan Midea Yunyue Landscape	Foshan	239,996	–	240,661	330,758	December 2023	42.0%
Foshan Vanke-Midea West River Joy	Foshan	19,362	43,027	–	–	November 2019	45.0%
Foshan Gaoming Midea Minghu North	Foshan	44,387	42,113	88,474	–	January 2021	34.0%
Foshan Poly-Midea Yue Mansion	Foshan	66,004	–	264,015	–	October 2021	25.0%
Foshan Midea Junhan Grand View	Foshan	35,719	–	71,437	–	October 2021	50.0%
Foshan Gaoming Midea Guanlan Mansion	Foshan	34,480	–	70,368	–	September 2022	49.0%
Foshan Gaoming Midea-Helenbergh Cloud Bay	Foshan	59,627	–	34,623	87,066	November 2023	49.0%
Foshan Shunde Greentown-Midea Willow Commandery	Foshan	123,969	–	227,972	89,897	June 2024	39.0%
Foshan Gaoming Helenbergh-Midea Jiuyue Mansion	Foshan	88,761	–	85,387	95,758	May 2024	49.0%
Foshan Nanhai Dongyue Bay	Foshan	131,882	–	–	263,764	January 2025	50.0%
Maoming Jinke-Midea Jimei Mix	Maoming	159,062	–	205,718	112,406	December 2024	50.0%
Jiangmen Midea-Agile Brilliant Garden	Jiangmen	48,500	35,436	63,543	–	February 2021	49.0%
Jiangmen Agile-Midea Royal Palace	Jiangmen	48,186	–	98,339	–	September 2022	49.0%
Jiangmen Midea-K.Wah Crape Myrtle Residence	Jiangmen	70,144	–	100,206	–	March 2023	70.0%
Jiangmen Midea-Sino-Ocean Yunzhu	Jiangmen	89,229	–	54,654	127,447	February 2024	49.0%
Guangzhou Midea-Huafa Tianbo	Guangzhou	67,180	–	105,689	28,671	February 2023	50.0%
Guangzhou Midea-Greentown Xiaofeng Yinyue	Guangzhou	58,469	–	98,750	18,188	October 2022	50.0%
Guangzhou Nansha District Hengli Avenue Project	Guangzhou	78,524	–	–	117,199	July 2023	67.0%
Dongguan Midea-China Merchants Dongyue Garden	Dongguan	82,936	–	165,872	–	November 2022	50.0%
Zhuhai Midea-Powerlong City	Zhuhai	118,002	–	–	240,819	December 2025	49.0%
Changzhou Midea-Shimao Cloud Villas	Changzhou	191,872	–	239,467	136,752	November 2023	51.0%
Changzhou Roadking-Midea Forest No. One	Changzhou	80,429	–	48,666	115,474	February 2023	49.0%
Xuzhou Midea-Poly-Country Garden-Zhenro Parasol Residence	Xuzhou	72,329	–	192,379	96,937	May 2023	25.0%
Xuzhou Midea-Gongrun Yunlan Paradise	Xuzhou	146,163	–	116,305	176,020	November 2023	50.0%
Xuzhou Midea-Agile-Dexin Chinoiserie Mansion	Xuzhou	31,073	–	131,386	–	September 2023	23.7%
Nanjing Midea-Xiamen C&D Runjin Garden	Nanjing	47,643	59,625	35,662	–	January 2021	50.0%
Nanjing Xinyue Shangchen	Nanjing	60,579	–	121,159	–	May 2022	50.0%
Nanjing Shanhe Chen Garden	Nanjing	75,126	–	158,714	44,331	June 2023	37.0%
Nanjing Shanyu Jing Mansion	Nanjing	20,710	–	–	69,033	September 2022	30.0%
Nanjing Tianxi Road Project	Nanjing	38,687	–	–	113,786	January 2023	34.0%

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

Property Development (Continued)

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	(Estimated)	Company's Attributable Interest
						Date of Completion	
Wuxi Uptown No. One	Wuxi	136,491	–	92,530	180,453	August 2024	50.0%
Wuxi Yangxi Project	Wuxi	51,371	–	–	131,719	March 2023	39.0%
Wuxi Zhenro-Midea Yunyue	Wuxi	62,794	–	92,602	35,549	April 2023	49.0%
Hefei Midea-Jinke Commandery	Hefei	149,494	78,276	221,312	–	December 2022	49.9%
Fuyang Midea Grand Garden	Fuyang	165,198	–	263,309	67,087	April 2022	50.0%
Fuyang Ganglong-Midea Cloud Villas	Fuyang	184,570	–	150,627	408,676	October 2023	33.0%
Hangzhou New Hope-Midea Changlin Mansion	Hangzhou	131,438	–	268,241	–	January 2022	49.0%
Wenzhou Midea-CIFI City	Wenzhou	287,874	–	260,036	315,712	December 2023	50.0%
Ningbo Midea-Poly Royal Orchid Fairview Garden	Ningbo	76,654	–	153,308	–	March 2023	50.0%
Shaoxing Shimao-Midea Cloud Villas	Shaoxing	156,274	–	205,631	106,917	April 2023	50.0%
Suzhou Spring Harmony Courtyard	Suzhou	34,182	–	69,759	–	December 2021	49.0%
Suzhou Yuehu Mountain Harmony Villa	Suzhou	35,806	–	63,448	45,055	September 2022	33.0%
Suzhou Uptown Times	Suzhou	120,833	–	121,213	120,452	December 2023	50.0%
Zhoushan Midea-Dexin Hancheng	Zhoushan	84,649	–	169,299	–	November 2021	50.0%
Quanzhou Zhongnan-Midea Heyue	Quanzhou	84,507	–	211,267	–	April 2022	40.0%
Nantong Midea-Redsun Royal Orchid Tianyue	Nantong	59,074	–	107,408	–	September 2021	55.0%
Nantong Chongzhou Yunxi	Nantong	67,079	–	–	167,697	August 2023	40.0%
Zhenjiang Elegance of Seasons Phase I	Zhenjiang	31,326	–	92,137	–	February 2022	34.0%
Jinhua Midea-Ronshine Royal Orchid Landscape	Jinhua	14,716	36,791	–	–	September 2020	40.0%
Nanchang Midea-Newpower Grand Garden	Nanchang	173,668	–	289,447	–	October 2022	60.0%
Nanchang Midea Flowerbay City	Nanchang	64,899	–	227,237	–	June 2023	28.6%
Nanchang Poly-Midea Cloud Villas	Nanchang	39,596	–	80,808	–	September 2022	49.0%
Nanchang Zhenro-Jinmao-Midea Cloud Realm	Nanchang	59,256	–	179,564	–	September 2023	33.0%
Nanchang Lianfa-Midea Yunxi Community	Nanchang	77,646	–	101,592	56,869	May 2023	49.0%
Nanchang County Dongxiang Road Project	Nanchang	71,888	–	–	143,777	May 2023	50.0%
Nanchang County Wenbei Fourth Road Project	Nanchang	76,278	–	–	152,862	May 2023	49.9%
Changsha Midea Hancheng	Changsha	102,668	38,772	166,563	–	January 2022	50.0%
Ningxiang Country Garden-Midea Yard	Changsha	104,293	–	118,708	89,879	October 2024	50.0%
Ningxiang Midea Yard	Changsha	73,453	18,378	131,525	–	October 2022	49.0%
Yueyang Midea-Jinke Commandery parcel 15#	Yueyang	129,074	–	–	258,665	November 2025	49.9%
Jiujiang Midea Sky Platinum Bay	Jiujiang	69,924	9,060	165,750	–	September 2021	40.0%
Jiujiang Midea-Jinke Royal Mansion	Jiujiang	58,295	–	118,969	–	October 2021	49.0%
Changde Midea-Country Garden Willow Leaves Mansion	Changde	62,661	17,643	107,680	–	September 2021	50.0%
Changde Midea-Zhongliang Yuhu Byland	Changde	184,451	–	94,311	274,591	October 2022	50.0%
Handan Midea LaDefense	Handan	73,417	13,388	108,974	–	December 2021	60.0%
Handan Midea-Poly Millennium City	Handan	294,539	–	499,218	–	August 2023	59.0%
Handan Roland Valley • Fuyuan	Handan	74,907	–	146,876	–	April 2022	51.0%
Handan Huaxi Valley • Qinyuan	Handan	50,803	–	99,614	–	May 2022	51.0%
Handan Midea Roland Jade	Handan	167,390	–	257,522	–	May 2023	65.0%
Handan Yongnian Midea City	Handan	83,507	–	165,977	251,558	December 2024	20.0%

Property Development (Continued)

Project Name	City	Area of Land Reserve (Square metres)	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	Date of Completion (Estimated)	Company's Attributable Interest
Tianjin Midea-CIFI Grand Joy Mansion	Tianjin	191,380	–	322,722	67,850	June 2023	49.0%
Xingtai Jasmine Residence	Xingtai	40,970	–	136,566	–	March 2021	30.0%
Chongqing Midea-Jinke Commandery	Chongqing	115,720	79,403	152,036	–	November 2021	50.0%
Chongqing Liyue Landscape	Chongqing	18,359	28,823	50,931	12,039	December 2022	20.0%
Chongqing Midea Wanlu Mansion	Chongqing	97,174	–	86,212	35,256	January 2023	80.0%
Chongqing Jinke-Midea Yuanshang	Chongqing	93,504	–	122,237	68,587	June 2023	49.0%
Chongqing Jinke-Midea Xintianchen	Chongqing	74,576	–	149,151	–	March 2022	50.0%
Zunyi Jinke Guantianxia	Zunyi	98,478	–	76,938	124,037	June 2025	49.0%
Dali Midea-Agile Yamei Bay	Dali	69,929	–	–	139,858	June 2024	50.0%
Nanning Midea-CIFI City	Nanning	44,865	–	89,730	–	July 2021	50.0%
Nanning Midea-New Hope Lakeside Cloud Villas	Nanning	110,143	–	66,763	153,522	April 2024	50.0%
Chengdu Vanke Gaoxian Park	Chengdu	162,296	–	–	501,843	Pending	32.3%
Chengdu Shuangliu District Shuangnan Avenue Project	Chengdu	65,115	–	–	144,700	November 2022	45.0%
Other 3 projects	–	36,128	39,169	–	72,324	–	–

Property Management Services



Property Management

In 2020, after COVID-19 swept across the world, our property management team undertook the mission to fight the virus by providing AI-empowered contactless services and adopting various measures to maintain the last line of defense for home owners in the community. In addition, we increased our investment in on-site service quality, built a grid-style management service model, launched the Cloud Neighbourhood Community 3.0 app, and piloted the Midea manger operations management system to further enhance service capabilities.

At the end of 2020, we entered the Kuka Robot Industrial Park and Yingfeng Environmental Industrial Park. In the future, we will quickly integrate the property management needs of these industrial parks, and push our property management services for the industrial parks to a higher level through continuous optimisation and innovation, so as to build a role model in industry park management.

We are committed to improving our intelligent, information-based and standardised service and management model and building a smart community ecosystem. In February 2020, the first AI community was unveiled in Foshan Midea Elite Residence. Empowered with AIoT, cloud computing, AI and big data technologies, the project integrates community intelligence and home intelligence and develops whole-house smart health scenarios, thus creating smart and healthy human settlements and turning the concept of community brain into reality. The community is well protected through the application of AI security, environmental health monitoring, key area occupancy monitoring and regional intrusion detection technologies.

During the year, as our quality and smart property management services were recognised by the society, Midea Property Management was selected as a “Leading Company in Smart Property Services 2020” jointly by China Property Management Research Institution, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre. As to projects managed by Midea Property Management, Handan Midea Times City won the “China Happy Community Green Smart Model Award”, and Guiyang Midea Lincheng Times Mansion and Foshan Midea East Seaside Villa received the “China Happy Community Property Service Model Award”.

Investment and Operation of Commercial Properties

As at December 31, 2020, the Group had a total of 13 commercial property projects, including 6 projects in operation, namely Foshan Midea Wonderful Square, Foshan Midea Wonderful Street, Zhenjiang Midea Wonderful Square, Xuzhou Midea Square in Jiangsu, Zhuzhou Midea Times Square in Hunan, Foshan Midea Wonderful Apartment, and Foshan Midea Real Estate Headquarters. The three “Wonderful” commercial product lines have materialised. It is expected that Handan Midea Wonderful Square, Guiyang Midea Wonderful Square, Guiyang Midea Wonderful Times, and Foshan Midea Wonderful Future City will open for business between 2021 and 2023.

With forward-looking planning, strong investment attraction ability and innovative operating capabilities, we position ourselves as a designer and creator for urban development and design vigorous and smart commercial properties for cities to meet the commercial needs of various cities and customer groups. Foshan Midea Wonderful Square won the “Star Show Award of China’s Shopping Mall Sector”, and Handan Midea Wonderful Square received the “New Urban Commercial Landmark Award of the Year”.

Industrial Business Development

Smart Home

In 2020, as smart home turned from concept to reality in a large numbers of households, the smart home market exceeded RMB500 billion. Ruizhu Intelligent Technology Co., Ltd. (“Ruizhu Intelligent Technology”), a subsidiary of Midea Real Estate, develops integrated smart life solutions based on three segments — community intelligence, home intelligence and smart community and the integration of eight sub-systems — smart home system, smart central control system, smart lighting control system, smart curtain control system, smart security system, smart water & electricity control system, smart health system and smart home appliances system. It has batch delivery capabilities and provides a full range of efficient solutions to comprehensively improve the quality of living of residents, enabling home owners to enjoy a convenient and comfortable life empowered by technology. In addition to smart home and smart community, our service areas also include smart commercial properties, hotels, schools, elderly care and healthcare. We realise system intelligence of households, communities, real estate, hotels, offices, and elderly care.

As of now, Ruizhu Intelligent Technology has built presence in 62 cities across the country. In 2020, it expanded to 4 new cities and delivered 70 projects and 36,000 units, up 78.6% year on year. It has served many top 50 real estate companies, including Vanke, Country Garden, CIFI, Poly, Sunac, Greentown, Jinke and Kaisa.

With years of efforts, Midea Real Estate continued to lead the industry with its smart strategy. In the first half of 2020, the first AI community with community brain functions was introduced in Foshan Midea Elite Residence through the official launch of ten AI black technologies based on “community brain”. This marked the realisation of our AIOT strategy. The newly updated app Cloud Neighbourhood Community 3.0 was released nationwide to realise the integration of home and community services.

In the second half of 2020, guided by the “active intelligence” strategy, we released a series of new products and technologies to enable homes to think actively through a “family brain”. We took the lead in passing the ISO9001 and ISO27001 information security certification in the smart real estate industry to reach a new level in system security, thus becoming the first in the industry to integrate smart home and smart community. The Company has applied smart home and smart community technologies in a number of projects of well-known real estate companies.

We insisted on independent research and development. In 2020, we participated in 7 standard certifications, and submitted 62 patent applications and 26 software copyright applications. Our smart screen won the “2020 Kapok Design Award” and “2020 Contemporary Good Design Award”; our environmental detector won the “2020 Contemporary Good Design Award”; our smart sink received the “Kapok Award — 2020 Product Design Supreme Award”; our AI BOX Community Brain AI Edge Server received the “Dingzhi Award — 2020 Innovative Smart Home Product”. The Company and its service projects won a series of honorary titles, including the “2020 Excellent Smart Community Solution Award”, “2020 Smart Home Innovation Application Award”, “Real Estate Whole House Intelligence & Smart Community Case Award”, “2020 China Real Estate Digital Power Smart Community Demonstration Project”, etc. In addition, we have established strategic partnership with Hikvision, Yida Yuntu, AVIC Yingfu, Foshan China Mobile, ACIGA and other companies to deliver smart homes in batches with consistent product standards.

Prefabricated Construction

Through Xuzhou Plant, Handan Plant and Foshan Plant, Remac, a subsidiary of Midea Real Estate, had built up a service network covering the Yangtze River Delta, Beijing-Tianjin-Hebei region and Greater Bay Area in 2020, while consolidating its technology moat. During the year, it obtained 93 patents for interior and exterior decoration, making it a leading patent holder in the industry, and was elected as the chairman unit of Professional Committee of and member unit of Expert Group of Guangdong Provincial Prefabricated Decoration Systems. In addition, it has well established connections with companies like Nature Home in the field of prefabricated interior decoration.

Major developments of the operations of existing plants:

Xuzhou Plant

Since it was put into operation in July 2019, Xuzhou Plant has rapidly established a production, operation, delivery and after-sales service system. In 2020, under the COVID-19 epidemic and market changes, the plant, after making an accurate judgment of the overall situation, decisively adopted an active marketing strategy, and managed to sign RMB239 million of contracts for PC and ALC products and serve 43 projects, covering a GFA of over 1 million square metres. It grabbed a market share of over 20% in Xuzhou and surrounding markets, and had been included in the pool of high-tech enterprise candidates for cultivation, laying a good foundation for it to apply for high-tech enterprise certification.

Handan Plant

The plant was put into operation in January 2020 after the successful production of its first PC component. During the year, it signed RMB124 million of orders, representing a market share of 43%, and served 21 projects. Its MHR, ERP, SRM and MEC information systems were fully put into use to ensure high-quality delivery of products, thus securing a customer satisfaction rate of over 99.5%. It also passed the ISO9001 quality control system certification. The production and operation of Handan Plant lay a foundation for the construction of regional prefabricated building production bases in the surrounding areas, and facilitate the rapid development of prefabricated buildings in southern Hebei and even Xiong'an New District.

Foshan Plant

Foshan Plant was officially commissioned in September 2020, and had a total output of more than 8,000 cubic metres as of December. It signed RMB187 million of orders during the year. In terms of operational management, a mechanism for management of product standards, product quality and safety production was established; in terms of information management, an ERP system, an SRM system and an MES system were set up and put into use, thereby greatly improving the operating efficiency of the plant.

Assembled Sanitary Ware

In 2020, Guangdong Ruizhu Youka Technology Co., Ltd. (廣東睿住優卡科技有限公司) (“**Ruizhu Youka**”), in which Midea Real Estate holds equity interests, secured centralised purchase orders from renowned real estate companies including Vanke, Poly, Jinmao, Huazhu, COLI, China SCE, Shinsun and Shengdy through proactive marketing efforts, and developed distributors in Guangzhou, Hangzhou, Suzhou, Tianjin and Beijing. Currently, it has 1.5ww sets of products under production, and is advancing orders of 70,000 sets of products.

During the year, in an ongoing effort to upgrade technology, Ruizhu Youka completed the development of products such as “hidden integral bathroom faucet”, “antibacterial and sterile base plate/wallboard”, “software base plate” and “flexible customised base plate”, obtained more than 20 product patents, participated in the drafting of the National Standard for Sanitary Ware led by the Research Institute of Standards and Norm, and received the title of “Demonstration Base of Prefabricated Buildings in Guangdong Province”, thus building a solid industry reputation and brand awareness.

In the fight against COVID-19, Ruizhu Youka actively participated in the construction of anti-COVID hospitals. With its products being widely used in the construction of anti-COVID hospitals in Shenzhen, Foshan and Hong Kong, it won the title of “Key Enterprise Providing Epidemic Prevention Supplies in Guangdong Province”.

Directors and Senior Management

Board of Directors

Executive Directors

Mr. Hao Hengle (郝恒樂) (alias, He Hengle (赫恒樂)), aged 51, has been a Director since 29 November 2017. Mr. Hao was re-designated as the Chairman and an executive Director and appointed as president of the Company on 15 May 2018. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Hao presides over the Board and is primarily responsible for the overall business direction and day-to-day business and management of the Group. Mr. Hao has extensive experience in the PRC real estate industry. Since joining the Group in May 2004, Mr. Hao has served as a director and the president of Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, since January 2006. Mr. Hao has also assumed multiple directorships in other subsidiaries, including, among others, Guangdong Bomei Property Services Co., Ltd. (廣東鉞美物業服務股份有限公司), formerly known as Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company delisted from the NEEQ since 11 January 2021, and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司).

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

Mr. Xu Chuanfu (徐傳甫), aged 52, was appointed as an executive Director on 3 November 2020. Mr. Xu is primarily responsible for the services business segment of the Group. Since joining the Group in March 2005, Mr. Xu has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), including: (i) head of project management; (ii) assistant to the general manager; (iii) general manager of the Southwest regional company; (iv) vice president and general manager of the Shanghai-Jiangsu regional company; (v) senior vice president; and (vi) chairman and general manager of the group of Meizhi Services. Mr. Xu has also assumed multiple directorships in other subsidiaries, including, among others, Foshan Meizhi Services Co., Ltd. (佛山市美置服務有限公司), Foshan Midea Real Estate Development Co., Ltd. (佛山市美的房地產發展有限公司) and Xuzhou Midea Properties Co., Ltd. (徐州美的置業有限公司).

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

Directors and Senior Management (Continued)

Mr. Yao Wei (姚巍), aged 50, was appointed as an executive Director and as vice president of the Company on 15 May 2018. Mr. Yao is primarily responsible for the overall management of the strategic planning, land investment and development, and legal affairs of the Group. Since joining the Group in March 2010, Mr. Yao has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, including: (i) general manager of the strategic development centre; (ii) vice president since July 2011; and (iii) director since September 2011. Mr. Yao has also assumed multiple directorships in other subsidiaries, including, among others, Guangdong Bomei Property Services Co., Ltd. (廣東鉑美物業服務股份有限公司), formerly known as Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company delisted from the NEEQ since 11 January 2021, and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司).

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

Mr. Lin Ge (林戈), aged 48, was appointed as an executive Director and chief financial officer of the Company on 15 May 2018. Mr. Lin is primarily responsible for the overall management of the financial and treasury affairs, securities business and investor relations of the Group. Since joining the Group in November 2014, Mr. Lin has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, including: (i) deputy director in charge of finance matters; (ii) general manager of risk management centre; (iii) general manager of finance and capital centre; and (iv) since July 2018, chief financial officer. Mr. Lin has also assumed multiple directorships in other subsidiaries, including, among others, Guangdong Bomei Property Services Co., Ltd. (廣東鉑美物業服務股份有限公司), formerly known as Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company delisted from the NEEQ since 11 January 2021, and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司). He has served as a supervisor of certain subsidiaries in the PRC.

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

Non-executive Directors

Mr. He Jianfeng (何劍鋒), aged 53, was appointed as a non-executive Director on 15 May 2018. He is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

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

Please refer to page 70 of the Directors' Report for details of Mr. He Jianfeng's interest in the shares of the Company as disclosed under the section headed "Disclosure of Interests".

Mr. Zhao Jun (趙軍), aged 45, has been a Director since 29 November 2017 and was re-designated as a non-executive Director on 15 May 2018. He is also a member of each of the Audit Committee and Remuneration Committee. Mr. Zhao is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group. Since joining the Group in November 2012, Mr. Zhao has been the vice chairman of Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, and assumed multiple directorships in other subsidiaries, including Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司).

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

Directors and Senior Management (Continued)

Independent Non-executive Directors

Mr. Tan Jinsong (譚勁松), aged 56, was appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. He is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Tan has served as a professor of the School of Management of Sun Yatsen University (中山大學) in the PRC, and has extensive experience serving in a number of listed companies, including: (i) an independent director of Shanghai RAAS Blood Products Co., Ltd. (上海萊士血液製品股份有限公司) (Shenzhen Stock Exchange: 002252) since April 2016; (ii) an independent director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司) (Shanghai Stock Exchange: 600325) since September 2015; (iii) an independent director of COSCO Shipping Specialised Carriers Co., Ltd. (中遠海運特種運輸股份有限公司) (Shanghai Stock Exchange: 600428) since December 2018; and (iv) an independent non-executive director of China Southern Airlines Company Limited (中國南方航空股份有限公司) (Stock Exchange: 1055) since December 2013. Mr. Tan was an independent director of Guangzhou Hengyun Enterprises Holding Ltd. (廣州恆運企業集團股份有限公司) (Shenzhen Stock Exchange: 000531) from May 2014 to January 2021; an independent director of Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司) (Shanghai Stock Exchange: 600048) from April 2012 to September 2018 and an independent non-executive director of Welling Holding Limited (威靈控股有限公司) (a company previously listed on the Stock Exchange and was privatised in February 2018) from August 2009 to February 2018. Mr. Tan graduated from Hunan University of Finance and Economics (湖南財經學院) in the PRC with a bachelor's degree of Economics in Accounting Studies. He further obtained a master's degree of Economics and a doctoral degree of Management in Accounting Studies from Renmin University of China (中國人民大學) in the PRC. He is a non-practising senior member of the Chinese Institute of Certified Public Accountants.

Mr. O'Yang Wiley (歐陽偉立), aged 58, was appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also the chairman of the Remuneration Committee and a member of the Audit Committee. He is primarily responsible for providing independent advice on the operation and management of the Group. He has extensive experience in the accounting, finance and legal fields.

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

Mr. Lu Qi (陸琦), aged 64, was appointed as an independent non-executive Director on 15 May 2018 with effect from 11 October 2018. He is also a member of each of the Remuneration Committee and Nomination Committee. He is primarily responsible for providing independent advice on the operations and management of the Group.

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

Senior Management

Mr. Wang Quanhui (王全輝), aged 47, was appointed as executive vice president of Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Company, in January 2021. Mr. Wang is primarily responsible for the businesses of the sales management, operation management, cost control and tendering and procurement, project management, product research and development, brand management and customer relationship management. Since joining the Group in June 2001, Mr. Wang has served various positions in Midea Real Estate Group Limited (美的置業集團有限公司), including: (i) director; (ii) general manager of the city company; (iii) general manager of the North China regional company; and (iv) vice president and general manager of the central regional company. Mr. Wang has also assumed multiple directorships in other subsidiaries, including, among others, Shijiazhuang Midea Real Estate Development Co., Ltd. (石家莊美的房地產開發有限公司), Handan Midea Real Estate Development Co., Ltd. (邯鄲市美的房地產開發有限公司) and Henan Haode Junlan Property Co., Ltd. (河南浩德郡瀾置業有限公司).

Mr. Wang graduated from Shijiazhuang School of Economics (石家莊經濟學院) (currently known as Hebei GEO University(河北地質大學)) in the PRC in July 1997 in accounting and obtained a master's degree in Business Administration from Northwest University (西北大學) in the PRC in June 2014. Mr. Wang is an intermediate accountant accredited by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) since September 2003.

Corporate Governance Report

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its corporate governance policies and practices. The Company had complied with the provisions of the CG Code during the year ended 31 December 2020, except for certain deviations as specified with reasons below.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the Model Code during the year ended 31 December 2020.

The Board

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

Board Composition

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

Executive Directors

Mr. Hao Hengle (Chairman)
Mr. Xu Chuanfu (appointed on 3 November 2020)
Mr. Yao Wei
Mr. Lin Ge
Ms. Lin Dongna (resigned on 3 November 2020)

Non-executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent non-executive Directors

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

During the year ended 31 December 2020, the Company had complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board) including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The biographies of each of the Directors are set out on pages 45 to 49 in this annual report. The Directors have no financial, business, family or other material or relevant relationships with each other.

Chairman and President

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

According to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 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, and they will take the lead where potential conflicts of interests of other Directors arise.

Further, major decisions of the Board are collectively made by way of majority voting. Therefore, major decisions must be made in consultation with members of the Board and appropriate committees. The Group had engaged an external internal control consultant to perform evaluation on top ten risks annually so as to identify, evaluate and mitigate potential risks that may affect the Group's operation management. Senior management and/or external professional consultants are also invited to attend Board and committee meetings from time to time to provide adequate, accurate, clear, complete and reliable information to members of the Board for consideration in a timely manner.

The Board will nevertheless review the effectiveness of this structure and the Board composition from time to time.

Board Diversity Policy

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

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

Corporate Governance Report (Continued)

As at 31 December 2020, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:

No. of Directors	Gender	Designation	Age Group	Years of Service	Skills and Knowledge	
1	Male	Executive Director	≥ 60	≥ 11	General Management and Strategy Development	
2			50-59	6-10		Accounting and Financial
3		Non-executive Director		0-5	Legal	
4						
5						
6						
7						
8						
9						

The Company recognises the benefits of having a diverse Board, and views diversity at Board level would assist the Company in sustaining a competitive advantage. As such, the Nomination Committee had considered certain measurable objectives on the basis of merit and contribution, with due regard to the benefits of diversity on the Board for the nomination of potential candidate as an executive Director in 2020. It nominated Mr. Xu Chuanfu to the Board due to his considerable experience in the business operations of the Group and the industry, and it being satisfied that he would provide professional advice to the Board to safeguard the interests of the Company and its shareholders.

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board at least annually, and confirmed that the Company has maintained a balanced composition with a strong independent element on the Board. In future, the Nomination Committee will continue to monitor the implementation of the board diversity policy with reference to the measurable objectives and ensure that the Board has the appropriate balance of skills, experience and diversity perspectives that are required to support the business strategy and maintain the effectiveness of the Board.

Independent Non-executive Directors

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

Each of the independent non-executive Directors has submitted to the Company the annual confirmation of independence for the year ended 31 December 2020. The Nomination Committee has reviewed such annual confirmation of independence and assessed the independence of each of the independent non-executive Directors based on the guidelines set out in Rule 3.13 of the Listing Rules and considered that all the independent non-executive Directors are independent. The Board adopted the view of the Nomination Committee and confirmed that all the independent non-executive Directors are independent.

None of the independent non-executive Directors holds seven or more listed company directorships.

Appointments, Re-election and Removal of Directors

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

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

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

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

Directors Continuous Training and Development Programme

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

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

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

Corporate Governance Report (Continued)

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

Name of Directors	Types of training (Note 1)	Nature of training (Note 2)
Executive Directors		
Mr. Hao Hengle (Chairman)	1, 2,	A, B, C
Mr. Xu Chuanfu	1, 2, 3	A, B
Mr. Yao Wei	1, 2	A, B, C
Mr. Lin Ge	1, 2	A, B, C
Non-executive Directors		
Mr. He Jianfeng	1, 2	A, B, C
Mr. Zhao Jun	1, 2	A, B, C
Independent non-executive Directors		
Mr. Tan Jinsong	1, 2	A, B, C
Mr. O'Yang Wiley	1, 2	A, B, C
Mr. Lu Qi	1, 2	A, B, C

Note 1:

1. Attending briefings, seminars, training courses and/or e-trainings organised by the professional bodies
2. Reading journals and other updates relating to the latest development of applicable rules or businesses of the Company
3. Attending an induction briefing tailored to a newly appointed Director

Note 2:

- A. Businesses of the Company
- B. Applicable laws, rules and regulations, and accounting standards
- C. Special update on the latest development of Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules provided by the external consultant

Supply of and Access to Information

During the year ended 31 December 2020, all Directors had been provided, on a monthly basis, with the updated management and financial information of the Group, giving them an opportunity to have a balanced and understandable assessment of the Group's latest performance, position and recent developments and facilitating them to discharge their duties under the relevant requirements of the Listing Rules.

Board Committees

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

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

Audit Committee

The Audit Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at 31 December 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 recommendation to the Board on the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor. Before commencement of annual audit, the Audit Committee will discuss with the external auditor the nature and scope of audit, the significant risk analysis and the impact of the change in accounting policies on the financial statements of the Group. The Audit Committee is required to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

During the year ended 31 December 2020, the Audit Committee held three meetings with the Company's external auditor and duly discharged the above duties. The attendance record of individual Directors at the Audit Committee meetings is set out on page 58 of the annual report below.

The Audit Committee has reviewed the Group's 2020 consolidated financial statements, including the accounting principles and policies adopted by the Group, in conjunction with the Company's external auditor and recommended to the Board for approval of the consolidated financial statements for the year ended 31 December 2020.

The Board agreed with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the year 2021. The recommendation will be put forward for shareholders' approval at the forthcoming annual general meeting of the Company.

Auditor's Remuneration

For the year ended 31 December 2020, the remuneration paid/payable to PricewaterhouseCoopers, the Company's auditor, is set out as follows:

Service rendered	Amount (RMB)
Audit services:	
• Annual audit services	6,600,000
Non-audit services:	
• Accounting advisory services	400,000
• Others	822,000
Total	7,822,000

Remuneration Committee

The Remuneration Committee was established by the Board on 12 September 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. As at 31 December 2020, the Remuneration Committee comprised five members including three independent non-executive Directors, Mr. O'Yang Wiley (chairman of the Remuneration Committee), Mr. Tan Jinsong and Mr. Lu Qi, one executive Director, Mr. Hao Hengle, and one non-executive Director, Mr. Zhao Jun.

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

The primary duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to review and determine, with delegated responsibilities and authorisation by the Board, the remuneration packages of individual executive Directors and senior management with reference to the Board's corporate goals and objectives;
3. to make recommendations to the Board on the remuneration of independent non-executive Directors;
4. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
5. to review and approve compensation payable to executive Directors and senior management for any loss of termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
6. to review and approve compensative arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
7. to ensure that no Directors or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2020, the Remuneration Committee held one meeting and duly discharged the above duties. It made recommendation to the Board for the adoption of share option scheme at the Company's annual general meeting held on 29 May 2020. The attendance of individual Directors at the Remuneration Committee meetings is set out set out on page 58 of the annual report below.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) by band for the year ended 31 December 2020 is as follows:

Remuneration band	Number of individuals
RMB5,000,000 to RMB5,500,000	1

Details of the Directors' emoluments for the year ended 31 December 2020 are set out in note 39 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with the CG Code. As at 31 December 2020, the Nomination Committee comprised three members including one executive Director, Mr. Hao Hengle (chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Tan Jinsong and Mr. Lu Qi.

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

The Nomination Committee held one meeting during the year ended 31 December 2020 and duly discharged the above duties. It made recommendation to the Board on the appointment of Mr. Xu Chuanfu as an executive Director in 2020. The attendance of individual Directors at the Nomination Committee meetings is set out set out on page 58 of the annual report below.

Directors' Attendance Record at Meetings

The number of Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meetings and annual general meeting of the Company held for the year ended 31 December 2020 and the attendance record and tenure of office of each individual Director are set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Number of Meeting(s) held	5	4	1	1	1
Executive Directors					
Mr. Hao Hengle (Chairman)	5/5	–	1/1	1/1	1/1
Mr. Xu Chuanfu (appointed on 3 November 2020)	1/1	–	–	–	–
Mr. Yao Wei	5/5	–	–	–	1/1
Mr. Lin Ge	5/5	–	–	–	1/1
Ms. Lin Dongna (resigned on 3 November 2020)	4/4	–	–	–	1/1
Non-executive Directors					
Mr. He Jianfeng	5/5	–	–	–	1/1
Mr. Zhao Jun	5/5	4/4	1/1	–	1/1
Independent non-executive Directors					
Mr. Tan Jinsong	5/5	4/4	1/1	1/1	1/1
Mr. O'Yang Wiley	5/5	4/4	1/1	–	1/1
Mr. Lu Qi	5/5	–	1/1	1/1	1/1

During the year ended 31 December 2020, the Chairman held one meeting with the independent non-executive Directors without other Directors present.

Company Secretary

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

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

For the year ended 31 December 2020, the joint company secretaries of the Company had completed no less than 15 hours of relevant professional training covering regulatory updates and knowledge about company secretarial duties.

Dividend Policy

The Company has adopted a revised policy on the payment of dividends (the “**Dividend Policy**”) on 24 March 2021.

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

- (a) the Company’s operating results, actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the level of the Group’s debt to equity ratio, return on equity and the relevant financial covenants;
- (d) any restrictions on payments of dividends that may be imposed by the Group’s lenders or other third parties;
- (e) the Group’s expected working capital requirements, capital expenditure requirements, future expansion plans and any statutory fund reserve requirements;
- (f) the Group’s liquidity position;
- (g) general economic conditions, business cycle of the Group’s business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- (h) any other factor that the Board deems appropriate and relevant.

Taking the above factors into consideration, the Board may propose an ordinary dividend (including a final dividend and an interim dividend) and/or a special dividend from time to time. Any declaration and payment of dividends under the Dividend Policy will be subject to the Board’s determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. In addition, the declaration and payment of dividends may be subject to legal restrictions or any applicable laws, rules and regulations and the Articles of Association of the Company.

For the Board’s proposed payment of a final dividend for the year ended 31 December 2020, please refer to the paragraph headed “Final Dividend and Distribution Arrangements” in the “Directors’ Report” section of this report.

Shareholders' Rights

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

1. Procedures for shareholders to send enquiries to the Company

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

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

Email of Investor Relations: investor@midea.com

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

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

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

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

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

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

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

Communication with Shareholders

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

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

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

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

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

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

Constitutional Documents

There were no changes in the Company's Memorandum and Articles of Association during the year ended 31 December 2020.

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

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

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

Risk Management and Internal Control

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

Risk Management and Internal Control Systems

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

Particular features of our risk management system include the following:

- Our risk management process begins with identifying the major risks associated with our corporate strategies, goals and objectives. We have established a three-level matrix-structured risk management system. The operational department at each level of the Group, the regional level companies and the city-level companies are required to report the identified potential risks both to the higher levels and to responsible persons at the same level. Under the guidance and instruction from the higher levels, each operational department makes and executes the mitigation plan paired with each risk identified. For example, with respect to our financial risks, our finance department, together with the audit department and other relevant departments, shall follow the manuals regarding cost control, settlement auditing and investment management, conduct monthly risk analyses, and prepare monthly financial risk reports including risk profiles and proposed risk control measurements for our management and the Chairman to review.
- For particular operational and market risks, control measures are adopted at an operational level. For example, for major construction risks, we engage qualified construction contractors with strict contractual requirements and continue to build and improve our all-rounded professional supplier evaluation mechanism to evaluate their performance. Quantitative indicators are adopted for appraisal measurement to oversee their routine operations. For significant safety risks, a four-level safety monitoring and control framework is in place. We employ full-time and part-time safety inspectors from headquarters, regions, cities and projects and keep on building our training mechanisms on safety systems, standardisation of documents, practice guidelines and culture education. In the meantime, we utilise the digital platforms and smart construction sites to boost our productivity and further improve our closed-off measures at the construction sites.
- We will enforce strict control and accountability policies and manuals at an individual employee level as well. Our policies and manuals will be updated consistently based on our operational needs. We will seek to maintain a corporate culture with a high level of responsibility, integrity and reliability to manage our operational and market risks.
- We will also carry out regular (at least once a year) internal assessments and training to ensure our employees are equipped with sufficient knowledge on such policies and guidelines.

Internal control is one of the key components of risk management. Our internal control system is based on the risks faced by the Group. The management of the Group's headquarters, the subsidiaries and each of the departments have implemented a range of policies and procedures in respect of financial, operational and compliance-related processes, and they should monitor the implementation and effectiveness of such policies and procedures.

During the year ended 31 December 2020, the Group had engaged an external internal control consultant to annual review the Group's risk management and internal control systems and to identify and resolve potential internal control defects. The Group performed evaluation on top ten risks, updated the risk evaluation standards and risk databases, prioritised and ranked the identified risks in accordance with the risk occurrence and significance, and determined the significant risks which need to be addressed in top priority by integrating the risk tolerance with response measures and improvement plans developed, as well as reported to the Audit Committee the evaluation results and the implementation of control measures considering, among others, the changes in external market environment and internal operating environment and the business development progress. The Group had considered and adopted or will adopt recommended measures by the external consultant to ensure ongoing compliance and enhance its internal control measures where appropriate. The Group's internal audit had also conducted regular follow-up review to ensure that improvement plans were implemented in a timely manner and had reported the results of the follow-up review to the Audit Committee.

Internal Audit

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

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

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

During the year ended 31 December 2020, the internal auditor developed an audit plan that prioritises areas with significant risks or deemed to be strategic to the business of the Company. The audit plan is reviewed by the Audit Committee and may be modified to reflect changes to business plans if necessary. The internal auditor has also issued reports to cover significant control issues, monitored the status of implementation plans resulting from audit findings and reported progress to the Audit Committee.

Risk Management Approach

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

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



During the year ended 31 December 2020, the Group was committed to continually improving the risk management framework and capabilities and shall continue on this path, with enhanced integration of risk management and internal control into our business processes. Details of some of the key risks can be found under “Principal Risks and Uncertainties” on page 22 of this annual report.

Inside Information

The Company is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules. During the year ended 31 December 2020, the Company has implemented procedures and internal controls for the handling and dissemination of inside information, including:

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

Review of the Risk Management and Internal Control Systems

The risk management and internal control systems of the Group are reviewed by the Board annually. During the year ended 31 December 2020, the Board has reviewed the effectiveness of the risk management and internal control systems of the Group. The review covers material control, including operational risk management and the adequacy of resources, qualification and experience of staff of the Group’s accounting, internal audit and financial reporting functions and their training and budget. The review was made by discussions with the management, the Audit Committee, Company’s external and internal auditors, and the external internal control consultant. The Board has also received a letter from the management confirming the effectiveness and adequacy of the Group’s risk management and internal control systems. Accordingly, the Board is satisfied that the Company has fully complied with the code provisions on risk management and internal control as set forth in the CG Code.

The Directors have the pleasure in presenting their annual report together with the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2020.

Principal Activities, Performance and Business Review

The Company is an investment holding company. The Group is a large national property developer based in the PRC and operates three principal business segments: (1) property development and sales; (2) property management services; and (3) investment and operation of commercial properties.

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

Further discussion and analysis of the activities, the key performance indicators of the Group, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Financial Overview", "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 2 to 3 and pages 9 to 22 of this annual report. The environmental and social matters that have a significant impact on the Group will be disclosed in the Environmental, Social and Governance Report to be issued separately under Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules.

Results

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

Final Dividend and Distribution Arrangements

The Company is committed to maintaining a competitive dividend payout ratio in order to protect the interest of the Company's shareholders and boost investors' confidence.

On 9 April 2021, the Board has recommended the payment of a final dividend of HK\$1.60 per share for the year ended 31 December 2020 (2019: HK\$1.60 per share). Subject to the approval of the shareholders of the Company at the annual general meeting to be held on 4 June 2021 (the "AGM"), the proposed final dividend will be paid on or about 29 July 2021 to the shareholders whose names appear on the register of members of the Company on 23 June 2021.

Meanwhile, the Board has decided to rescind its original plan to declare an interim dividend in 2021, and instead, it will make a one-off distribution when determining the declaration of final dividend for the year ending 31 December 2021 so as to maintain a consistent dividend policy and to facilitate the operation of dividend payment.

For details, please refer to the Company's announcements dated 24 March 2021, 25 March 2021 and 9 April 2021.

Closure of Register of Members

For the purpose of ascertaining the shareholders' rights of attending and voting at the AGM, the register of members of the Company will be closed from 1 June 2021 to 4 June 2021, both days inclusive, during which period no transfer of shares shall be effected. In order to be entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 31 May 2021.

For the purpose of determining the identity of shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from 22 June 2021 to 23 June 2021, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 June 2021.

Share Capital

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

Pre-emptive Rights and Tax Relief

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

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

Reserves

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

As at 31 December 2020, the Company had distributable reserves amounting to RMB6,420,493,000 (2019: RMB8,609,255,000).

Property, Plant and Equipment

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

Intangible Assets

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

Investment Properties

During the year, the fair value gains of the Group's investment properties amounted to RMB27,739,000 and have been recognised directly in the consolidated financial statements.

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

Issuance of Bonds

Details of the outstanding bonds of the Group are set out in note 28 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings are set out in note 29 to the consolidated financial statements.

Interest Capitalised

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

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 182. This summary does not form part of the audited consolidated financial statements.

Use of Proceeds from IPO

Please refer to the "Management Discussion and Analysis" section set out on page 21 for the details of the use of proceeds from IPO.

Purchase, Sale or Redemption of Listed Securities

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

Directors

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

Executive Directors

Mr. Hao Hengle (Chairman)
 Mr. Xu Chuanfu (appointed on 3 November 2020)
 Mr. Yao Wei
 Mr. Lin Ge
 Ms. Lin Dongna (resigned on 3 November 2020)

Non-executive Directors

Mr. He Jianfeng
 Mr. Zhao Jun

Independent non-executive Directors

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

According to Article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

According to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At the AGM, Mr. Yao Wei, Mr. Zhao Jun and Mr. Lu Qi will retire and offer themselves for re-election in accordance with Article 108(a) of the Articles of Association. Mr. Xu Chuanfu will retire in accordance with Article 112 of the Articles of Association, and has informed the Company that he will not offer himself for re-election at the AGM in order to devote more time to develop the services business segment of the Group.

In addition, a resolution for electing Mr. Wang Quanhui as a new Director will be proposed at the AGM. Please refer to the Company's circular containing the Notice of the AGM sent together with this Report.

Biographical Details of Directors and Senior Management

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

Directors' Service Contracts

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

Nomination Policy

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

Remuneration Policy

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

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

Pension Schemes

Details of the pension schemes operated by the Group are set out in note 2.27 to the consolidated financial statements.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

Indemnity of Directors and Officers

Pursuant to the Company's Articles of Association, every Director and officer of the Company shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution or holding of his/her office or otherwise in relation thereto. Such provisions were in force during the course of the financial year ended 31 December 2020 and remained in force as at the date of this annual report.

Directors' and Officers' Liability Insurance

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

Directors' Rights to Acquire Shares

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

Equity-Linked Agreements

During the year, the Company had not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 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 (or such other nominal sum in any currency as the Board may determine) 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.

The total number of shares available for issue under the Share Option Scheme is 123,056,700 shares, representing approximately 10% of the issued shares as at the date of this report. As at the date of this 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 31 December 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:

- 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.
- The percentage has been compiled on the basis of 1,230,567,000 shares of the Company in issue as at 31 December 2020.

Apart from the Share Option Scheme and save as disclosed above during the year, 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.

Substantial Shareholders' Interests

Save as disclosed below, as at 31 December 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

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

Notes:

- 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**"), and these companies in turn hold 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.
- 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 and is a controlling shareholder of the Company. 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.
- 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 and is a controlling shareholder of the Company.
- The percentage has been compiled on the basis of 1,230,567,000 shares of the Company in issue as at 31 December 2020.

Non-Competition Deed

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

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

Specific Performance Obligations on the Controlling Shareholders

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

On 21 June 2019, Midea Construction (Hong Kong) Limited, an indirectly wholly-owned subsidiary of the Company (as borrower), the Company (as listing guarantor) and 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"**). As of 31 December 2020, the aggregate amount of 2020 Loan was HKD1,050 million and USD80 million respectively.

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.

Directors' Interest in Competing Businesses

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

The Group consists of three principal business segments:

- (1) property development and sales;
- (2) property management services; and
- (3) investment and operation of commercial properties, including property leases, hotel operations and cultural-tourism project.

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

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

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

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

Save as disclosed above, none of the Directors was interested in any business apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group for the year ended 31 December 2020.

Management Contracts

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

Controlling Shareholders' Interests in Contracts

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

Major Customers and Suppliers

The main customers of our residential and commercial properties are individual buyers and corporate entities. For the year ended 31 December 2020, revenue generated from the Group's five largest customers accounted for approximately 0.37% of the Group's revenue for the year and revenue generated from the largest customer amounted to approximately 0.14% of the Group's revenue for the year.

For the year ended 31 December 2020, purchases from the Group's five largest suppliers accounted for approximately 14.21% of the Group's total purchases excluding land purchase for the year and purchases from the largest supplier amounted to approximately 3.83% of the Group's total purchases excluding land purchase for the year. All of our five largest suppliers were construction companies or equipment suppliers engaged by us.

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

Sustainable Development

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

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

Continuing Connected Transactions

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

Smart Home Technology Products Framework Purchase Agreement

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

Midea Group Company is a company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange. It is held as to approximately 31.11% collectively by Midea Holding and Mr. He who is a party acting-in-concert, which in turn is held by our controlling shareholders of the Company, Mr. He and Ms. Lu, as to approximately 94.55% and 5.45%, respectively. Therefore, Midea Group Company is a connected person of the Company.

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

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

The following table sets out the transaction amount of the aforesaid continuing connected transactions of the Group during the year and the relevant approved annual cap for 2020:

Transactions	Annual cap for 2020 RMB'000	Transaction amount for the year ended 31 December 2020 RMB'000
Purchase of the Smart Home Technology Products from Midea Group	471,000	209,369

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

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

The Board engaged PricewaterhouseCoopers, the auditor of the Company, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group disclosed above in accordance with Rule 14A.56 of the Listing Rules. The auditor has confirmed to the Board that nothing has come to their attention that causes them to believe the continuing connected transactions of the Group for the year ended 31 December 2020 as disclosed above:

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

A copy of the auditor's letter on continuing connected transactions of the Group for the year ended 31 December 2020 has been provided by the Company to the Stock Exchange. The Company confirmed that it has complied with the disclosure requirements with respect to the above-mentioned continuing connected transactions of the Group in accordance with Chapter 14A of the Listing Rules.

Renewal of Continuing Connected Transactions

Given that the Smart Home Technology Products Framework Purchase Agreement had expired on 31 December 2020, the Company on 28 December 2020 entered into a new framework purchase agreement (the "**2021 Smart Home Technology Products Framework Purchase Agreement**") with Midea Group Company for the revision, setting of new annual caps and extension of the term of the Smart Home Technology Products Framework Purchase Agreement for a term of three years commencing from 1 January 2021 to 31 December 2023 (both days inclusive). Save for the annual caps, the other key terms of the 2021 Smart Home Technology Products Framework Purchase Agreement are substantially the same as those of the Smart Home Technology Products Framework Purchase Agreement. Please refer to the Company's announcement dated 28 December 2020 for the details of the renewal of continuing connected transactions.

Disclosure under Rule 14A.72 of the Listing Rules

The continuing connected transactions contemplated under the Smart Home Technology Products Framework Purchase Agreement constitute related party transactions under the Hong Kong Financial Reporting Standards. The related party transactions entered into between the Group and entities controlled by the ultimate controlling parties and/or certain directors during the year as set out in notes 35(a)(i) and 35(a)(ii) to the consolidated financial statements also constitute connected transactions or continuing connected transactions but are exempt from the reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules due to the de minimis exemptions. The Company has complied with applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of the aforesaid related party transactions and save for these transactions, there are no other related party transactions set out in note 35 to the consolidated financial statements which constitute connected transactions or continuing connected transactions.

Compliance with Laws and Regulations

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

Compliance with the Model Code and the Corporate Governance Code

Please refer to the Corporate Governance Report set out on pages 50 to 64 for the compliance with the Model Code and the Corporate Governance Code.

Public Float

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

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

Auditor

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

Subsequent Events

Please refer to the "Management Discussion and Analysis" section set out on page 20 for the details of the subsequent events after the reporting period.

By order of the Board

Midea Real Estate Holding Limited

Hao Hengle

Chairman, Executive Director and President

Hong Kong, 24 March 2021

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Midea Real Estate Holding Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Midea Real Estate Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 181, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

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Key Audit Matters

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

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

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

Key audit matter

How our audit addressed the key audit matter

Recognition of revenue from sales of properties over time

Refer to note 4 'Critical accounting estimates and judgements' and note 5 'Revenue and segment information' to the consolidated financial statements.

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2020, revenue of the Group from sales of properties was RMB51,516,194,000, of which RMB9,813,758,000 was recognised on the over-time basis.

For all property sales, the Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of contracts and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.

To address this key audit matter, we performed audit procedures as follows:

In assessing the appropriateness of management's judgements as to whether the Group has the enforceable right to payment in those sales contracts where revenue is recognised over time, we have:

- Understood and evaluated management's procedures in identifying sales contracts with or without right to payment.
- Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms.
- Assessed the competence, experience and objectivity of the legal counsel engaged by the management.
- Obtained and reviewed the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment.

Key audit matter (Continued)

How our audit addressed the key audit matter (Continued)

Recognition of revenue from sales of properties over time (Continued)

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sales. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue from sales of properties over time is considered relatively higher due to uncertainty of significant assumptions used.

Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.

In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have:

- (i) Compared the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology.
- (ii) Understood, evaluated and tested the internal controls over the generation of cost data of the project and property unit and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.
- (iii) Challenged the reasonableness of the basis for cost allocation and checked the accuracy of the cost allocation among property units.
- (iv) Challenged the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas.
- (v) Compared the estimated total development costs of the project and property unit under development to the budget approved by management.
- (vi) Tested the development costs incurred by tracing to the supporting documents including the reports from external or internal supervising engineers, if any.
- (vii) Checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit.

We found that the significant judgements and estimations used in determining whether the Group has the enforceable right to payment, and the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end were supportable by available evidence.

Key audit matter (Continued)**How our audit addressed the key audit matter (Continued)****Assessment of net realisable value of properties under development and completed properties held for sale**

Refer to note 4 'Critical accounting estimates and judgements', note 19 'Properties under development' and note 20 'Completed properties held for sale' to the consolidated financial statements.

The properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to RMB149,906,042,000 and RMB12,781,184,000 respectively as at 31 December 2020, which in total accounted for approximately 57% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV"). Write-downs of RMB2,093,331,000 was made against the carrying amounts of the PUD and PHS as at 31 December 2020.

Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion as well, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of net realisable value of PUD and PHS is considered relatively higher due to uncertainty of significant assumptions used. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.

We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows:

- (i) Understood, evaluated and tested the internal controls over the assessment of net realisable value of properties under development and completed properties held for sale and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.
- (ii) Compared the actual selling price in current year of relevant PUD and PHS as at 31 December 2020, on a sample basis, against the result of management's net realisable value assessment made in the prior year to reconsider, with hindsight, the accuracy of management's historical NRV assessment and reliability and appropriateness of the NRV assessment methodology.
- (iii) Tested management's critical estimates, on a sample basis, for:
 - selling price which is estimated based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location.
 - variable selling expenses are estimated based on certain percentage of selling price, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years.
 - estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.
- (iv) Checked the mathematical accuracy of the calculation of the NRV and write-downs of PUD and PHS as at 31 December 2020.

We found the critical estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

Independent Auditor's Report (Continued)

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 March 2021

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	5	52,483,611	41,138,570
Cost of sales	6	(40,825,617)	(28,131,087)
Gross profit		11,657,994	13,007,483
Other income and gains — net	7	654,743	1,137,243
Selling and marketing expenses	6	(2,194,349)	(2,540,686)
Administrative expenses	6	(3,518,260)	(3,695,200)
Net impairment losses on financial assets		(68,407)	(5,578)
Operating profit		6,531,721	7,903,262
Finance income	9	687,591	206,040
Finance costs	9	—	(53,956)
Finance income — net	9	687,591	152,084
Share of results of joint ventures and associates	14	351,042	325,362
Profit before income tax		7,570,354	8,380,708
Income tax expenses	10	(2,744,856)	(4,054,099)
Profit for the year		4,825,498	4,326,609
Profit attributable to:			
Owners of the Company		4,326,482	4,305,164
Non-controlling interests		499,016	21,445
Total comprehensive income for the year		4,825,498	4,326,609
Total comprehensive income attributable to:			
Owners of the Company		4,326,482	4,305,164
Non-controlling interests		499,016	21,445
		4,825,498	4,326,609
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	11	3.52	3.61

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

Consolidated Balance Sheet

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	1,240,196	1,199,369
Investment properties	16	2,644,975	1,737,291
Right-of-use assets	17	387,217	529,632
Intangible assets	18	152,558	146,719
Properties under development	19	2,172,043	2,670,275
Investments in joint ventures	14(a)	12,511,758	6,074,679
Investments in associates	14(b)	6,824,011	4,685,994
Finance lease receivables		42,721	26,421
Deferred income tax assets	13	3,245,424	2,333,448
		29,220,903	19,403,828
Current assets			
Inventories		54,754	49,270
Contract assets and contract acquisition costs	5	1,634,864	1,496,830
Properties under development	19	147,733,999	142,697,242
Completed properties held for sale	20	12,781,184	8,767,493
Trade and other receivables	21	54,467,913	36,205,754
Prepaid taxes		9,977,138	12,244,457
Financial assets at fair value through profit or loss	22	1,096,084	1,913,355
Restricted cash	23	8,140,220	7,697,191
Term deposits with initial terms over three months	24	52,310	141,159
Cash and cash equivalents	24	18,595,105	19,097,265
		254,533,571	230,310,016
Total assets		283,754,474	249,713,844
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	25	7,654,595	9,465,989
Other reserves	26	2,803,116	1,875,120
Retained earnings	26	11,609,992	8,308,530
		22,067,703	19,649,639
Non-controlling interests		18,151,685	11,488,654
Total equity		40,219,388	31,138,293

Consolidated Balance Sheet (Continued)

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	28	9,286,080	8,049,059
Bank and other borrowings	29	37,099,339	37,466,454
Lease liabilities	17	176,113	199,662
Deferred income tax liabilities	13	1,088,402	1,548,454
		47,649,934	47,263,629
Current liabilities			
Contract liabilities	5	104,037,720	84,891,715
Corporate bonds	28	6,758,152	2,437,720
Bank and other borrowings	29	5,496,685	6,698,484
Lease liabilities	17	62,956	49,830
Trade and other payables	30	73,116,412	71,823,898
Current income tax liabilities		6,413,227	5,410,275
		195,885,152	171,311,922
Total liabilities		243,535,086	218,575,551
Total equity and liabilities		283,754,474	249,713,844

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

The financial statements on pages 84 to 181 were approved by the Board of Directors on 24 March 2021 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital and premium	Other reserves	Retained earnings	Total				
	RMB'000 (note 25)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2019	8,787,079	1,293,695	6,076,085	16,156,859	7,427,577	23,584,436		
Comprehensive income								
Profit for the year	-	-	4,305,164	4,305,164	21,445	4,326,609		
Total comprehensive income for the year	-	-	4,305,164	4,305,164	21,445	4,326,609		
Transactions with owners in their capacity as owners:								
Transfer to statutory reserves	-	790,716	(790,716)	-	-	-		
Disposal of subsidiaries	-	-	-	-	(2,017,038)	(2,017,038)		
Dividends paid to shareholders	-	-	(1,282,003)	(1,282,003)	-	(1,282,003)		
Non-controlling interests arising from business combination	-	-	-	-	199,391	199,391		
Acquisition of subsidiaries which do not contain a business	-	-	-	-	605,972	605,972		
Capital injections from non-controlling interests	-	-	-	-	5,731,301	5,731,301		
Placing of shares	678,910	-	-	678,910	-	678,910		
Acquisition of additional interests of subsidiaries	-	(209,223)	-	(209,223)	(486,086)	(695,309)		
Disposal of ownership interests in subsidiaries without change of control	-	(68)	-	(68)	6,092	6,024		
Total transactions with owners	678,910	581,425	(2,072,719)	(812,384)	4,039,632	3,227,248		
Balance at 31 December 2019	9,465,989	1,875,120	8,308,530	19,649,639	11,488,654	31,138,293		
Balance at 1 January 2020	9,465,989	1,875,120	8,308,530	19,649,639	11,488,654	31,138,293		
Comprehensive income								
Profit for the year	-	-	4,326,482	4,326,482	499,016	4,825,498		
Total comprehensive income for the year	-	-	4,326,482	4,326,482	499,016	4,825,498		
Transactions with owners in their capacity as owners:								
Transfer to statutory reserves	-	1,025,020	(1,025,020)	-	-	-		
Disposal of subsidiaries	37	-	-	-	(1,926,630)	(1,926,630)		
Dividends paid to shareholders	25	(1,811,394)	-	(1,811,394)	-	(1,811,394)		
Dividends payable to non-controlling interests	-	-	-	-	(88,313)	(88,313)		
Acquisition of subsidiaries which do not contain a business	-	-	-	-	77,817	77,817		
Capital injections from non-controlling interests	-	-	-	-	8,497,444	8,497,444		
Acquisition of equity interest in subsidiaries from non-controlling interests	34	-	(42,810)	(42,810)	(454,017)	(496,827)		
Disposal of ownership interests in subsidiaries without change of control	34	-	(54,214)	(54,214)	57,714	3,500		
Total transactions with owners	(1,811,394)	927,996	(1,025,020)	(1,908,418)	6,164,015	4,255,597		
Balance at 31 December 2020	7,654,595	2,803,116	11,609,992	22,067,703	18,151,685	40,219,388		

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	5,557,188	8,367,267
Income tax paid		(4,340,478)	(4,705,359)
Interest paid		(3,249,878)	(3,066,320)
Net cash (used in)/generated from operating activities		(2,033,168)	595,588
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		265,041	(354,604)
Proceeds from disposal of subsidiaries, net of cash disposed of	37	(853,386)	(1,711,149)
Purchases of property, plant and equipment		(22,734)	(200,922)
Purchases of land use right for own-used properties		–	(40,891)
Purchases of intangible assets	18	(24,861)	(48,682)
Investments in joint ventures	14(a)	(5,042,367)	(2,406,711)
Investments in associates		(2,697,629)	(3,801,015)
Proceeds from disposal of joint ventures and associates		448,239	6,394
Dividend received from joint ventures	14(a)	438,965	–
Advances to joint ventures and associates		(9,372,298)	(11,220,773)
Repayment of advances to joint ventures and associates		7,777,211	5,116,313
Proceeds from disposal of property, plant and equipment, investment properties and land use right for own-used properties	31	320,638	132,419
Decrease in term deposits with initial terms over three months		88,849	2,924,707
Payments for financial assets at fair value through profit or loss		(17,421,251)	(30,411,025)
Proceeds from disposal of financial assets at fair value through profit or loss		18,405,028	30,000,000
Interest received		441,426	206,040
Net cash used in investing activities		(7,249,129)	(11,809,899)
Cash flows from financing activities			
Capital injections from non-controlling interests		4,503,144	5,731,301
Net proceeds from placing of shares		–	678,910
Payments for acquisition of additional interests in subsidiaries		(21,922)	(267,082)
Proceeds from disposal of ownership interests in subsidiaries without loss of control	34	3,500	6,024
Proceeds from bank and other borrowings	31	37,482,991	36,831,030
Repayments of bank and other borrowings	31	(35,476,000)	(31,611,718)
Proceeds from corporate bonds	31	7,980,557	8,042,764
Advanced payments for redemption of corporate bonds repayment		(1,000,000)	–
Repayment of corporate bonds	31	(2,440,000)	(3,500,000)
Principal elements of lease payments	31	(71,659)	(89,709)
Cash advances with related parties controlled by the Ultimate Controlling Parties, net	31	(339,969)	303,273
Dividends paid to shareholders		(1,811,394)	(1,282,003)
Dividends paid to non-controlling interests	27	(5,313)	–
Net cash generated from financing activities		8,803,935	14,842,790
Net (decrease)/increase in cash and cash equivalents		(478,362)	3,628,479
Cash and cash equivalents at beginning of the year		19,097,265	15,439,152
Exchange (losses)/gains on cash and cash equivalents		(23,798)	29,634
Cash and cash equivalents at end of the year	24	18,595,105	19,097,265

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

Notes to the Consolidated Financial Statements

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, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

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

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

These consolidated financial statements for the year ended 31 December 2020 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2021.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(ii) Historical cost convention

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2020:

- Definition of Material — amendments to HKAS 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The adoption of the new and amended standards listed above did not have a material impact on or are not relevant to the Group.

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

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

		Effective for the financial year beginning on or after
Amendment to HKFRS 16	Covid-19 — related rent concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	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
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	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

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

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (note 2.2.4), after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Interests in joint ventures are accounted for using the equity method (note 2.2.4), after initially being recognised at cost in the consolidated balance sheet.

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

2.2.5 Changes in equity interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. Summary of significant accounting policies (Continued)

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

2. Summary of significant accounting policies (Continued)

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20–35 years
Furniture and equipment	5 years
Vehicles, machinery and others	3–10 years

The leasehold improvements and certain leased plant and equipment are depreciated over the shorter of their useful life or the lease term, unless the Group expects to use the assets beyond the lease term.

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

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

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

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

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

2.8 Intangible assets

(a) Computer software

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

(b) Research and development expenditures

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

- it is technically feasible to complete the development of prefabricated construction related technologies so that it will be available for use
- management intends to complete the development of prefabricated construction related technologies and use or sell it
- there is an ability to use or sell the prefabricated construction related technologies
- it can be demonstrated how the prefabricated construction related technologies will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the prefabricated construction related technologies are available, and
- the expenditure attributable to the prefabricated construction related technologies during its development can be reliably measured.

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

Capitalised development costs are recorded as intangible assets and amortised when the asset is ready for use on a straight-line basis over their estimated useful lives of 10–20 years.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(c) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.9 Investment properties

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

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

2.10 Impairment of non-financial assets

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

2. Summary of significant accounting policies (Continued)

2.11 Properties under development

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

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

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

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

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets.

2.12 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2. Summary of significant accounting policies (Continued)

2.13 Financial assets

2.13.1 Classification

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

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

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

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

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

2.13.2 Recognition and measurement

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

2. Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

2.13.2 Recognition and measurement (Continued)

Equity instruments

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

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

2.14 Offsetting financial instruments

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

2.15 Impairment of financial assets

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.16 Inventories

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

2.17 Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 21 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the group's impairment policies.

2.18 Contract assets, contract acquisition costs and contract liabilities

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

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

2.19 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheet. Restricted cash are excluded from cash and cash equivalents.

2.20 Share capital

Ordinary shares are classified as equity.

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

2.21 Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

2. Summary of significant accounting policies (Continued)

2.22 Government grants

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

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

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

2.23 Trade and other payables

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

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

2.24 Borrowings

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.25 Borrowing costs

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

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

2.26 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

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

2. Summary of significant accounting policies (Continued)

2.26 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Oneland or other investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.27 Employee benefits

(a) Pension obligations

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

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

2. Summary of significant accounting policies (Continued)

2.27 Employee benefits (Continued)

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

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

(c) Termination benefits

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

(d) Employee leave entitlements

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

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

2.28 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2. Summary of significant accounting policies (Continued)

2.29 Revenue recognition

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

(a) Sales of properties

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

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

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

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

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

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

(b) Property management

The Group bills a fixed amount for property management services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

2. Summary of significant accounting policies (Continued)

2.29 Revenue recognition (Continued)

(c) Investment and operation of commercial properties

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

Property lease income

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

Hotel operations

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

Cultural-tourism project

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

2.30 Management and consulting services income

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

2.31 Interest income

Interest income is recognised using the effective interest method.

2.32 Dividend income

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

2.33 Leases

(i) The Group as the lessee

Leases of property, plant and equipment are recognised as a right-of-use asset or investment properties and a corresponding liability at the date at which the leased asset is available for use by the Group. In addition, land use rights to be developed for hotel properties and self-use buildings, which are stated at cost and subsequently amortised in the profit or loss on a straight-line basis over the operating lease periods, are recognised as right-of-use for land.

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

2. Summary of significant accounting policies (Continued)

2.33 Leases (Continued)

(i) The Group as the lessee (Continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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

2. Summary of significant accounting policies (Continued)

2.33 Leases (Continued)

(i) The Group as the lessee (Continued)

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

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

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

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

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

(ii) The Group as the lessor

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

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

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

2. Summary of significant accounting policies (Continued)

2.33 Leases (Continued)

(ii) The Group as the lessor (Continued)

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

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

(iii) Sublease

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

- if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be classified as an operating lease
- otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (for example, the item of property, plant or equipment that is the subject of the lease).

2.34 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.35 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments' and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

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

3. Financial risk management

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

3.1 Financial risk factors

3.1.1 Foreign exchange risk

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

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

Assets	As at 31 December	
	2020 RMB'000	2019 RMB'000
HKD	191,079	408,441
USD	122,707	32,328
	313,786	440,769

Liabilities	As at 31 December	
	2020 RMB'000	2019 RMB'000
HKD	2,941,768	2,181,762
USD	249,459	–
	3,191,227	2,181,762

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Foreign exchange risk (Continued)

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net foreign exchange (losses)/gains included in other gains — net	(43,153)	24,210
Exchange gains/(losses) on foreign currency borrowings included in finance income — net	246,165	(53,956)
Total net foreign exchange gains/(losses) recognised in profit before income tax for the year	203,012	(29,746)

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

	Change of post-tax profit increase/(decrease)	
	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
RMB against HKD:		
Strengthened by 5%	137,534	88,666
Weakened by 5%	(137,534)	(88,666)
RMB against USD:		
Strengthened by 5%	6,912	(1,286)
Weakened by 5%	(6,912)	1,286

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Cash flow and fair value interest rate risks

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

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

As at 31 December 2020, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB29,169,648,000 (2019: RMB34,092,043,000). As at 31 December 2020, if interest rates on borrowings at floating rates had been 50 basis points higher or lower with all other variables held constant and without taking into account interest capitalisation, interest charges for the year ended 31 December 2020 would increase/decrease by approximately RMB145,848,000 (2019: RMB170,460,000).

3.1.3 Credit risk

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

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

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

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

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

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

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

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

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

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

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

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

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

(i) Trade receivables and contract assets

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and invoice dates. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The historical loss rates for each aging bucket are derived base on the probability of a receivable progressing through successive stages of delinquency to write-off. The historical loss rates are adjusted to expected loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivables.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

(i) Trade receivables and contract assets (Continued)

Expected loss rate of current contract assets and trade receivables from related parties are assessed to be 0.5%. As at 31 December 2020, the loss allowance provision for these balances was not material.

The loss allowance provision as at 31 December 2020 and 2019 is determined as follows, the expected credit losses below also incorporate forward looking information.

	Within 90 days	Over 90 days and within 180 days	Over 180 days and within 365 days	Over 365 days	Total
Trade receivables (excluding receivables from related parties)					
At 31 December 2020					
Expected loss rate	0.50%	5.00%	10.00%	11%–100%	–
Gross carrying amount (RMB'000)	784,183	71,212	22,476	238,087	1,115,958
Loss allowance provision (RMB'000)	3,921	3,561	2,248	26,704	36,434
Trade receivables (excluding receivables from related parties)					
At 31 December 2019					
Expected loss rate	0.50%	5.00%	10.00%	12%–100%	–
Gross carrying amount (RMB'000)	818,318	44,070	13,026	217,576	1,092,990
Loss allowance provision (RMB'000)	4,092	2,204	1,303	26,320	33,919

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

(i) Trade receivables and contract assets (Continued)

The loss allowance provision for trade receivables from third parties as at 31 December 2020 and 2019 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables (excluding receivables from related parties)
	RMB'000
At 1 January 2019	44,136
Reversal for loss allowance recognised in profit or loss	(10,217)
At 31 December 2019	33,919
At 1 January 2020	33,919
Provision for loss allowance recognised in profit or loss	2,515
At 31 December 2020	36,434

For the years ended 31 December 2020 and 2019, the reversal/provision for loss allowances were recognised in profit or loss in net impairment losses on financial assets in relation to the impaired trade receivables.

As at 31 December 2020, the gross carrying amount of trade receivables excluding receivables from related parties was RMB1,115,958,000 (2019: RMB1,092,990,000), and thus the maximum exposure to loss was RMB1,079,524,000 (2019: RMB1,059,071,000).

(ii) Other receivables

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

As at 31 December 2020 and 2019, the internal credit rating of other receivables from related parties and non-controlling interests were performing. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised as at 31 December 2020 and 2019.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

(ii) Other receivables (Continued)

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

	Other receivables (excluding prepayments, deposits, amounts due from non-controlling interests and receivables from related parties)
	RMB'000
At 1 January 2019	54,678
Provision for loss allowance recognised in profit or loss	15,795
At 31 December 2019	70,473
At 1 January 2020	70,473
Provision for loss allowance recognised in profit or loss	65,892
At 31 December 2020	136,365

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

For the years ended 31 December 2020 and 2019, the provision for loss allowances were recognised in profit or loss in net impairment losses on financial assets in relation to the impaired other receivables.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

(ii) Other receivables (Continued)

As at 31 December 2020 and 2019, the maximum exposure to loss of other receivables from third parties, related parties and non-controlling interests were as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Amounts due from related parties	25,492,174	16,275,460
Amounts due from non-controlling interests	9,834,275	8,162,999
Amounts due from third parties (including deposits and others)	13,376,350	5,993,326
	48,702,799	30,431,785

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

3.1.4 Liquidity risk

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

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

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.4 Liquidity risk (Continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Corporate bonds	7,237,929	5,656,077	4,014,148	–	16,908,154
Bank and other borrowings	7,877,550	24,916,319	14,727,172	2,078,847	49,599,888
Trade and other payables (excluding salaries payable and other taxes payable)	70,178,052	–	–	–	70,178,052
Financial guarantee	80,768,781	5,792,113	5,397,110	376,080	92,334,084
Lease liabilities	65,198	53,561	92,608	29,671	241,038
	166,127,510	36,418,070	24,231,038	2,484,598	229,261,216

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

3. Financial risk management (Continued)

3.2 Capital management

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

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

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total borrowings (notes 28 and 29)	58,640,256	54,651,717
Less: cash and cash equivalents (note 24)	(18,595,105)	(19,097,265)
term deposits with initial terms over three months (note 24)	(52,310)	(141,159)
restricted cash (note 24)	(8,140,220)	(7,697,191)
Net borrowings	31,852,621	27,716,102
Total equity	40,219,388	31,138,293
Gearing ratio	79%	89%

Decrease in gearing ratio as at 31 December 2020 was mainly due to increases in retained earnings and non-controlling interests.

3. Financial risk management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 and 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
At 31 December 2020				
Financial assets at FVPL (note 22)	–	1,096,084	–	1,096,084
At 31 December 2019				
Financial assets at FVPL (note 22)	61,304	1,852,051	–	1,913,355

(i) Financial instruments in level 2

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

(ii) Estimates for fair value of investment properties

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

3. Financial risk management (Continued)

3.4 Financial instruments by category

	At 31 December 2020		
	Assets at FVPL RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated balance sheet			
Trade and other receivables (excluding prepayments) (note 21)	–	50,024,441	50,024,441
Restricted cash (note 24)	–	8,140,220	8,140,220
Cash and cash equivalents (note 24)	–	18,595,105	18,595,105
Term deposits with initial terms over three months (note 24)	–	52,310	52,310
Financial assets at FVPL (note 22)	1,096,084	–	1,096,084
Finance lease receivable	–	42,721	42,721
Total	1,096,084	76,854,797	77,950,881

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

3. Financial risk management (Continued)

3.4 Financial instruments by category (Continued)

	At 31 December 2020		
	Liabilities at amortised cost RMB'000	Liabilities at FVPL RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
Corporate bonds (note 28)	16,044,232	–	16,044,232
Bank and other borrowings (note 29)	42,596,024	–	42,596,024
Trade and other payables (excluding other taxes payable and salaries payable) (note 30)	70,178,052	–	70,178,052
Lease liabilities (note 17)	239,069	–	239,069
Total	129,057,377	–	129,057,377

	At 31 December 2019		
	Liabilities at amortised cost RMB'000	Liabilities at FVPL RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
Corporate bonds (note 28)	10,486,779	–	10,486,779
Bank and other borrowings (note 29)	44,164,938	–	44,164,938
Trade and other payables (excluding other taxes payable and salaries payable) (note 30)	66,313,109	–	66,313,109
Lease liabilities (note 17)	249,492	–	249,492
Total	121,214,318	–	121,214,318

4. Critical accounting estimates and judgments

(a) Revenue recognition

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

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

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

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's assessment, write-downs of RMB2,093,331,000 was made against the carrying amounts of properties under development and completed properties held for sale as at 31 December 2020 (31 December 2019: RMB1,611,166,000).

(c) Estimates for fair value of investment properties

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

4. Critical accounting estimates and judgments (Continued)

(d) Income taxes and deferred taxation

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

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

(e) PRC land appreciation tax (“LAT”)

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

5. Revenue and segment information

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

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

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

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

5. Revenue and segment information (Continued)

Revenue of the Group for each of the years ended 31 December 2020 and 2019 is analysed as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Property development and sales	51,516,194	40,430,577
Property management services	776,285	485,419
Investment and operation of commercial properties		
— Property lease income	82,337	84,809
— Hotel operation	8,642	11,074
— Cultural-tourism project	100,153	126,691
	52,483,611	41,138,570

Represented by:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue from property development and sales:		
— Recognised at a point in time	41,702,436	28,886,751
— Recognised over time	9,813,758	11,543,826
	51,516,194	40,430,577
Revenue from rendering of services:		
— Recognised over time	885,080	623,184
Revenue from other sources:		
— Property lease income	82,337	84,809
	52,483,611	41,138,570

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

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

5. Revenue and segment information (Continued)**(a)** Details of contract assets and contract acquisition costs:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract assets related to property development and sales (i)	887,881	972,568
Contract acquisition costs (ii)	746,983	524,262
Total contract assets and contract acquisition costs	1,634,864	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. Contract assets are comparable to that of last year.
- (ii) Management expects the contract acquisition costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sales contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amounts of amortisation were RMB411,963,000 for the year ended 31 December 2020 (2019: RMB302,669,000). There was no impairment loss in relation to the costs capitalised.

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities	104,037,720	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 increase in contract liabilities during the year was mainly attributable to the increase in the Group's contracted sales.

As at 31 December 2020, RMB9,308,048,000 (2019: RMB7,499,890,000) of value-added-taxes on advances from customers relating to contracted sales were recognised in other taxes payable.

5. Revenue and segment information (Continued)**(b) Contract liabilities (Continued)**

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
Property development and sales	38,279,970	27,677,998

(c) Unsatisfied contracts related to property development and sales

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Expected to be recognised within one year	64,705,853	51,019,872
Expected to be recognised after one year	53,058,164	45,061,689
	117,764,017	96,081,561

The unsatisfied contracts amounts of RMB64,705,853,000 as at 31 December 2020 expected to be recognised within one year was calculated based on the Group's pre-sales contracts signed up to 31 December 2020.

- (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 types of contracts. The majority of the property management service contracts do not have a fixed term.

6. Expenses by nature

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of property development and sales—including construction cost, land cost, capitalised interest expenses	39,733,573	27,114,948
Employee benefit expenses (note 8)	2,269,095	2,313,818
Marketing and advertising expenses	1,116,617	1,493,447
Write-downs of properties under development and completed properties held for sale	1,038,877	1,288,388
Amortisation of contract acquisition costs (note 5(a))	411,963	302,669
Bank charges	300,476	221,014
Taxes and surcharges	377,815	378,793
Travelling and entertainment expenses	141,502	192,935
Office expenses	87,115	158,569
Professional service and consulting fees	217,037	91,870
Depreciation and amortisation	207,430	208,160
Auditor's remuneration	7,822	8,125
— Annual audit services	6,600	7,100
— Non-audit services	1,222	1,025
Others	628,904	594,237
Total	46,538,226	34,366,973

7. Other income and gains — net

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Other income		
Management and consulting service income	319,500	204,897
Government subsidy income	61,813	69,791
Compensation income (note(a))	70,919	311,949
	452,232	586,637
Other gains — net		
Realised and unrealised gains on financial assets at FVPL	166,506	245,832
Gains arising from changes in fair value of and transfer to investment properties (note 16)	27,739	198,450
Gains on disposal of subsidiaries (note 37)	42,051	—
(Losses)/gains on disposal of joint ventures and associates	(3,475)	3,406
Losses on disposal of property, plant and equipment and investment properties	(521)	(735)
Net foreign exchange (losses)/gains	(43,153)	24,210
Others	13,364	79,443
	202,511	550,606
Other income and gains — net	654,743	1,137,243

(a) It mainly represented the compensation income from construction parties who failed to fulfil its obligation under construction agreement entered into with the Group.

8. Employee benefit expenses

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages, salaries and bonuses and other benefits	2,933,565	2,888,273
Pension costs — statutory pension	19,761	193,726
	2,953,326	3,081,999
Less: amounts capitalised in properties under development	(684,231)	(768,181)
	2,269,095	2,313,818

8. Employee benefit expenses (Continued)

(a) Pensions scheme — defined contribution plans

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

(b) Five highest paid individuals

For the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group included 1 director (2019: 1), whose emoluments are reflected in the analysis in note 39 below. The emoluments payable to the remaining 4 individuals during the year (2019: 4) are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages, salaries and bonuses and other benefits	22,278	15,857
Pension costs — statutory pension	196	122
	22,474	15,979

The emoluments fell within the following bands:

Emolument band	Number of Individuals Year ended 31 December	
	2020	2019
HKD4,000,001–4,500,000	–	2
HKD4,500,001–5,000,000	–	1
HKD5,000,001–5,500,000	1	1
HKD5,500,001–6,000,000	1	–
HKD6,500,001–7,000,000	1	–
HKD7,500,001–8,000,000	1	–

During the years ended 31 December 2020 and 2019, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Finance income — net

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Finance costs		
— Interest expenses		
— Bank and other borrowings	(2,342,886)	(2,930,254)
— Corporate bonds	(753,060)	(597,562)
— Lease liabilities (note 17)	(15,273)	(15,493)
	(3,111,219)	(3,543,309)
Less:		
— Capitalised interest	3,111,219	3,543,309
	—	—
— Net foreign exchange losses on financing activities	—	(53,956)
	—	(53,956)
Finance income		
— Interest income	441,426	206,040
— Net foreign exchange gains on financing activities	246,165	—
	687,591	206,040
Finance income — net	687,591	152,084

10. Income tax expenses

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax:		
— Corporate income tax	2,844,669	2,916,901
— LAT	1,315,125	2,706,179
	4,159,794	5,623,080
Deferred income tax (note 13)		
— Corporate income tax	(1,414,938)	(1,568,981)
	2,744,856	4,054,099

10. Income tax expenses (Continued)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	7,570,354	8,380,708
Tax calculated at PRC corporate income tax rate of 25%	1,892,589	2,095,177
Effects of share of post-tax results of joint ventures and associates	(87,761)	(81,341)
Different tax rates applicable to certain subsidiaries of the Group	(45,438)	(76,590)
Income not subject to tax	(38,148)	–
Expenses not deductible for tax	22,525	51,962
LAT deductible for calculation of income tax purpose	(328,781)	(676,545)
Tax losses for which no deferred income tax assets were recognised	14,745	35,257
LAT	1,315,125	2,706,179
Income tax expenses	2,744,856	4,054,099

Note:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) The general corporate income tax rate in PRC is 25%. Certain subsidiaries of the Group in the PRC are either supported by Western Development Strategy or qualified as "High and New Technology Enterprise" and thus subject to a preferential income tax rate of 15%.
- (c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales property development and sales less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The overseas holding company had successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax had been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

As at 31 December 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 RMB11,946,794,000 (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 best estimates of the Group's overseas funding requirements.

11. Earnings per share

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000):	4,326,482	4,305,164
Weighted average number of ordinary shares in issue (thousands)	1,230,567	1,192,649
Earnings per share — Basic (RMB per share)	3.52	3.61

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

12. Dividends

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Dividends	1,653,134	1,788,910

The board of directors has recommended the payment of a final dividend of HK\$1.60 per share for the year ended 31 December 2020 (2019: HK\$1.60 per share). Subject to the approval of the shareholders of the Company at the annual general meeting, the proposed final dividend will be paid on or about 29 July 2021 to the shareholders whose names appear on the register of members of the Company on 23 June 2021.

13. Deferred income tax

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deferred tax assets		
— to be realised within 12 months	1,309,628	965,663
— to be realised after more than 12 months	2,432,167	1,793,373
	3,741,795	2,759,036
Deferred tax liabilities		
— to be realised within 12 months	443,737	552,732
— to be realised after more than 12 months	1,141,036	1,421,310
	1,584,773	1,974,042
	2,157,022	784,994

13. Deferred income tax (Continued)**(i) Deferred income tax assets**

The movement of deferred income tax assets is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Beginning of the year	2,759,036	1,867,303
Disposal of subsidiaries (note 37)	(42,910)	(58,952)
Recognised in profit or loss	1,025,669	950,685
End of the year	3,741,795	2,759,036
Offsetting with deferred tax liabilities	(496,371)	(425,588)
Net deferred tax assets	3,245,424	2,333,448

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

Movements	Tax losses RMB'000	Deductible temporary differences of expenses and cost of sales	Impairment of assets RMB'000	Elimination of unrealised profits RMB'000	Deferred income RMB'000	Accrued land appreciation	Lease liabilities RMB'000	Total RMB'000
		RMB'000				RMB'000		
At 31 December 2018	953,313	16,667	115,322	39,466	40,123	702,412	-	1,867,303
Disposal of subsidiaries	(58,742)	-	(15)	-	-	(195)	-	(58,952)
Recognised in profit or loss	285,650	-	312,839	(8,848)	(14,567)	373,420	2,191	950,685
At 31 December 2019	1,180,221	16,667	428,146	30,618	25,556	1,075,637	2,191	2,759,036
Disposal of subsidiaries (note 37)	(42,910)	-	-	-	-	-	-	(42,910)
Recognised in profit or loss	771,386	-	130,103	10,501	(6,551)	117,983	2,247	1,025,669
At 31 December 2020	1,908,697	16,667	558,249	41,119	19,005	1,193,620	4,438	3,741,795

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. At 31 December 2020, the Group did not recognise deferred income tax assets of RMB66,833,000 (2019: RMB52,088,000) in respect of losses amounting to RMB267,332,000 (2019: RMB208,352,000) that can be carried forward to offset against future taxable income. These tax losses will expire up to and including year 2025 (2019: 2024).

13. Deferred income tax (Continued)**(ii) Deferred income tax liabilities**

The movement of deferred income tax liabilities is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Beginning of the year	1,974,042	2,509,495
Acquisition of subsidiaries	–	145,601
Disposal of subsidiaries (note 37)	–	(62,758)
Recognised in profit or loss	(389,269)	(618,296)
End of the year	1,584,773	1,974,042
Offsetting with deferred tax assets	(496,371)	(425,588)
Net deferred tax liabilities	1,088,402	1,548,454

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

Movements	Valuation surplus of properties under development RMB'000	Fair value gains on investment properties RMB'000	Recognition of contract revenue and contract costs over time RMB'000	Withholding income tax on profits to be distributed in future RMB'000	Total RMB'000
At 31 December 2018	1,071,372	17,023	1,371,100	50,000	2,509,495
Acquisition of subsidiaries	145,601	–	–	–	145,601
Disposal of subsidiaries	(54,220)	–	(8,538)	–	(62,758)
Recognised in profit or loss	(88,324)	49,613	(579,585)	–	(618,296)
At 31 December 2019	1,074,429	66,636	782,977	50,000	1,974,042
Recognised in profit or loss	(301,939)	14,645	(101,975)	–	(389,269)
At 31 December 2020	772,490	81,281	681,002	50,000	1,584,773

Notes to the Consolidated Financial Statements (Continued)

14(a). Investments in joint ventures

The movement of investments in joint ventures are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At 1 January	6,074,679	1,023,571
Transfer from investments in subsidiaries (note 37)	1,188,747	2,233,032
Transfer from investments in associates (note 14(b))	947,806	–
Dividend received from joint ventures	(438,965)	–
Other additions	5,042,367	2,486,785
Transfer to investments in subsidiaries	(54,814)	–
Transfer to investment in an associate (note 14(b))	(240,500)	–
Disposal	(451,714)	(546)
Share of results	444,152	331,837
At 31 December	12,511,758	6,074,679

Set out below is the particular of the joint venture which is material to the Group as at 31 December 2020:

	Place of incorporation and operation	Principle activities	As at 31 December 2020
Shaoxing Zhixu Enterprise Management Co., Ltd. * 紹興智旭企業管理 有限責任公司 (“Shaoxing Zhixu”)	Shaoxing, PRC	Property Development	50%

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

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

Set out below are the summarised financial information for Shaoxing Zhixu.

Summarised balance sheets

	As at/Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Assets		
Current assets		
Cash and cash equivalents	104,248	—
Trade and other receivables	1,480,104	—
Properties under development	2,695,022	—
Prepaid taxes	7,563	—
	4,286,937	—
Non-current assets		
Property, plant and equipment	133	—
Total assets	4,287,070	—
Liabilities		
Current liabilities		
Contract liabilities	62,828	—
Trade and other payables	273,842	—
	336,670	—
Non-current liabilities		
Bank and other borrowings	1,430,000	—
Total liabilities	1,766,670	—
Net assets	2,520,400	—
Reconciliation to carrying amounts:		
Opening net assets	—	—
Additions	2,522,000	—
Loss for the year	(1,600)	—
Closing net assets	2,520,400	—
Group's share in %	50%	—
Group's share of carrying amounts	1,260,200	—

Summarised statement of comprehensive income

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Selling and marketing expenses	(1,115)	—
Administrative expenses	(906)	—
Other gains — net	421	—
Loss and total comprehensive loss for the year	(1,600)	—

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

Summarised statement of comprehensive income (Continued)

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

	As at/Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Carrying amounts in the consolidated balance sheet	11,251,558	6,074,679
Share of results for the year	444,952	331,837
Share of total comprehensive income for the year	444,952	331,837

As at 31 December 2020 and 2019, there were no significant commitments relating to the Group's interests in the joint ventures, while certain borrowings of the joint ventures were guaranteed by the Group (note 32).

14(b). Investments in associates

The movement of investments in associates is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balances	4,685,994	841,896
Transfer from investment in a subsidiary (note 37)	44,804	–
Transfer from investment in a joint venture (note 14(a))	240,500	–
Other additions	2,893,629	3,853,015
Transfer to investments in joint ventures (note 14(a))	(947,806)	–
Disposal	–	(2,442)
Share of results	(93,110)	(6,475)
Ending balances	6,824,011	4,685,994

None of the associates is material to the Group as at 31 December 2020.

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

	As at/Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Carrying amounts in the consolidated balance sheet	6,824,011	4,685,994
Share of results for the year	(93,110)	(6,475)
Share of total comprehensive loss for the year	(93,110)	(6,475)

15. Property, plant and equipment

	Buildings RMB'000	Furniture and equipment RMB'000	Vehicles and machinery RMB'000	Construction in progress RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019						
Cost	679,473	121,829	29,097	69,214	71,354	970,967
Accumulated depreciation	(53,301)	(38,331)	(16,429)	–	(26,194)	(134,255)
Net book amount	626,172	83,498	12,668	69,214	45,160	836,712
Year ended 31 December 2019						
Opening net book amount	626,172	83,498	12,668	69,214	45,160	836,712
Transfer from properties under development	117,626	–	–	–	–	117,626
Internal transfer	276,785	34,541	–	(311,326)	–	–
Other additions	892	63,605	4,000	270,222	14,203	352,922
Other disposals	(18,060)	(1,137)	(1,306)	–	–	(20,503)
Depreciation	(36,115)	(19,286)	(10,403)	–	(21,584)	(87,388)
Closing net book amount	967,300	161,221	4,959	28,110	37,779	1,199,369
At 31 December 2019						
Cost	1,056,716	218,838	31,791	28,110	85,557	1,421,012
Accumulated depreciation	(89,416)	(57,617)	(26,832)	–	(47,778)	(221,643)
Net book amount	967,300	161,221	4,959	28,110	37,779	1,199,369
Year ended 31 December 2020						
Opening net book amount	967,300	161,221	4,959	28,110	37,779	1,199,369
Transfer from properties under development	206,091	–	–	–	–	206,091
Internal transfer	–	–	–	(83,281)	83,281	–
Other additions	2,215	38,374	2,845	72,299	11,932	127,665
Other disposals	(169,158)	(11,988)	(128)	(605)	(4,728)	(186,607)
Depreciation	(40,946)	(42,233)	(3,611)	–	(19,532)	(106,322)
Closing net book amount	965,502	145,374	4,065	16,523	108,732	1,240,196
At 31 December 2020						
Cost	1,095,864	245,224	34,508	16,523	176,042	1,568,161
Accumulated depreciation	(130,362)	(99,850)	(30,443)	–	(67,310)	(327,965)
Net book amount	965,502	145,374	4,065	16,523	108,732	1,240,196

15. Property, plant and equipment (Continued)

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Selling and marketing expenses	6,033	8,580
Administrative expenses	65,372	53,653
Cost of sales	22,591	17,816
Properties under development	12,326	7,339
	106,322	87,388

As at 31 December 2020, buildings with net book value of RMB31,318,000 (2019: RMB62,973,000), were pledged as collateral for the Group's bank and other borrowings (note 29).

As at 31 December 2020, title certificates of certain buildings with net book value of RMB315,309,000 (2019: RMB450,855,000), were to be obtained.

16. Investment properties

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening net book amount at 1 January	1,737,291	749,350
Transfer from completed properties held for sale	844,803	878,569
Other additions	64,840	23,573
Revaluation gains upon transfer from completed properties held for sale	47,897	217,830
Fair value changes	(20,158)	(19,380)
Disposals	(29,698)	(112,651)
Closing net book amount	2,644,975	1,737,291
Gains arising from changes in fair value of and transfer to investment properties represent:		
— revaluation gains upon transfer from completed properties held for sale	47,897	217,830
— fair value changes	(20,158)	(19,380)
	27,739	198,450

16. Investment properties (Continued)

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

As at 31 December 2020, title certificates of buildings with net book value of RMB196,690,000 (2019: RMB1,105,870,000) were still to be obtained.

Valuation processes of the Group

A valuation of the Group's investment properties as at 31 December 2020 and 2019 was carried out by an independent and professionally qualified valuer, Jones Lang LaSalle, who holds a recognised relevant professional qualification and has recent experience in the locations and nature of the investment properties being valued. For all investment properties, their current use equates the highest and best use.

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

At each financial year end, management:

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

Valuation techniques

Valuations are based on:

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

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

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

	Fair value as at 31 December 2020	Valuation techniques	Unobservable inputs	Range of unobservable inputs
	RMB'000			
Completed investment properties	2,644,975	Income capitalisation	The rate of return/ capitalisation rate	3%–6%
			Monthly rental (RMB/square meter/month)	2.00–173
			Vacancy rate	3%–70%

16. Investment properties (Continued)

Valuation techniques (Continued)

Relationships of unobservable inputs to fair value are as follows:

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

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Rental income	59,269	24,511
Direct operating expenses	(24,768)	(14,363)
	34,501	10,148

As at 31 December 2020, investment properties with fair value of RMB1,292,775,000 (2019: RMB361,814,000) were pledged as collateral for the Group's bank and other borrowings (note 29).

Leasing arrangements

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

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

Minimum lease payments receivable on leases of investment properties are included in note 33.

17. Leases**(i) Amounts recognised in the consolidated balance sheet**

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Right-of-use assets		
Right-of-use for land	280,486	397,598
Properties	102,996	118,257
Motor vehicles	2,300	9,244
Others	1,435	4,533
Total right-of-use assets	387,217	529,632
Lease liabilities		
Current	62,956	49,830
Non-current	176,113	199,662
Total lease liabilities	239,069	249,492

Additions to the right-of-use assets during the year ended 31 December 2020 were RMB63,899,000 (2019: RMB85,776,000). Disposal of the right-of-use for land during the year ended 31 December 2020 were RMB111,902,000 (2019: nil). Right-of-use for land were located in the PRC and were held on leases of between 40 to 70 years.

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

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation and amortisation of right-of-use assets		
Right-of-use for land	12,258	6,449
Properties	67,200	87,665
Motor vehicles	4,376	10,218
Others	10,578	13,128
	94,412	117,460
Interest expense (included in finance costs) (note 9)	15,273	15,493

The total cash outflow for leases for the year ended 31 December 2020 was RMB86,932,000 (2019: RMB105,202,000).

18. Intangible assets

	Customer relationships RMB'000	Computer software and others RMB'000	Goodwill RMB'000	Total RMB'000
Year ended 31 December 2019				
Opening net book amount	–	35,084	–	35,084
Acquisition of subsidiaries	11,642	–	61,962	73,604
Other additions	–	48,682	–	48,682
Amortisation	(485)	(10,166)	–	(10,651)
Closing net book amount	11,157	73,600	61,962	146,719
At 31 December 2019				
Cost	11,642	100,454	61,962	174,058
Accumulated amortisation	(485)	(26,854)	–	(27,339)
Net book amount	11,157	73,600	61,962	146,719
Year ended 31 December 2020				
Opening net book amount	11,157	73,600	61,962	146,719
Additions	–	24,861	–	24,861
Amortisation	(1,261)	(17,761)	–	(19,022)
Closing net book amount	9,896	80,700	61,962	152,558
At 31 December 2020				
Cost	11,642	125,315	61,962	198,919
Accumulated amortisation	(1,746)	(44,615)	–	(46,361)
Net book amount	9,896	80,700	61,962	152,558

Amortisation of intangible assets has been charged to administrative expenses.

19. Properties under development

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Properties under development expected to be completed:		
— Within normal operating cycle included under current assets	147,733,999	142,697,242
— Beyond normal operating cycle included under non-current assets	2,172,043	2,670,275
	149,906,042	145,367,517
Properties under development comprise:		
— Construction costs	34,688,055	33,482,853
— Land use rights	109,624,214	107,210,641
— Capitalised interest expenses	7,362,303	6,177,634
	151,674,572	146,871,128
Less: write-down	(1,768,530)	(1,503,611)
	149,906,042	145,367,517

Properties under development were all located in the PRC.

Cost of sales for the year included RMB1,866,452,000 (2019: RMB973,172,000) of costs brought forward from prior year to fulfil those contracts revenue of which was recognised over time.

At 31 December 2020, properties under development included the costs to fulfil those contracts, revenue of which was recognised over time, amounted to RMB1,834,967,000 (2019: RMB2,176,406,000).

The amounts of RMB81,531,845,000 as at 31 December 2020 (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 6.47% for the year ended 31 December 2020 (2019: 6.07%).

As at 31 December 2020, properties under development with net book value of RMB45,773,767,000 (2019: RMB45,395,676,000), were pledged as collateral for the Group's bank and other borrowings (note 29).

20. Completed properties held for sale

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Completed properties held for sale	13,105,985	8,875,048
Less: write-down	(324,801)	(107,555)
	12,781,184	8,767,493

The completed properties held for sale were all located in the PRC.

As at 31 December 2020, completed properties held for sale with net book value of RMB8,056,000 (2019: RMB392,111,000), were pledged as collateral for the Group's bank and other borrowings (note 29).

21. Trade and other receivables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Included in current assets:		
Trade receivables — net (note (a))	1,321,642	1,203,717
Other receivables — net (note (b))	48,702,799	30,431,785
Prepayments for land use rights (note (c))	2,673,252	3,744,866
Advanced payments for redemption of corporate bonds	1,000,000	—
Other prepayments	770,220	825,386
	54,467,913	36,205,754

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

(a) Details of trade receivables are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade receivables — related parties (note 35(b))	242,118	144,646
Trade receivables — third parties	1,115,958	1,092,990
Less: allowance for impairment	(36,434)	(33,919)
Trade receivables — net	1,321,642	1,203,717

21. Trade and other receivables (Continued)

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

Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 90 days	868,510	924,707
Over 90 days and within 180 days	116,560	47,711
Over 180 days and within 365 days	130,593	15,641
Over 365 days	242,413	249,577
	1,358,076	1,237,636

The Group's trade receivables were denominated in RMB.

Trade receivables mainly arise from property development and sales. Proceeds from property development and sales are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the year ended 31 December 2020, a provision of RMB2,515,000 (2019: reversal of RMB10,217,000) were made against the gross amounts of trade receivables.

(b) Details of other receivables are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Amounts due from related parties (note 35(b))	25,492,174	16,275,460
Amounts due from non-controlling interests (note (i))	9,834,275	8,162,999
Deposits and others from third parties (note (ii))	13,512,715	6,063,799
	48,839,164	30,502,258
Less: allowance for impairment	(136,365)	(70,473)
Other receivables — net	48,702,799	30,431,785

21. Trade and other receivables (Continued)

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

- (i) Amounts due from non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.
 - (ii) Other receivables from third parties mainly represented deposits and various payments on behalf of and advances made to construction and design vendors.
- (c) Prepayments for land use rights were mainly related to acquisition of land use rights which will be reclassified to properties under development when land certificates were obtained.

22. Financial assets at fair value through profit or loss

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Investments in wealth management products (note (a))	813,690	992,700
Investments in asset management schemes (note (a))	201,100	786,475
Investments in listed equity investment (note (b))	–	61,304
Others	81,294	72,876
	1,096,084	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 expected return rates of these products as at 31 December 2020 were 0.45%–6.4% (2019: 0.30%–5.22%).

- (b) This represented the Group's 1.61% equity interest in Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司), which is mainly engaged in prefabricated housing industry and is listed on the Stock Exchange. The investment was fully disposed of in July 2020.

23. Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts.

In accordance with relevant government requirements, certain property development companies of the Group were required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

24. Cash and cash equivalents

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash at bank and in hand	25,905,325	26,533,464
Bank deposits	882,310	402,151
	26,787,635	26,935,615
Less: restricted cash (note 23)	(8,140,220)	(7,697,191)
term deposits with initial terms over three months (note(a))	(52,310)	(141,159)
	18,595,105	19,097,265

These bank deposits were denominated in RMB and with original maturity of over three months. The effective interest rate of these deposits as at 31 December 2020 was 2.21% per annum (2019: 3.66% per annum).

Cash and deposits were denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Denominated in RMB	26,473,849	26,494,846
Denominated in USD	122,707	32,328
Denominated in HKD	191,079	408,441
	26,787,635	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.

25. Share capital and premium

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
Ordinary share of HKD1.00 each upon incorporation		1,000,000,000	1,000,000	-	-	-
Increase in authorised share capital		1,000,000,000	1,000,000	-	-	-
		2,000,000,000	2,000,000	-	-	-
Issued and fully paid						
At 31 December 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
At 31 December 2019 and 1 January 2020		1,230,567,000	1,230,567	1,041,309	8,424,680	9,465,989
Dividends	(a)	-	-	-	(1,811,394)	(1,811,394)
		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 and paid on 10 July 2020.

26. Other reserves and retained earnings

	Merger reserve	Statutory reserves	Others	Total	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	173,000	1,075,688	45,007	1,293,695	6,076,085	7,369,780
Profit for the year	-	-	-	-	4,305,164	4,305,164
Transfer to statutory reserves (a)	-	790,716	-	790,716	(790,716)	-
Additional investments in subsidiaries	-	-	(209,223)	(209,223)	-	(209,223)
Disposal of ownership interests in subsidiaries without change of control	-	-	(68)	(68)	-	(68)
Dividends paid to shareholders	-	-	-	-	(1,282,003)	(1,282,003)
Balance at 31 December 2019	173,000	1,866,404	(164,284)	1,875,120	8,308,530	10,183,650
Balance at 1 January 2020	173,000	1,866,404	(164,284)	1,875,120	8,308,530	10,183,650
Profit for the year	-	-	-	-	4,326,482	4,326,482
Transfer to statutory reserves (a)	-	1,025,020	-	1,025,020	(1,025,020)	-
Acquisition of equity interest in subsidiaries from non-controlling interests (note 34)	-	-	(42,810)	(42,810)	-	(42,810)
Disposal of ownership interests in subsidiaries without change of control (note 34)	-	-	(54,214)	(54,214)	-	(54,214)
Balance at 31 December 2020	173,000	2,891,424	(261,308)	2,803,116	11,609,992	14,413,108

- (a) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

27. Perpetual capital securities

In September 2020, Ningbo Meishan Bonded Port Area Mairui Construction Materials Limited ("Ningbo Mairui"), a wholly owned subsidiary of the Group, issued subordinated unlisted perpetual capital securities (the "Perpetual Capital Securities") to certain financial institution in the PRC, with initial aggregate principal amount of RMB500,000,000.

The Perpetual Capital Securities are guaranteed by Midea Real Estate Group Limited ("Midea Real Estate Group"). They do not have maturity date and the distribution payments can be deferred at the discretion of Ningbo Mairui. The Perpetual Capital Securities are classified as equity instruments and recorded in non-controlling interests in the consolidated balance sheet.

On 21 December 2020, distributions of totalling RMB5,313,000 to the holders of the Perpetual Capital Securities was paid by Ningbo Mairui.

28. Corporate bonds

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
As at 1 January	10,486,779	5,933,586
Additions	7,980,557	8,042,764
Interests charges	753,060	597,562
Interests paid	(736,164)	(587,133)
Repayment upon maturity	(2,440,000)	(3,500,000)
Ending balance	16,044,232	10,486,779
Analysed as:		
— Current portion	6,758,152	2,437,720
— Non-current portion	9,286,080	8,049,059
	16,044,232	10,486,779

The Group's corporate bonds were repayable as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	6,758,152	2,437,720
Between 1 and 2 years	5,369,620	6,749,842
Between 2 and 5 years	3,916,460	1,299,217
	16,044,232	10,486,779

28. Corporate bonds (Continued)

The Group's corporate bonds comprised the following:

Issue Date	Par Value RMB'000	Interest Rate	Term of bonds	Net proceeds after issuance cost RMB'000	Effective interest rate per annum
02/01/2019	1,000,000	7.00%	3 years*	996,000	7.22%
28/01/2019	3,060,000	5.30%	3 years*	3,055,680	5.38%
28/02/2019	1,000,000	6.50%	3 years*	997,742	6.62%
04/07/2019	1,700,000	5.20%	4 years*	1,694,240	5.38%
05/08/2019	1,300,000	5.70%	5 years [#]	1,299,102	5.73%
24/02/2020	1,440,000	4.00%	3 years*	1,434,492	4.20%
25/03/2020	984,000	4.20%	5 years [#]	981,460	4.29%
30/03/2020	500,000	5.10%	2 years*	496,000	5.53%
14/07/2020	600,000	4.18%	5 years [#]	599,766	4.19%
14/07/2020	400,000	4.10%	4 years*	399,844	4.12%
21/08/2020	1,500,000	4.33%	5 years [#]	1,495,550	4.44%
21/08/2020	1,576,000	3.98%	4 years*	1,571,324	4.14%
15/09/2020	840,000	4.40%	5 years [#]	838,354	4.47%
15/09/2020	160,000	3.99%	4 years*	159,686	4.09%

The corporate bonds of RMB3,060,000,000 (2019: RMB3,060,000,000) as at 31 December 2020 were guaranteed by its related parties (note 35(a)).

* Midea Real Estate Group has the option to adjust the coupon rate of these corporate bonds at the end of the second year, and investors have the option to sell their bonds back.

[#] Midea Real Estate Group has the option to adjust the coupon rate of the corporate bond at the end of the third year, and investors have the option to sell their bonds back.

29. Bank and other borrowings

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Bank borrowings	32,694,495	35,847,775
Other loans	9,901,529	8,317,163
	42,596,024	44,164,938
Included in non-current liabilities:		
— Secured/guaranteed	23,771,544	29,002,071
— Unsecured	18,235,946	14,183,079
Less: current portion of non-current liabilities	(4,908,151)	(5,718,696)
	37,099,339	37,466,454
Included in current liabilities:		
— Secured/guaranteed	233,852	350,000
— Unsecured	354,682	629,788
— Current portion of non-current liabilities	4,908,151	5,718,696
	5,496,685	6,698,484
Total	42,596,024	44,164,938

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	39,404,797	41,983,176
HKD	2,941,768	2,181,762
USD	249,459	—
	42,596,024	44,164,938

The Group's bank and other borrowings as at 31 December 2020 of RMB18,601,405,000 (2019: RMB21,019,509,000) were secured by certain buildings, properties under development and completed properties held for sale of the Group with total carrying values of RMB47,105,916,000 (2019: RMB46,212,574,000).

The Group's bank and other borrowings of RMB4,940,991,000 (2019: RMB6,000,163,000) as at 31 December 2020 were guaranteed by its related parties (note 35(a)) and RMB463,000,000 (2019: RMB2,332,399,000) were guaranteed by third parties.

29. Bank and other borrowings (Continued)

- (a) The exposure of bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
3 months or less	6,302,447	4,973,762
6–12 months	859,880	1,200,180
1–2 years	22,007,321	27,918,101
	29,169,648	34,092,043

- (b) The repayment terms of the bank and other borrowings are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	5,496,685	6,698,484
1 to 2 years	22,309,680	11,557,470
2 to 5 years	13,339,052	24,152,104
Over 5 years	1,450,607	1,756,880
	42,596,024	44,164,938

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings wholly repayable within 5 years	41,145,417	42,408,058
Borrowings wholly repayable after 5 years	1,450,607	1,756,880
	42,596,024	44,164,938

- (c) The annual weighted average effective interest rates were as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Bank and other borrowings	5.26%	5.79%

The carrying amounts of the borrowings approximated their fair values as at 31 December 2020 and 2019 as the impact of discounting of borrowings with fixed interest rates was not significant or the borrowings carried floating interest rate.

30. Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables (note (a))	34,913,221	32,477,765
— related parties (note 35(b))	32,766	22,793
— third parties	34,880,455	32,454,972
Amounts due to related parties (note 35(b))	19,027,429	10,554,551
Amounts due to non-controlling interests (note (b))	9,692,822	17,196,319
Outstanding acquisition considerations payable	2,133,530	1,867,489
Deposit payables	1,339,001	1,624,857
Accrued expenses	763,464	592,301
Salaries payable	1,082,101	1,114,310
Interest payable	557,513	713,068
Other taxes payable	1,856,259	4,396,479
Other payables (note (c))	1,751,072	1,286,759
	73,116,412	71,823,898

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 90 days	18,523,384	25,668,865
Over 90 days and within 365 days	14,527,604	6,033,564
Over 365 days	1,862,233	775,336
	34,913,221	32,477,765

The Group's trade and other payables as at 31 December 2020 and 2019 were denominated in RMB.

- (b) Amounts due to non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.
- (c) Other payables mainly represented miscellaneous payments received from property purchasers for various purposes such as obtaining approvals/certificates from government authorities.

31. Cash flow information**(a) Cash generated from operations**

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the year	4,825,498	4,326,609
Adjustments for:		
Income tax expenses (note 10)	2,744,856	4,054,099
Interest income (note 9)	(441,426)	(206,040)
Net foreign exchange gains/(losses) on financing activities (note 9)	(246,165)	53,956
Depreciation and amortisation (note 6)	207,430	208,160
Losses on disposal of property, plant and equipment and investment properties (note 7)	521	735
Net impairment losses on trade and other receivables (note 3.1.3)	68,407	5,578
Write-downs of properties under development and completed properties held for sale (note 6)	1,038,877	1,288,388
Share of results of joint ventures and associates (note 14)	(351,042)	(325,362)
Gains arising from changes in fair value of and transfer to investment properties (note 7)	(27,739)	(198,450)
Gains on disposal of subsidiaries (note 7)	(42,051)	–
(Losses)/gains on disposal of joint ventures and associates (note 7)	3,475	(3,406)
Realised and unrealised gains on financial assets at FVPL (note 7)	(166,506)	(245,832)
	7,614,135	8,958,435
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Properties under development and completed properties held for sale	(15,255,781)	(47,554,205)
Inventories	(5,484)	(40,943)
Restricted cash	(894,281)	234,511
Trade and other receivables	(13,580,017)	(8,351,610)
Prepaid taxes (excluding prepaid income taxes)	2,461,296	(2,226,004)
Contract assets and contract acquisition costs	(138,034)	(66,918)
Contract liabilities	25,386,104	32,793,679
Trade and other payables	(30,750)	24,620,322
	(2,056,947)	(591,168)
Cash generated from operations	5,557,188	8,367,267

31. Cash flow information (Continued)

- (b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment, investment properties and land use right for own-used properties:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Property, plant and equipment, investment properties and land use right for own-used properties		
Net book amount (notes 15, 16 and 17)	321,159	133,154
Losses on disposal (note 7)	(521)	(735)
Proceeds	320,638	132,419

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Net balance due to related parties controlled by the Ultimate Controlling Parties RMB'000	Lease liabilities RMB'000
Balance as at 1 January 2019	43,575,720	5,933,586	(5,859)	-
Adjustment for accounting policy changes	-	-	-	291,857
Opening net book amount at 1 January	43,575,720	5,933,586	(5,859)	291,857
Cash flows				
— Increase	36,831,030	8,042,764	303,273	-
— Decrease	(31,611,718)	(3,500,000)	-	(89,709)
— Interest paid	-	(587,133)	-	(15,493)
Disposal of subsidiaries	(4,684,050)	-	-	-
Addition of lease liabilities	-	-	-	47,344
Interest expenses	-	597,562	-	15,493
Exchange differences	53,956	-	-	-
Balance as at 31 December 2019	44,164,938	10,486,779	297,414	249,492
Balance as at 31 December 2019/1 January 2020	44,164,938	10,486,779	297,414	249,492
Cash flows				
— Increase	37,482,991	7,980,557	-	-
— Decrease	(35,476,000)	(2,440,000)	(339,969)	(71,659)
— Interest paid	-	(736,164)	-	(15,273)
Disposal of subsidiaries (note 37)	(3,809,740)	-	-	-
Acquisition of subsidiaries which do not contain a business	480,000	-	-	-
Addition of lease liabilities	-	-	-	61,236
Interest expenses	-	753,060	-	15,273
Exchange differences	(246,165)	-	-	-
Balance as at 31 December 2020	42,596,024	16,044,232	(42,555)	239,069

32. Guarantee

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	80,416,621	62,687,030
Guarantees to joint ventures and associates in respect of borrowings (note (b))	11,917,463	6,991,177
	92,334,084	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 purchasers and joint ventures and associates as at initial recognition and each year end were insignificant.

33. Commitments

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Contracted but not provided for:		
Property, plant and equipment	33,882	142,374
Property development expenditure	30,380,139	36,055,219
	30,414,021	36,197,593

33. Commitments (Continued)**(b) Operating lease rental receivable**

The lease terms are between 1 and 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of the buildings are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
— Not later than one year	90,160	90,458
— Later than one year and not later than five years	220,155	300,739
— Over five years	230,234	106,842
	540,549	498,039

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to note 16.

34. Transactions with non-controlling interests**(a) Acquisition of additional interests in subsidiaries**

During the year ended 31 December 2020, the Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total cash consideration of RMB496,827,000. The differences between the carrying amounts of non-controlling interest acquired and consideration paid are set out below:

	Year ended
	31 December
	2020
	RMB'000
Total carrying amounts of non-controlling interests acquired	454,017
Less: total consideration paid and payable to non-controlling interests	(496,827)
Total difference recognised within equity	(42,810)

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

During the year ended 31 December 2020, the Group disposed of certain equity interests in subsidiaries for a total cash consideration of RMB3,500,000. The differences between the carrying amounts of equity interest disposed and consideration received are set out below:

	Year ended
	31 December
	2020
	RMB'000
Consideration received from non-controlling interests	3,500
Less: carrying amount of the equity interest disposal of	(57,714)
Total difference recognised within equity	(54,214)

35. Related party transactions

The ultimate holding company of the Company is Midea Development (BVI), and the Ultimate Controlling Parties of the Company are Mr. He and Ms. Lu.

(a) Transactions with related parties

Apart from those related party transactions disclosed elsewhere in this report, the Group had the following significant transactions with related parties during the year:

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(i)	Entities controlled by the Ultimate Controlling Parties		
	Rendering of property management services	9,437	6,339
	Purchase of home appliances and smart home technology products	209,400	106,711
	Purchase of information technology support services	232	1,948
	Interest expenses on loans from related parties	72,660	32,096
	Receiving guarantee in respect of borrowings	8,000,991	9,060,163
	Licensing fees	8,504	8,514
	Guarantee fees	39,482	31,883
	Selling of materials, equipment and other service	4,897	1,035
	Management and consulting service income	24,633	7,894
(ii)	Entities controlled by certain directors		
	Management and consulting service income	1,656	446
	Lease payments	–	7,194
(iii)	Joint ventures		
	Management and consulting service income	313,876	105,124
	Providing guarantee in respect of borrowings	9,141,162	6,186,162
	Selling of materials, equipment and other service	135,837	44,182
	Rendering of property management services	46,271	27,928
(iv)	Associates		
	Providing guarantee in respect of borrowings	2,922,821	2,846,135
	Management and consulting service income	62,928	17,866
	Rendering of property management services	19,474	6,292
	Selling of materials, equipment and other service	4,514	6,323

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

35. Related party transactions (Continued)**(b) Balances with related parties**

		As at 31 December	
		2020	2019
		RMB'000	RMB'000
(i)	Joint ventures		
	Amounts due from related parties	16,370,256	11,123,648
	Amounts due to related parties	14,837,261	7,550,957
(ii)	Associates		
	Amounts due from related parties	9,312,482	5,227,579
	Amounts due to related parties	4,201,654	2,639,701
(iii)	Entities controlled by the Ultimate Controlling Parties		
	Amounts due from related parties	50,803	66,556
	Amounts due to related parties	21,248	386,686
	Lease liabilities	–	47
(iv)	Entities controlled by certain directors and/or their close family members		
	Amounts due from related parties	751	2,323
	Amounts due to related parties	32	–
	Lease liabilities	–	536
(v)	Analysis on amounts due from related parties		
	Trade	242,118	144,646
	Non-trade	25,492,174	16,275,460
(vi)	Analysis on amounts due to related parties		
	Trade	32,766	22,793
	Non-trade	19,027,429	10,554,551

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

35. Related party transactions (Continued)**(c) Loans from related parties**

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Beginning of the year	–	–
Loans advanced	2,923,249	2,118,029
Loans repayments	(2,923,249)	(2,118,029)
End of the year	–	–

The interest rate of loans from related parties is 5.50% per annum (2019: 6.00%), and the terms of the loans were between 2 months to 6 months (2019: between 2 months to 6 months).

(d) Key management compensation

Key management comprise the Company's directors and senior management. The compensation paid or payable to key management for employee services is shown below.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Key management compensation		
— Salaries and other employee benefits	27,941	24,908
— Pension costs	215	192
— Fees	498	531
	28,654	25,631

Notes to the Consolidated Financial Statements (Continued)

36. Subsidiaries

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies:

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Hong Kong and operates in Hong Kong					
美的建業(香港)有限公司 Midea Construction (Hong Kong) Co., Ltd	03/11/2009	Others	HKD2,144,100	100%	–
Incorporated in Mainland China and operates in Mainland China					
徐州美的置業有限公司 Xuzhou Midea Properties Co., Ltd	02/11/2010	Property Development	USD20,000	100%	–
徐州美的時代房地產有限公司 Xuzhou Midea Times Real Estate Co., Ltd	10/01/2014	Property Development	USD44,500	100%	–
徐州躍輝置業有限公司 Xuzhou Yuehui Real Estate Company Limited	07/09/2016	Property Development	RMB332,600	100%	–
佛山市美鷺酒店管理有限公司 Foshan Meilu Hotel Management Co., Ltd. ("Meilu Hotel Management")	28/08/2015	Others	RMB50,000	90%	10%
寧波梅山保稅港區譽弘投資有限公司 Ningbo Meishan Bonded Port Huihong Investment Co., Ltd	31/08/2017	Others	RMB62,834	100%	–
廣東鉞美物業服務股份有限公司 Guangdong Bomei Property Services Co., Ltd. ("Bomei Property Services")	31/01/2000	Others	RMB51,200	82%	18%
廣東睿住智能科技有限公司 Guangdong Ruizhu Smart Technology Co., Ltd. ("Guangdong Ruizhu Smart Technology")	20/11/2015	Others	RMB25,000	100%	–
美的置業集團有限公司 Midea Real Estate Group Limited	13/01/1995	Others	RMB3,191,495	100%	–
佛山市美的房地產發展有限公司 Foshan Midea Real Estate Development Co., Ltd	10/08/1998	Property Development	RMB200,000	100%	–

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
佛山市順德區捷高房產有限公司 Foshan Shunde Jiegao Real Estate Co., Ltd	28/08/2007	Property Development	RMB200,000	100%	–
佛山市名勝投資有限公司 Foshan Mingsheng Investment Co., Ltd	15/10/2007	Property Development	RMB170,000	100%	–
美的西南房地產發展有限公司 Midea Xinan Property Development Company Limited	26/03/2010	Property Development	RMB500,000	100%	–
株洲市美的房地產發展有限公司 Zhuzhou Midea Real Estate Development Co., Ltd	10/06/2010	Property Development	RMB402,820	100%	–
佛山市高明區美的房地產發展有限公司 Foshan Gaoming Midea Real Estate Development Co., Ltd	14/01/2011	Property Development	RMB400,000	100%	–
邯鄲市美的房地產開發有限公司 Handan Midea Real Estate Development Co., Ltd	06/09/2011	Property Development	RMB353,540	100%	–
徐州市美的新城房地產發展有限公司 Xuzhou Midea Xincheng Real Estate Development Co., Ltd	24/11/2011	Property Development	RMB300,000	100%	–
寧波市梅山美的房地產發展有限公司 Ningbo Meishan Midea Real Estate Development Co., Ltd	14/12/2011	Property Development	RMB300,000	100%	–
佛山市順德區盈茂房地產有限公司 Foshan Shunde Yingmao Real Estate Co., Ltd	29/01/2013	Property Development	RMB200,000	100%	–
瀋陽市美的房地產開發有限公司 Shenyang Midea Real Estate Development Co., Ltd	03/07/2013	Property Development	RMB384,098	100%	–
遵義市美的房地產發展有限公司 Zunyi Midea Real Estate Development Co., Ltd	17/02/2014	Property Development	RMB150,000	100%	–

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
寧波梅山保稅港區邁迪瑞建築材料有限公司 Ningbo Meishan Bonded Port Area Maidirui Construction Materials Co., Ltd	18/07/2013	Others	RMB20,000	100%	–
佛山市順德區紺恒美的房產有限公司 Foshan Shunde Ganheng Midea Real Estate Co., Ltd	29/10/2015	Property Development	RMB100,000	100%	–
寧波市瑞奕房地產發展有限公司 Ningbo Ruiyi Real Estate Development Co., Ltd	25/11/2015	Property Development	RMB100,000	100%	–
株洲市鼎輝房地產發展有限公司 Zhuzhou Dinghui Real Estate Development Co., Ltd	04/12/2015	Property Development	RMB100,000	100%	–
貴陽美的新時代房地產發展有限公司 Guiyang Midea New Era Real Estate Development Co., Ltd	19/02/2016	Property Development	RMB500,000	100%	–
江西省冶電能源配送有限公司 Jiangxi Yedian Power Transit Company Limited	07/06/2016	Property Development	RMB50,000	65%	35%
邯鄲市順美房地產開發有限公司 Handan Shunmei Real Estate Development Co., Ltd	14/06/2016	Property Development	RMB100,000	100%	–
無錫市悅輝房地產發展有限公司 Wuxi Yuehui Real Estate Development Co., Ltd	22/09/2016	Property Development	RMB500,000	100%	–
邯鄲市華美世紀房地產開發有限公司 Handan Huamei Century Real Estate Development Co., Ltd	13/09/2016	Property Development	RMB30,000	51%	49%
江門市美拓房地產開發有限公司 Jiangmen Meituo Real Estate Development Co., Ltd	08/11/2016	Property Development	RMB50,000	100%	–
岳陽市鼎輝房地產發展有限公司 Yueyang Dinghui Real Estate Development Co., Ltd	26/12/2016	Property Development	RMB350,000	80%	20%
揚州市鑫輝房地產發展有限公司 Yangzhou Xinhui Real Estate Development Co., Ltd	16/11/2016	Property Development	RMB20,000	100%	–
佛山市南海區揚正房地產有限公司 Foshan Nanhai Yangzheng Real Estate Co., Ltd	11/11/2016	Property Development	RMB10,000	100%	–

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
寧波市瑞寧房地產發展有限公司 Ningbo Ruining Real Estate Development Co., Ltd	16/11/2016	Property Development	RMB50,000	100%	–
佛山市順德區萬蒼人才服務有限公司 Foshan Shunde Wanhui Human Resource Services Co., Ltd	18/11/2016	Property Development	RMB170,000	60%	40%
寧波梅山保稅港區盈美投資管理有限公司 Ningbo Meishan Bonded Port Area Yingmei Investment Management Co., Ltd	23/09/2016	Others	RMB3,000,000	100%	–
河北中嘉偉業房地產開發有限公司 Hebei Zhongjia Weiye Real Estate Development Co., Ltd	20/01/2017	Property Development	RMB3,000	51%	49%
昆明城業房地產有限公司 ^(a) Kunming Chengye Real Estate Co., Ltd	20/02/2017	Property Development	RMB50,000	53%	47%
雲南藍門子房地產有限公司 ^(a) Yunnan Lanmenzi Real Estate Co., Ltd	20/02/2017	Property Development	RMB150,000	67%	33%
長沙市美的房地產開發有限公司 Changsha Midea Property Development Co., Ltd	27/04/2017	Property Development	RMB10,000	100%	–
瀋陽美的企業管理諮詢有限公司 Shenyang Midea Enterprise Management Consultancy Co., Ltd	25/04/2017	Property Development	RMB10,000	100%	–
南京美的房地產發展有限公司 Nanjing Midea Property Development Co., Ltd	22/04/2017	Property Development	RMB10,000	100%	–
石家莊市美的房地產開發有限公司 Shijiazhuang Midea Property Development Co., Ltd	20/04/2017	Property Development	RMB50,000	100%	–
廣東天元建築設計有限公司 Guangdong Tianyuan Architectural Design Co., Ltd	19/06/2017	Others	RMB20,000	100%	–

Notes to the Consolidated Financial Statements (Continued)

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
邯鄲市冀順房地產開發有限公司 Handan Jishun Real Estate Development Co., Ltd	07/04/2017	Property Development	RMB2,750	55%	45%
江西嘉麗房地產有限公司 Jiangxi Jiali Real Estate Co., Ltd	28/08/2017	Property Development	RMB20,000	65%	35%
南昌市美的房地產開發有限公司 Nanchang Midea Property Development Co., Ltd	28/04/2017	Property Development	RMB10,000	100%	–
佛山市南海區誠美房地產開發有限公司 Foshan Nanhai Chengmei Real Estate Development Co., Ltd	25/09/2017	Property Development	RMB383,100	100%	–
貴陽國龍置業有限公司 Guizhou Guolong Properties Co., Ltd	16/10/2017	Property Development	RMB300,000	90%	10%
江西榮旭房地產開發有限公司 Jiangxi Rongxu Real Estate Development Co., Ltd	03/07/2017	Property Development	RMB20,000	65%	35%
佛山市順德區寶弘房地產開發有限公司 Foshan Shunde Baohong Real Estate Development Co., Ltd	13/10/2017	Property Development	RMB295,658	75%	25%
無錫天輝房地產發展有限公司 Wuxi Tianhui Real Estate Development Co., Ltd	21/11/2017	Property Development	RMB20,000	100%	–
佛山市順德區美智房產有限公司 ⁽¹⁾ Foshan Shunde Meizhi Real Estate Development Co., Ltd	13/11/2017	Property Development	RMB130,000	50%	50%
邢臺市美智房地產開發有限公司 ⁽¹⁾ Xingtai Meizhi Real Estate Development Co., Ltd	29/11/2017	Property Development	RMB200,000	45%	55%
鎮江美裕房地產發展有限公司 ⁽¹⁾ Zhenjiang Meiyu Real Estate Development Co., Ltd	19/12/2017	Property Development	RMB210,000	33%	67%
邢臺市美盛房地產開發有限公司 Xingtai Meisheng Real Estate Development Co., Ltd	21/12/2017	Property Development	RMB200,000	60%	40%

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
佛山市三水雲東海花園房地產開發有限公司 Foshan Sanshui Yundonghai Garden Real Estate Development Co., Ltd	04/01/2018	Property Development	RMB250,000	76%	24%
寧波聯城住工科技有限公司 Ningbo Liancheng Housing Industrialisation Technology Co., Ltd	05/02/2018	Others	RMB300,000	75%	25%
金華市瑞麟房地產開發有限公司 ⁽¹⁾ Jinhua Ruilin Real Estate Development Co., Ltd	12/04/2018	Property Development	RMB100,000	50%	50%
梧州市美駿置業有限公司 Wuzhou Meijun Real Estate Co., Ltd	23/04/2018	Property Development	RMB654,939	51%	49%
遵義市美駿房地產開發有限公司 Zunyi Meijun Real Estate Development Co., Ltd	16/05/2018	Property Development	RMB500,000	51%	49%
邯鄲市天志地成房地產開發有限公司 ⁽¹⁾ Handan Tianzhi Dicheng Property Development Company Limited	08/05/2018	Property Development	RMB400,000	49%	51%
上饒市美越房地產開發有限公司 ⁽¹⁾ Shangrao Meiyue Real Estate Development Co., Ltd	12/06/2018	Property Development	RMB260,000	34%	66%
重慶美駿房地產開發有限公司 ⁽¹⁾ Chongqing Meijun Real Estate Development Co., Ltd	15/06/2018	Property Development	RMB200,000	50%	50%
舟山市瑞海房地產發展有限公司 Zhoushan Ruihai Real Estate Development Company Limited	19/06/2018	Property Development	RMB500,000	100%	—
徐州聯城智能家居有限公司 Xuzhou Liancheng Smart Home Co., Ltd	08/06/2018	Others	RMB64,306	100%	—
徐州聯城住宅工業科技發展有限公司 Xuzhou Liancheng Housing Industrialisation Technology Development Co., Ltd	08/06/2018	Others	RMB308,443	100%	—

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
上饒市高運房地產開發有限公司 ⁽¹⁾ Shangrao Gaoyun Real Estate Development Co., Ltd	10/07/2018	Property Development	RMB300,000	33%	67%
無錫市美駿房地產發展有限公司 Wuxi Meijun Real Estate Development Co., Ltd	02/07/2018	Property Development	RMB833,000	60%	40%
無錫市美商駿房地產發展有限公司 ⁽¹⁾ Wuxi Meishangjun Real Estate Development Co., Ltd	10/07/2018	Property Development	RMB1,200,000	34%	66%
揚州萬美置業有限公司 ⁽¹⁾ Yangzhou Wanmei Property Co., Ltd	17/07/2018	Property Development	USD100,000	50%	50%
重慶美城金房地產開發有限公司 ⁽¹⁾ Chongqing Meichengjin Real Estate Development Co., Ltd	27/07/2018	Property Development	RMB200,000	35%	65%
福建省美置智能家居科技發展有限公司 Fujian Meizhi Smart Home Technology Development Co., Ltd	31/07/2018	Property Development	RMB500,000	86%	14%
常州市美陽房地產發展有限公司 Changzhou Meiyang Real Estate Development Co., Ltd	02/08/2018	Property Development	RMB500,000	51%	49%
岳陽縣鼎岳房地產開發有限公司 Yueyang Dingyue Real Estate Development Co., Ltd	02/08/2018	Property Development	RMB230,000	50%	50%
大理美詔房地產開發有限公司 ⁽¹⁾ Dali Meizhao Real Estate Development Co., Ltd	06/09/2018	Property Development	RMB400,000	50%	50%
瀏陽市鼎輝房地產開發有限公司 Liuyang Dinghui Real Estate Development Co., Ltd	20/09/2018	Property Development	RMB170,660	51%	49%
合肥美的房地產發展有限公司 Hefei Midea Real Estate Development Co., Ltd	30/09/2018	Property Development	RMB200,000	100%	—

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
蘇州正璽房地產開發有限公司 ⁽¹⁾ Suzhou Zhengxi Real Estate Development Co., Ltd	30/09/2018	Property Development	RMB400,000	34%	66%
贛州鑫群置業有限公司 Ganzhou Xinqun Property Co., Ltd	29/11/2018	Property Development	RMB952,294	60%	40%
徐州朗升房地產開發有限公司 Xuzhou Langsheng Real Estate Development Co., Ltd	24/12/2018	Property Development	RMB1,356,844	51%	49%
常德市鼎業房地產開發有限公司 Changde Dingye Real Estate Development Co., Ltd	04/12/2018	Property Development	RMB280,000	50%	50%
揚州市美嘉房地產發展有限公司 Yangzhou Meijia Real Estate Development Co., Ltd	18/01/2019	Property Development	RMB300,000	60%	40%
蘇州美居房地產開發有限公司 Suzhou Meiju Real Estate Development Co., Ltd	18/01/2019	Property Development	RMB500,000	51%	49%
衡陽市鼎華房地產開發有限公司 Hengyang Dinghua Real Estate Development Co., Ltd	28/01/2019	Property Development	RMB300,000	70%	30%
徐州美君房地產有限公司 ⁽¹⁾ Xuzhou Meijun Real Estate Co., Ltd	25/02/2019	Property Development	RMB125,000	34%	66%
茂名市電白區美航房地產開發有限公司 Maoming Dianbai Meihang Real Estate Development Co., Ltd	15/04/2019	Property Development	RMB583,000	51%	49%
贛州慧谷房地產開發有限公司 Ganzhou Huigu Real Estate Development Co., Ltd	16/04/2019	Property Development	RMB350,000	51%	49%
常州市美科房地產發展有限公司 Changzhou Meike Real Estate Development Co., Ltd	15/04/2019	Property Development	RMB819,000	51%	49%
台州市美泰房地產開發有限公司 Taizhou Meitai Real Estate Development Co., Ltd	16/04/2019	Property Development	RMB500,000	60%	40%
台州嘉豪置業有限公司 ⁽¹⁾ Taizhou Jiahao Real Estate Co., Ltd	19/04/2019	Property Development	RMB600,000	50%	50%

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
惠州市旭美房地產開發有限公司 ⁽¹⁾ Huizhou Xumei Real Estate Development Co., Ltd	22/04/2019	Property Development	RMB150,000	50%	50%
瀋陽正匯房地產開發有限公司 Shenyang Zhenghui Real Estate Development Co., Ltd	08/05/2019	Property Development	RMB562,968	100%	–
長沙和匯房地產開發有限公司 ⁽¹⁾ Changsha Hehui Real Estate Development Co., Ltd	15/05/2019	Property Development	RMB500,000	50%	50%
衡陽市鼎衡房地產開發有限公司 Hengyang Dingheng Real Estate Development Co., Ltd	08/05/2019	Property Development	RMB500,000	50%	50%
武漢市鼎輝雅樂房地產開發有限公司 Wuhan Dinghui Yale Real Estate Development Co., Ltd	08/05/2019	Property Development	RMB2,100,000	51%	49%
昆明美龍置業有限公司 Kunming Meilong Real Estate Co., Ltd	24/05/2019	Property Development	RMB160,000	100%	–
瀋陽謙益房地產開發有限公司 Shenyang Qianyi Real Estate Development Co., Ltd	06/06/2019	Property Development	RMB119,600	74%	26%
昆明藍宇置業有限公司 Kunming Lanyu Real Estate Co., Ltd	13/06/2019	Property Development	RMB160,000	100%	–
寧波市美睿房地產發展有限公司 ⁽¹⁾ Ningbo Meirui Real Estate Development Co., Ltd	21/06/2019	Property Development	RMB1,100,000	50%	50%
杭州美煜房地產發展有限公司 Hangzhou Meiyu Real Estate Development Co., Ltd	27/06/2019	Property Development	RMB1,350,000	90%	10%
長沙市桂和房地產開發有限公司 Changsha Guihe Real Estate Development Co., Ltd	16/07/2019	Property Development	RMB500,000	73%	28%
金華市美潤房地產發展有限公司 Jinhua Meirun Real Estate Development Co., Ltd	16/09/2019	Property Development	RMB400,000	70%	30%

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
泉州市聚龍遠南房地產有限公司 Quanzhou Julongyuannan Real Estate Development Co., Ltd	16/09/2019	Property Development	RMB120,000	65%	35%
天津市美昌房地產開發有限公司 Tianjin Meichang Real Estate Development Co., Ltd	31/10/2019	Property Development	RMB500,000	80%	20%
無錫浦錦企業管理有限公司 ^(*) Wuxi Pujin Enterprise Management Co., Ltd	30/10/2019	Property Development	RMB770,000	34%	66%
上海浦申置業有限公司 ^(*) Shanghai Pushen Real Estate Co., Ltd	30/10/2019	Property Development	RMB400,000	34%	66%
上海欣明置業有限公司 ^(*) Shanghai Xinming Real Estate Co., Ltd	30/10/2019	Property Development	RMB370,000	34%	66%
寧波梅山保稅港區悅寧企業管理諮詢有限公司 Ningbo Meishan Bonded Port Yuening Enterprise Management Consultancy Co., Ltd	25/11/2019	Others	RMB3,000,000	51%	49%
惠州力佳地產有限公司 ^(*) Huizhou Lijia Property Co., Ltd	23/12/2019	Property Development	RMB200,000	34%	66%
柳州同鑫房地產開發有限公司 ^(*) Liuzhou Tongxin Real Estate Development Co., Ltd.	21/08/2019	Property Development	RMB190,000	34%	66%
徐州美城房地產發展有限公司 Xuzhou Meicheng Real Estate Development Co., Ltd.	26/11/2019	Property Development	RMB604,800	55%	45%
無錫悅榕投資有限公司 Wuxi Yuerong Investment Co., Ltd.	17/11/2016	Property Development	RMB931,186	100%	–
徐州美科房地產發展有限公司 Xuzhou Meike Real Estate Development Co., Ltd.	22/04/2020	Property Development	RMB207,200	55%	45%
揚州市美贊房地產發展有限公司 Yangzhou Meizan Real Estate Development Co., Ltd.	21/05/2020	Property Development	RMB2,691,603	70%	30%

36. Subsidiaries (Continued)

Name of companies	Date of incorporation/ acquisition	Principal activities	Nominal value of issued and fully paid share capital/ paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
泉州市美景房地產開發有限公司 Quanzhou Meijing Real Estate Development Co., Ltd.	29/05/2020	Property Development	RMB500,000	70%	30%
佛山市順德區美岸房地產開發有限公司 Foshan Shunde Mei'an Real Estate Development Co., Ltd.	23/06/2020	Property Development	RMB870,000	65%	35%
株洲頤鑫房地產開發有限公司 Zhuzhou Yixin Real Estate Development Co., Ltd.	12/06/2020	Property Development	RMB615,594	100%	–
揚州市美築嘉投資有限公司 Yangzhou Meizhujia Investment Co., Ltd.	21/09/2020	Property Development	RMB141,745	100%	–
佛山市睿住智能科技股份有限公司 Foshan Ruizhu Intelligent Technology Co., Ltd.	28/10/2020	Others	RMB99,759	91%	9%

* As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through contractual arrangements and the existing rights to direct the relevant activities including but not limited to budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

Pursuant to the contractual arrangements entered into between the Group and the non-controlling shareholders, the non-controlling shareholders of these companies do not bear any risk and loss from their investments and are only entitled to guaranteed returns. Therefore, from an accounting perspective, the Group effectively acquired 100% interests in these companies.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

37. Disposal of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	Year ended 31 December
	2020 RMB'000
Disposal consideration	
— Fair values of investments in joint ventures and an associate	1,233,551
Deferred income tax assets	(42,910)
Properties under development and completed properties held for sale	(10,287,371)
Contract assets	(45,432)
Trade and other receivables	(6,538,138)
Prepaid taxes	(989,802)
Restricted cash	(451,252)
Cash and cash equivalents	(853,386)
Contract liabilities	6,240,099
Bank and other borrowings	3,809,740
Trade and other payables	6,072,309
Others	(31,987)
Total net assets disposed of	(3,118,130)
Non-controlling interest disposed of	1,926,630
	(1,191,500)
Gains on disposal	42,051
Cash proceeds from disposal, net of cash disposed of	
— From third parties	—
— Cash and cash equivalents of the subsidiaries disposed of	(853,386)
Net cash outflow on disposal	(853,386)

38. Balance sheet and reserve movement of the Company

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		4,183,660	4,183,660
Amounts due from a subsidiary		3,087,340	3,087,340
		7,271,000	7,271,000
Current assets			
Amounts due from subsidiaries		4,409,915	7,471,179
Trade and other receivables		–	4,479
Cash and cash equivalents		1,555	29,672
		4,411,470	7,505,330
Total assets		11,682,470	14,776,330
EQUITY			
Share capital and premium		7,654,595	9,465,989
Other reserves	(a)	4,183,465	4,183,465
(Accumulated losses)/retained earnings	(a)	(192,793)	184,575
Total equity		11,645,267	13,834,029
LIABILITIES			
Current liabilities			
Trade and other payables		5,502	837,439
Amounts due to subsidiaries		31,701	104,862
Total liabilities		37,203	942,301
Total equity and liabilities		11,682,470	14,776,330

The balance sheets of the Company was approved by the Board of Directors on 24 March 2021 and were signed on its behalf.

Hao Hengle

Director

Lin Ge

Director

38. Balance sheet and reserve movement of the Company (Continued)**(a) Other reserves and accumulated losses**

	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000
At 1 January 2019	4,183,465	1,292,599
Dividends paid to shareholders	–	(1,282,003)
Profit for the year	–	173,979
At 31 December 2019	4,183,465	184,575
At 1 January 2020	4,183,465	184,575
Loss for the year	–	(377,368)
At 31 December 2020	4,183,465	(192,793)

39. Benefits and interests of directors**(a) Directors' emoluments**

The directors' emoluments paid/payable during the year are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries and other benefits	25,625	18,483
Pension costs	200	152
Fees	498	531
	26,323	19,166

39. Benefits and interests of directors (Continued)**(a) Directors' emoluments (Continued)****(i) For the year ended 31 December 2020**

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Hao Hengle	–	9,679	49	9,728
Mr. Yao Wei	–	3,414	34	3,448
Mr. Lin Ge	–	3,410	49	3,459
Mr. Xu Chuanfu	–	4,144	34	4,178
Ms. Lin Dongna	–	4,978	34	5,012
Non-executive directors:				
Mr. He Jianfeng	–	–	–	–
Mr. Zhao Jun	–	–	–	–
Independent non-executive directors:				
Mr. Tan Jinsong	166	–	–	166
Mr. O'Yang Wiley	166	–	–	166
Mr. Lu Qi	166	–	–	166
	498	25,625	200	26,323

(ii) For the year ended 31 December 2019

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Hao Hengle	–	9,264	46	9,310
Mr. Yao Wei	–	3,222	30	3,252
Mr. Lin Ge	–	3,182	46	3,228
Ms. Lin Dongna	–	2,815	30	2,845
Non-executive directors:				
Mr. He Jianfeng	–	–	–	–
Mr. Zhao Jun	–	–	–	–
Independent non-executive directors:				
Mr. Tan Jinsong	177	–	–	177
Mr. O'Yang Wiley	177	–	–	177
Mr. Lu Qi	177	–	–	177
	531	18,483	152	19,166

39. Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

No Director has waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

The non-executive Directors, Mr. He Jianfeng and Mr. Zhao Jun, did not receive any emoluments from the Group for the years ended 31 December 2020 and 2019 as they are not entitled to any emoluments under their letters of appointment.

Ms. Lin Dongna was resigned as an executive Director on 3 November 2020.

Mr. Xu Chuanfu was appointed as an executive Director on 3 November 2020.

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

During the year, no payments to the directors of the Company as compensation for the early termination of the appointment.

(d) Consideration provided to third parties for making available directors' services

During the year, the Company did not pay to any third party for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

During the year, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

40. Subsequent events

On 2 January 2021, Midea Real Estate Group redeemed the outstanding corporate bonds with a principal amount of RMB1,000,000,000 in full at a redemption price equal to 100% of the principal amount of the corporate bonds and the accrued and unpaid interest as of the redemption date.

On 2 February 2021, Midea Real Estate Group issued two corporate bonds in an aggregate principal amount of RMB1,520,000,000. These corporate bonds carry a coupon interest rate of 4.40% and 4.60% per annum with maturity dates of 2 February 2025 and 2 February 2026 respectively. At the end of the second year and the third year, respectively, Midea Real Estate Group has the option to adjust the coupon rate, and investors have the option to sell their bonds back.

Five-Year Financial Summary

Consolidated Assets, Equity and Liabilities

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
ASSETS					
Non-current assets	29,220,903	19,403,828	10,488,553	6,581,822	4,632,604
Current assets	254,533,571	230,310,016	166,830,557	106,397,077	53,255,807
Total assets	283,754,474	249,713,844	177,319,110	112,978,899	57,888,411
EQUITY AND LIABILITIES					
Total equity	40,219,388	31,138,293	23,584,436	12,164,780	3,094,419
Non-current liabilities	47,649,934	47,263,629	34,468,930	30,128,494	18,330,101
Current liabilities	195,885,152	171,311,922	119,265,744	70,685,625	36,463,891
Total liabilities	243,535,086	218,575,551	153,734,674	100,814,119	54,793,992
Total equity and liabilities	283,754,474	249,713,844	177,319,110	112,978,899	57,888,411

Statement of Comprehensive Income

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	52,483,611	41,138,570	30,119,811	17,716,924	11,992,340
Cost of sales	(40,825,617)	(28,131,087)	(20,265,888)	(12,819,864)	(9,263,426)
Gross profit	11,657,994	13,007,483	9,853,923	4,897,060	2,728,914
Other income and gains — net	627,004	938,793	691,508	334,702	235,224
Gains arising from changes in fair value of and transfer to investment properties	27,739	198,450	3,306	18,801	33,039
Selling and marketing expenses	(2,194,349)	(2,540,686)	(1,533,913)	(807,877)	(586,257)
Administrative expenses	(3,518,260)	(3,695,200)	(2,285,191)	(776,262)	(444,275)
Net impairment losses on financial assets	(68,407)	(5,578)	(34,297)	(29,090)	(15,620)
Operating profit	6,531,721	7,903,262	6,695,336	3,637,334	1,951,025
Finance (costs)/income — net	687,591	152,084	55,225	(31,329)	(221,503)
Share of results of joint ventures and associates	351,042	325,362	(93,374)	2,118	(4,492)
Profit before income tax	7,570,354	8,380,708	6,657,187	3,608,123	1,725,030
Income tax expenses	(2,744,856)	(4,054,099)	(3,370,318)	(1,714,554)	(731,719)
Profit for the year	4,825,498	4,326,609	3,286,869	1,893,569	993,311
Profit attributable to:					
Owners of the Company	4,326,482	4,305,164	3,209,997	1,912,442	1,007,387
Non-controlling interests	499,016	21,445	76,872	(18,873)	(14,076)
	4,825,498	4,326,609	3,286,869	1,893,569	993,311
Earnings per share (expressed in RMB per share)					
Basic and diluted earnings per share	3.52	3.61	3.08	2.54	1.34
Gross margin	22.2%	31.6%	32.7%	27.6%	22.8%
Net profit margin	9.2%	10.5%	10.9%	10.7%	8.3%

Corporate Information

Executive Directors

Mr. Hao Hengle (Chairman and President)
Mr. Xu Chuanfu (appointed on 3 November 2020)
Mr. Yao Wei
Mr. Lin Ge
Ms. Lin Dongna (resigned on 3 November 2020)

Non-Executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent Non-Executive Directors

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

Audit Committee

Mr. Tan Jinsong (Chairman)
Mr. Zhao Jun
Mr. O'Yang Wiley

Remuneration Committee

Mr. O'Yang Wiley (Chairman)
Mr. Hao Hengle
Mr. Zhao Jun
Mr. Tan Jinsong
Mr. Lu Qi

Nomination Committee

Mr. Hao Hengle (Chairman)
Mr. Tan Jinsong
Mr. Lu Qi

Authorised Representatives

Mr. Hao Hengle
Mr. Zeng Chaoming

Joint Company Secretaries

Mr. Zeng Chaoming
Ms. Chan Bo Shan

Principal Place of Business and Head Office in the Mainland China

34/F, Tower 4, Midea Real Estate Plaza
No.1 Chengde Road, Beijiao Town
Shunde District, Foshan City
Guangdong Province, the PRC

Place of Business in Hong Kong, China

Suites 3906–3910, 39/F, Tower 6, The Gateway
Harbour City, No. 9 Canton Road
Tsim Sha Tsui, Kowloon, Hong Kong

Registered Office

Walkers Corporate Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9008, Cayman Islands

Cayman Islands Principal Share Registrar and Transfer Office

Walkers Corporate Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9008, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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

Email of Investor Relations

investor@midea.com

Company's Website

<http://www.mideadc.com>

Key Dates

- Annual Results Announcement 24 March 2021
- Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at annual general meeting) 1 June 2021 to 4 June 2021 (both days inclusive)
- Annual General Meeting 4 June 2021
- Ex-dividend Date 18 June 2021
- Record Date (for determination of shareholders who qualify for the final dividend) 22 June 2021 to 23 June 2021 (both days inclusive)
- Payment of Final Dividend (HK\$1.60 per share) On or about 29 July 2021



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