



美的·中央广场
CENTRAL

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

2018

ANNUAL REPORT

COMPANY PROFILE

Midea Real Estate Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) (Stock Code: 3990) is a pioneer in providing China’s Smart Home living solutions and a leading residential and industrial property developer and operator in China. Benefitting from the longstanding manufacturing and technological strengths of the “Midea” brand, the Company primarily engages in large complex property development projects across the country, with a particular focus on the development of Smart Home features. The Group provides quality living and systematic Smart Home solutions to customers. It also operates in other high-growth areas along the property development value chain, such as property management, Smart Home solutions, investment and operation of commercial properties, prefabricated construction, industry and city integration and modular bathrooms. Our property development projects are evenly distributed across 48 cities in 15 provinces in the Pearl River Delta Economic Region, Yangtze River Delta Economic Region, Midstream of Yangtze River Economic Region,

North China Region and Southwest China Economic Region. As at 31 December 2018, the total gross floor area of the Group’s land reserves reached approximately 45.07 million square metres.

The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 October 2018. Going forward, the Group will focus on leveraging its well-known brand, extending its footprint across China by executing its regional “deep penetration” strategy and fully adapting to local market conditions. It will also deliver differentiated products through its Smart Home solutions, and expand its coverage of services in the property development value chain. The Group will strive to obtain financing through diversified low-cost channels, further expand its operational scale, enhance efficiency and implement its “Property + Industrial” strategy. By taking these steps, the Group will reinforce its leading market position and expand its market share in the industry.

BUSINESS SEGMENTS

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



Property Development



Property Management Services



Investment and Operation of Commercial Properties

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We have 45.07 million square metres of land reserves in 48 cities in 15 provinces across five major regions in China.

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

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Commercial properties which we have developed and operated include urban complexes, community neighbourhood, shopping malls, characteristic commerce, cultural tourism projects and long-term rental apartments.

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Financial Overview

Overview of Results

	For the Year Ended 31 December		
	2018	2017	Change
Revenue (RMB million)	30,119.8	17,716.9	70.0%
Gross profit (RMB million)	9,853.9	4,897.1	101.2%
Gross margin	32.7%	27.6%	5.1%
Net profit (RMB million)	3,286.9	1,893.6	73.5%
Net profit margin	10.9%	10.7%	0.2%
Profit attributable to owners of the Company (RMB million)	3,210.0	1,912.4	67.8%
Basic earnings per share (RMB)	3.08	2.54	21.3%
Proposed final dividend per ordinary share to be distributed (RMB)	1.0768	0	N/A

Overview of Balance Sheet

	As at 31 December		
	2018	2017	Change
Total assets (RMB million)	177,319.1	112,978.9	56.9%
Total cash and bank deposits (RMB million)	26,533.1	23,791.0	11.5%
Short-term borrowings (RMB million)	16,601.2	9,070.6	83.0%
Long-term borrowings (RMB million)	32,908.1	29,184.3	12.8%
Total equity (RMB million)	23,584.4	12,164.8	93.9%
Return on equity	19.9%	18.8%	1.1%
Total liabilities/total assets	86.7%	89.2%	-2.5%
Net debt/equity ratio	97.4%	118.9%	-21.5%

Financial Overview (Continued)

REVENUE

(RMB '000)

2018	30,119,811
2017	17,716,924
2016	11,992,340
2015	8,312,707

NET PROFIT AND NET PROFIT MARGIN

(RMB '000/%)

2018	3,286,869 / 10.9%
2017	1,893,569 / 10.7%
2016	993,311 / 8.3%
2015	383,504 / 4.6%

TOTAL ASSETS

(RMB '000)

2018	177,319,110
2017	112,978,899
2016	57,888,411
2015	34,745,172

GROSS PROFIT AND GROSS PROFIT MARGIN

(RMB '000/%)

2018	9,853,923 / 32.7%
2017	4,897,060 / 27.6%
2016	2,728,914 / 22.8%
2015	1,788,142 / 21.5%

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RMB '000)

2018	3,209,997
2017	1,912,442
2016	1,007,387
2015	391,076

TOTAL EQUITY

(RMB '000)

2018	23,584,436
2017	12,164,780
2016	3,094,419
2015	1,409,797

Milestones in 2018

FEB



In February, the Group's subsidiary Ningbo Liangcheng Zhugong Technology Co., Ltd. (寧波聯城住工科技有限公司) was registered and incorporated, making the Group's official entry into the building industrialisation areas.

In February, the Group received its first loan for its long-rental apartment project from the Guangdong Branch of China Construction Bank Corporation ("CCB"), which marked a breakthrough in the Group's apartment rental business.

MAR



In March, the Group obtained an approval to issue a non-public corporate bond from Shenzhen Stock Exchange in an aggregate sum of RMB4.5 billion pursuant to which we had issued the first tranche in May 2018 in an aggregate principal amount of RMB1.44 billion, and the second tranche in January 2019 in an aggregate principal amount of RMB3.06 billion with a coupon interest rates of 5.3% per annum, which was lower than the interest rates for domestic non-public corporate bonds issued by our peers.

In March, the Group collaborated with Aliyun Computing Co., Ltd. (阿里雲計算有限公司) ("Aliyun") to unveil the "Smart Life on Cloud" programme during The Computing Conference Shenzhen Summit ("Summit"). This is the second cooperation project between the Group and Aliyun since the Group entered into a framework cooperation agreement with Aliyun in 2017. During the Summit, the Group announced that it plans to build approximately 200 smart communities in the next three years.

MAY



In May, the Group was recognised by the National Smart Home Standards Technical Committee of SAC/TC426* as the National Standard Creation Base for Smart Living (國家智慧居住區標準創制基地) in the PRC and was invited by the committee to participate in the drafting of the Intelligent Residence Community Standards White Papers (智慧居住區標準白皮書) and Intelligent Home Standards White Papers (智能家居標準白皮書).

In May, the Group collaborated with Guangdong Shunde Holdings Group Co., Ltd. (廣東順德控股集團有限公司) to launch Shunde Shanghua Intelligent Manufacturing Industrial Park (順德上華智能製造產業園), a project of upgrading industrial parks at Lecong Town (樂從鎮) of Shunde District (順德區). This is the Group's first industry and city integration project.



* SAC/TC426: National Technical Committee of Digital Technique of Intelligent Building and Resident Community of Standardisation Administration of China

JUN



In June, the Group invested in the Revitalisation Foundation for Rural Areas of Shaoguan (韶關市鄉村振興公益基金會), which aims to help 5 local province-level poor villages and 4 city-level villages.



In June, the Group entered into a strategic cooperation agreement with Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字化技術股份有限公司) ("Hikvision"), under which the companies will cooperate in, among others, the establishment of Smart Properties, Smart Communities, Smart Homes, property management and operation platforms as well as the research and application of artificial intelligence.

OCT



In October, the Group was listed on the Main Board of the Stock Exchange, marking the Group's successful entry into international capital markets.

DEC



In December, the Group signed a strategic cooperation framework agreement with the People's Government of Heyuan City in Guangdong Province (廣東省河源市人民政府), under which the Group will develop five major projects in Heyuan City. These projects include the development of research and development ("R&D") centres, smart solutions exhibition centres and cultural tourism projects.

Honours and Awards

Social Responsibilities

Award for Innovation in Poverty Alleviation in 2018,

by China Business Journal

Business Achievements

2018 Best 50 of China Real Estate Developers,

by China Real Estate Association, Shanghai E-House Real Estate Research Institute, China Real Estate Appraisal Center

Top 100 Chinese Real Estate Developers in 2018 and Star of Top 100 Chinese Real Estate Developers in 2018,

by China Real Estate Top 10 Research*

Top 10 Chinese Property Developers in Operational Capability,

by EH Consulting

2018 Top 10 China Real Estate Developers in Innovation Ability,

by China Real Estate Association, Shanghai E-House Real Estate Research Institute, China Real Estate Appraisal Center

Brand Image

National Standard Creation Base for Smart Living,

by National Smart Home Standards Technical Committee of SAC/TC426

Top 10 Chinese Real Estate Brands in 2018,

by China Business Journal

2018 Best 50 of China Real Estate Developers Brand Value,

by China Real Estate Association, Shanghai E-House Real Estate Research Institute, China Real Estate Appraisal Center



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

Honours and Awards (Continued)

Award for Smart Property in 2018,

by 21st Century Business Herald

Leader in China's Smart Property Industry in 2018,

by www.guandian.cn

2018 Property Developer of Value,

by National Business Daily

Product Awards

Midea Egret Lake Forest Resort was granted the title of

"Top 100 Landmarks in China in 2018" by China Real Estate Top 10 Research.

Shunde Future City, a TOD* project, was granted the title of "Leading Complex Landmark in 2018" by China Real Estate Top 10 Research.

The BIM* application technology in Junkang Tower Project of Midea was granted the first prize in the fourth Science Innovation Cup in BIM Design Application Award by the China Building Information Technology Innovation Alliance.

Zhaoqing Midea Grand Garden was granted the 8th Idea-King* award for excellent scenery design by the Architecture and Culture Society of China.

Midea-Heneng Osmanthus Garden was granted the award for excellent scenery under the 2018REARD Top Real Estate Design Awards by www.reardchina.com.



- * TOD: transit-oriented development
- * BIM: Building Information Modeling
- * Idea-King: International Landscape Planning & Design Competition

Chairman's Statement

Dear shareholders:

Annual Results

2018 marked a milestone year for the Group. On 11 October 2018, the Group was successfully listed on the Main Board of the Stock Exchange. Since its initial public offering ("IPO"), the Group has attracted the attention of the market with its well-known brand and stable performance, the ability to obtain low-cost financing, and high quality Smart Home products.

For the year ended 31 December 2018, our revenue was RMB30,119.81 million, and our gross profit was RMB9,853.92 million, representing a year-on-year increase of 70% and 101%, respectively. Our profit for the year was RMB3,286.87 million, representing a year-on-year increase of 74%, and our core net profit* for the year was RMB3,284.39 million, representing a year-on-year increase of 75%. Supported by the steady and robust growth in revenue and profits, our gross profit margin increased from 27.6% in 2017 to 32.7% in 2018.

Business Review for 2018

(1) Real Estate Market Overview

During the year, China's macro-economic environment experienced changes with impact from the Sino-US trade war, the US tax cuts and interest rate hikes. As a result, the Chinese economy faced downward pressures. Nonetheless, China's property sales continued to grow steadily. According to the data published by the National Bureau of Statistics of China ("NBS"), the gross floor area ("GFA") of properties sold in China in 2018 amounted to 1,716.54 million square metres, representing a year-on-year increase of 1.3%. The total value of property sales in China hit a record high of RMB14,997.3 billion, representing a year-on-year increase of 12.2%. (Source: NBS, Wind Information)

(2) Sales Performance

For the year ended 31 December 2018, the contracted sales of the Group and its joint ventures and associates were approximately RMB79,000 million, representing a year-on-year increase of 55.82%, while GFA sold by contracted sales was approximately 7.907 million square metres, representing a year-on-year increase of 31.89%.

According to the 2018 China Index Academy Report, the Group ranked 38th among the Top Real Estate Enterprises with Ten-billion Sales in China (中國房地產銷售額百億企業排行榜), an improvement from the 39th place in 2017 and 74th place in 2016. At the end of 2018, most of the Group's pre-sold residential units are furnished with our Smart Home solutions. Our distinctive market position and differentiated product offerings will allow us to sell our property units more quickly and capture the growing trend for smart technology in the Chinese property market. We will further expand our core businesses, while paying close attention to market trends and related new growing areas such as Smart Home upgrades and modular Smart Home devices. We will continue to enhance our "Property + Industrial" strategy to achieve steady and sustainable high-quality business growth.

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

(3) Land reserves

As a national property developer in the PRC, our Group's project portfolio spans across 48 cities in China. Since our establishment, we have strategically entered into five 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 continued to expand its geographical presence by targeting central cities such as Guangzhou and other provincial capital cities. During the year, the Group directly acquired land reserves with a total GFA of 16.62 million square metres. Additionally, through projects held by our joint ventures and associated companies, we acquired land reserves of 0.57 million square metres. As at 31 December 2018, the Group had total land reserves of 45.07 million square metres and a property portfolio of 173 large-scale projects and the Group also participated in 32 projects through joint ventures and associates, covering 48 cities in 15 provinces.

We focus our business activities across the Pearl River Delta Economic Region and Yangtze River Delta Economic Region, two of the most economically prosperous and vibrant regions in China, as well as the core districts of second and third-tier cities with economic growth prospects and continuous incoming population such as cities located in the Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region which we believe entail great growth potential. We believe this strategy will enable us to acquire land at a reasonably low cost while commanding a premium in the sales price through our quality products integrated with our Smart Home solutions.

(4) Financial position and strategy

As at 31 December 2018, the Group's gross profit margin increased to 32.7%. The improvement in gross profit margin for 2018 was primarily driven by the higher recognised average selling price ("**ASP**") of our properties sold and the increased percentage of projects with higher gross profit margin. During the year, the Group's weighted average effective interest rate of its total borrowings (including bank and other borrowings and corporate bonds) was 5.91%, which was lower than the industry average. As at 31 December 2018, the Group's cash and bank deposits amounted to RMB26,533.14 million, demonstrating that the Group has maintained a strong cash position. Its gearing ratio was 97%, representing a decline of 22 percentage points from 2017. The reduction in the Group's gearing ratio reflects its optimising capital structure. Meanwhile, the Group has access to multiple financing channels, including bank and other borrowings, corporate bonds and related party loans. Furthermore, the IPO in 2018 enabled us to tap into multiple channels for fund raising in domestic and international markets, thus enhancing our finance structure.

On the one hand, the Group has benefitted from the long established, highly recognised "Midea" brand, Midea's business network, relationships with financial institutions and credibility with local governments, which allowed us to obtain financing at competitive costs. On the other hand, the Group's strong operating cash flow ensures that it has sufficient access to funds even when the financial market tightens. The Group has adopted a prudent financial management strategy and strived to improve its capital structure through diversified financing channels.

Business Outlook for 2019

Overall Property Market Development Outlook

In 2019, the property market will enter a new development cycle. In respect of national policies, city-specific implementation will be upheld, with cities becoming the principal parties in policy formulation. Property policies will switch from “control” to “stabilisation”, and national policies will aim at “stabilising land prices, housing prices and expectations”. We expect that the real estate market will maintain stable and robust in 2019. In respect of market performance, population will be a key factor in the long run. As first and second-tier cities have large incoming population and are supported by strong economic industries, the property market will continue to grow steadily in the future. As the level of urbanisation rises, first and second-tier cities will benefit from the size and quality of their population, which support the growth of the real estate market. Meanwhile, as the inter-connection and integration of cities strengthen and the economic industries of core cities expand to neighbouring areas, the demands for housing will also increase in these areas. The Guangdong-Hong Kong-Macau Greater Bay Area (with Guangzhou, Shenzhen, Hong Kong and Macau at its centre), the Yangtze River Delta Economic Region, North China Region, Chengdu-Chongqing city cluster, and Midstream of Yangtze River Economic Region will become the key areas with great potential for growth for the property market.

Future Development strategy and outlook of the Group

In 2019, the Group will maintain the composite development strategy of “Property + Industrial” by growing and improving its principal business of property development and services while promoting building industrialisation and intelligent industrialisation to integrate the upstream and downstream of the industry chain, striving to become a leading smart property manufacturer.

The Group will continue to execute its “deep penetration” strategy in regional markets in 2019. Going forward, we will focus our project portfolio on major second-tier and third-tier cities which are looking to be promoted to upper tiers. We will reinforce our presence in line with China's “Eight Vertical and Eight Horizontal” high-speed rail network plan. In addition, we will continue to focus our activities on our five targeted 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. We will further penetrate the cities where we have entered, and expand into peripheral cities with high-growth potential.

The Group will continue to strengthen its brand and competence as a one-stop Smart Home solutions provider in close cooperation with Midea Group Co., Ltd. and its subsidiaries (“Midea Group”) in 2019. The Group will also continue to invest in the Smart Home industry value chain and deepen our collaboration with Midea Group and other renowned Chinese internet companies to further develop its Smart Home and living solutions capabilities. In 2018, the Group has successfully entered into strategic cooperation agreements with Aliyun, Suning.com Co., Ltd. (蘇寧易購集團股份有限公司), Hikvision and other market leaders. Such partnerships have generated synergies and created win-win situations. In 2019, the Group plans to integrate more Smart Home products into our Smart Home system, enhance related technologies for developing Smart Business communities and upgrade our “5M Smart Health Community”.

The Group will also reinforce its presence in the prefabricated construction industry in 2019, which will generate synergies with our property development business. The Group will expand its presence along the property industry value chain to achieve vertical integration in its businesses. We believe we are well positioned to enter the prefabricated construction industry for residential properties. With our building BIM capability, we can provide professional, highly collaborative and well-balanced models for the full cycle of prefabricated architecture from design, production to construction. This will help us refine the factory production process, thus improve production and operation efficiency and reduce costs. We currently plan to progressively roll out prefabricated construction factories in our five major targeted regions, with our first prefabricated construction factory in Xuzhou expected to commence production no later than June 2020. We are also deepening our cooperation with other industry players in modular bathrooms. In 2018, we cofounded a modular bathroom company with a Japanese company that features strong modular bathroom technology. We believe the overall market for modular bathrooms has low penetration in China and presents great growth potential. In 2019, the Group will leverage Midea Group's existing competitive edges in manufacturing to drive its modular bathroom business development.

We also strive to improve our capabilities in operating self-owned commercial properties in 2019. This will help us gain experience in property operation and management, and increase the recurring rental income and capital value of the properties. To fully meet the commercial needs of different cities and customers, the Group's commercial product line covers urban complexes, community neighbourhood, shopping malls, characteristic commerce, cultural tourism projects and long-term rental apartments. We will continue to establish and improve our commercial property investment and operations. In addition, we will actively cooperate with various companies to generate more value from the entire industry chain and provide better services to customers. We will also build an ecosystem by integrating resources from various parties in the market.

Appreciation

On behalf of the board (the "**Board**") of directors of the Company (the "**Directors**"), I would like to take this opportunity to express sincere gratitude to all shareholders, investors, business partners, customers and members of the society for your trust and support. Our employees' hard work and contribution are also indispensable to our successful listing and steady growth in the past year. The Group will further strengthen its overall competitiveness in 2019 so as to achieve sustainable and quality growth, with the aim to create more value for shareholders.

Chairman, Executive Director and President

Hao Hengle

28 March 2019

Hong Kong

Management Discussion and Analysis

Overall performance

During the year, the Group recorded revenue of RMB30,119.81 million (2017: RMB17,716.92 million), representing an increase of 70% as compared with 2017. Operating profit amounted to RMB6,695.34 million (2017: RMB3,637.33 million), representing an increase of 84% as compared with 2017. Profit for the year amounted to RMB3,286.87 million (2017: RMB1,893.57 million), representing an increase of 74% as compared with 2017. Core net profit for the year increased by 75% to RMB3,284.39 million (2017: RMB1,879.47 million). Profit attributable to owners of the Company reached RMB3,210.00 million (2017: RMB1,912.44 million), representing an increase of 68% as compared with 2017. Basic and diluted earnings per share reached RMB3.08 (2017: RMB2.54).

Land reserves

During the year, the Group had strategically expanded its land reserves based on the market conditions. As at 31 December 2018, the Group owned land reserves with a total GFA of 45.07 million square metres in 48 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. Their average land cost stood at RMB2,337 per square metre, which is competitive compared with our peers. In the long run, we believe our competitive land costs will translate into strong profitability and capability of fending off economic downturns.

During the year, the Group strategically acquired lands through public tender, auction, listing-for-sale processes, acquisition of equity interests in companies that hold land use rights and urban renovation projects. The newly acquired land reserves are located at: (i) Guangzhou, Foshan and other cities in the Pearl River Delta Economic Region; (ii) Suzhou, Wuxi, Ningbo, Quanzhou, Changzhou, Xuzhou, Yangzhou and other cities in the Yangtze River Delta Economic Region; (iii) Changsha, Nanchang, Yueyang, Changde and other cities in the Midstream of Yangtze River Economic Region; (iv) Handan, Zhengzhou, Shenyang and other cities in the North China Region; and (v) Chongqing, Chengdu, Guiyang and other cities in Southwest Economic Region. Total GFA of the newly acquired lands amounted to 17.19 million square metres. We also entered new markets such as Zhengzhou, Quanzhou and Dali in 2018.

Going forward, the Group will continue to solidify its presence in regional markets, and build diversified and low-cost land reserves that span across China. We will also further focus our development activities on central cities and other provincial capital cities. We will focus on regions which we believe to have great growth potential, and seek to improve our market position in these regions to boost our sale prices and enhance our brand image.

Management Discussion and Analysis (Continued)

List of Newly Acquired Land Reserves

Region	Cities	Project Name	Ownership Percentage	Land Reserve (Square Metres)
Pearl River Delta Economic Region	Foshan City	Foshan Waterfront Garden (佛山山水莊園)	70%	129,236.70
		Foshan Country Garden-Midea Future City (佛山碧桂園美的未來城)	50%	417,407.57
		Parcel 3 in Foshan Sanshui Southwest Street Construction Road South (佛山市三水區西南街道建設大道南側地塊三)	34%	351,967.56
		Foshan Midea Jiufeng Square (佛山美的玖峰廣場)	90%	118,271.29
		Foshan Poly-Midea Yue Mansion (佛山保利玥府) *	25%	65,875.96
	Zhaoqing City	Zhaoqing Country Garden-KWG-Midea Riverside Mansion (肇慶碧桂園·合景·美的閱江府)	34%	237,308.44
		Zhaoqing Midea Yueshan Garden (肇慶市美的悅山花園)	100%	74,738.62
		Country Garden-Midea Duhui Garden (碧桂園都薈花園) *	49%	74,693.68
	Jiangmen City	Jiangmen Midea-Excellence Group Skyfame Garden (江門美的卓越公園天譽)	50%	122,063.70
	Yangjiang City	Yangjiang Midea City on Xinjiangtai Avenue (陽江新江台大道美的城)	60%	899,263.80
Heyuan City	Heyuan Central Park (河源中央公園)	80%	167,060.85	

Management Discussion and Analysis (Continued)

Region	Cities	Project Name	Ownership Percentage	Land Reserve (Square Metres)
Yangtze River Delta Economic Region	Suzhou City	Parcel 2017-WG-81 (蘇地2017-WG-81號)	100%	237,710.32
		Suzhou Midea Ziyu Mansion (蘇州美的紫譽華庭)	34%	196,731.91
	Ningbo City	Ningbo Midea-Country Garden Mountainside Villa (寧波美的碧桂園半山美廬)	51%	68,221.80
	Changzhou City	Changzhou Midea-CIFI Tianfu (常州美的旭輝天賦)	60%	149,665.95
		Changzhou Midea Academician Mansion Phase I (常州美的翰林府一期)	100%	103,389.57
		Changzhou Midea Academician Mansion Phase II (常州美的翰林府二期)	100%	34,600.60
		Changzhou Midea-Yango Jiangshanyue (常州美的陽光城江山樾)	51%	97,578.00
	Xuzhou City	Xuzhou Midea Guantang Garden (徐州美的觀棠苑)	51%	108,391.22
		Xuzhou Midea Tianquehui (徐州美的天闕匯)	51%	235,264.95
		Xuzhou Midea East Lake Sky City (徐州美的東湖天城)	100%	439,495.69
	Wuxi City	Parcel XDG-2017-34 (XDG-2017-34地塊)	60%	301,336.94
		Wuxi Midea Taike Garden (無錫美的太科園)	34%	292,384.38
	Jinhua City	Jinhua Midea Baolong Inheritance Garden (金華美的寶龍世家)	50%	285,517.49
	Quanzhou City	Parcel in Wangju Mountain, Qiuyang Village, Meilin Street, Nan'an City (南安市美林街道坵洋村網炬山地塊)	86%	149,455.00
	Zhoushan City	Zhoushan Midea-Dexin Hancheng (舟山美的德信翰城)	50%	169,298.54
		Parcel LC-10-01-22 and LC-10-01-23 (LC-10-01-22、LC-10-01-23地塊)	100%	95,488.74
Zhengjiang City	Zhengjiang Midea City (鎮江美的城)	100%	312,807.00	
Yangzhou City	Yangzhou Midea Jade Cloud Deck (揚州美的翡翠雲台)	50%	539,702.05	
Taizhou City	Jingjiang Midea Riverside Mansion (靖江美的悅江府)	100%	134,868.10	

Management Discussion and Analysis (Continued)

Region	Cities	Project Name	Ownership Percentage	Land Reserve (Square Metres)
Midstream of Yangtze River Economic Region	Changsha City	Changsha Midea Hancheng (長沙美的翰城)	50%	301,611.60
		Ningxiang Midea Yard (寧鄉美的院子)	100%	219,897.14
		Ningxiang No. [2018] 027 parcel (網掛[2018]寧鄉市027號)	100%	197,830.72
		Changsha Liuyang Midea Phoenix Mountain (長沙瀏陽美的鳳凰山)	100%	113,086.41
	Nanchang City	Nanchang Midea Flowerbay City (南昌美的花灣城)	56%	227,236.51
		Nanchang Midea Grand Garden (南昌美的公園天下)	100%	224,835.00
	Zhuzhou City	Zhuzhou Midea Paramount Mansion (株洲美的雪峰山壹號)	97%	220,805.21
		Zhuzhou Midea Parasol Garden (株洲美的梧桐莊園)	80%	235,513.94
		Zhuzhou Midea Purple Cloud Community (株洲美的紫雲台)	100%	188,163.56
	Yueyang City	Yueyang Midea-Jinke Commandery (parcel 14 [#]) (岳陽美的金科郡14 [#])	50%	169,959.55
		Yueyang Midea Platinum Joy Mansion (岳陽美的鉑悅府)	100%	186,866.56
		Yueyang Midea-Jinke Commandery (parcel 15 [#]) (岳陽美的金科郡15 [#]) *	50%	129,300.38
	Shangrao City	Shangrao Midea-Yango Millan Mansion (上饒美的陽光城文瀾府)	49%	127,711.12
		Shangrao Midea-Newpower Emperor Bay (上饒美的新力帝泊灣)	34%	198,662.17
		Shangrao Midea Tianyue (上饒美的天樾)	33%	350,832.71
	Ganzhou City	Ganzhou Midea Royal Orchid Byland (贛州美的君蘭半島)	60%	383,591.53
Xiangtan City	Xiangtan Midea Lotus Front Mansion (East Group) (湘潭美的蓮城首府•東組團)	100%	252,245.05	
Changde City	Changde Jinke Midea Willow Leaf Peace Garden (常德金科美的柳葉和園)	50%	287,602.41	

Management Discussion and Analysis (Continued)

Region	Cities	Project Name	Ownership Percentage	Land Reserve (Square Metres)
Southwest Economic Region	Chongqing City	Chongqing Midea Yunjing (重慶美的雲璟)	50%	359,160.56
		Chongqing Daishan Road No. 8 (重慶黛山道8號)	35%	330,181.75
		Chongqing Midea Wanyun Mansion (重慶美的萬雲府)*	20%	39,116.44
		Chongqing Midea Wanlu Mansion (重慶美的萬麓府)*	80%	107,367.27
	Chengdu City	Pengzhou Midea-Country Garden Mission Hills Mansion (彭州美的碧桂園觀瀾府)	78%	262,541.47
		Chengdu Midea Bridgefront Commandery (成都美的瀾橋郡)	100%	202,065.72
	Nanchang City	Nanning Midea Wisdom City (南寧美的慧城)	100%	119,978.40
		Nanning Midea-CIFI City (南寧美的旭輝城)*	50%	44,865.02
	Guiyang City	Guiyang Midea VIP Mansion Phase 2 and Phase 3 (貴陽美的國賓府大二期、大三期)	100%	307,000.00
	Zunyi City	Zunyi Midea Yunxi Mansion (遵義美的雲熙府)	100%	228,743.60
		Midea-Jinke Wanlu Mansion (parcel 35 [¶]) (美的金科萬麓府•35 [¶])	51%	400,175.00
		Zunyi Midea-Jinke Wanlu Mansion (parcel 36 [¶]) (遵義美的金科萬麓府•36 [¶])*	49%	107,838.71
	Meishan City	Meishan Cloudbay Commandery (眉山美的雲溪郡)	100%	112,123.16
		Meishan Midea Jinhui Commandery (眉山美的金輝郡)	50%	94,449.28
	Wuzhou City	Wuzhou Midea Central Square (梧州美的中央廣場)	98%	847,355.81
	Dali City	Dali Midea Future City (大理美的未來城)	50%	148,577.00
Dali Yamei Bay (大理雅美灣)*		50%	67,504.00	
Leshan City	Leshan Midea Junyu Mansion (樂山美的珺御府)	100%	314,810.14	

Management Discussion and Analysis (Continued)

Region	Cities	Project Name	Ownership Percentage	Land Reserve (Square Metres)
North China Region	Zhengzhou City	Parcel 150 on Chuanyang Road, Zhengzhou High-Tech Zone (鄭州高新區川楊路150號地)	100%	209,783.00
	Shenyang City	Shenyang Midea Grand Joy Mansion (沈陽美的瀚悅府)	100%	138,459.91
	Handan City	Handan Midea Cambridge Commandery (邯鄲美的劍橋郡)	49%	812,137.71
		Handan Midea Riverside Mansion (邯鄲美的悅江府)	67%	112,399.94
		Handan Midea Donglin Mansion (邯鄲美東麟府)	45%	288,428.49
		Handan Midea Kangde Mansion (邯鄲市美的康德府)	100%	77,544.73
	Xingtai City	Xingtai Midea Grand Garden (邢台美的公園天下)	100%	197,573.17
		Xingtai Midea VIP Mansion Crape Myrtle Court (邢台美的國賓府紫薇苑)	100%	118,255.91
		Xingtai Midea Grand Garden Lilac Court (邢台美的公園天下丁香苑)	100%	131,384.27
		Xingtai Midea Mission Hills Number One (邢台美的觀瀾一號)	45%	197,186.73
Kaifeng City	Kaifeng Midea VIP Mansion (開封市美的國賓府)	100%	183,304.13	

* Property held by our joint ventures/associates which GFA were incorporated in proportion to ownership percentage.

Financial Review

Revenue and Segment Information

Property Development and Sales

During the year, the Group's recognised revenue from property development and sales increased by 71% to RMB29,602.38 million from RMB17,330.21 million in 2017, primarily due to increases in the total GFA and ASP recognised. Total GFA recognised amounted to 3.6369 million square metres, representing an increase of 49% from 2.4477 million square metres in 2017. Recognised ASP increased by 15% from RMB7,080 per square metre in 2017 to RMB8,139 per square metre in 2018.

Property Management Services

During the year, the Group's revenue derived from property management services increased by 52% to RMB355.00 million from RMB232.80 million in 2017, primarily due to an increase in the GFA under management.

Investment and Operation of Commercial Properties

During the year, the Group's revenue from investment and operation of commercial properties increased by 6% to RMB162.43 million from RMB153.91 million in 2017, primarily due to further development in our cultural tourism projects.

Cost of Sales

The Group's cost of sales primarily represents the costs we incur directly for the property development activities, the provision of property management services and other businesses. During the year, the Group's cost of sales increased by 58% to RMB20,265.89 million from RMB12,819.86 million in 2017, primarily due to the rising recognised GFA (3.6369 million square metres, representing an increase of 49% from 2017) which caused higher cost of sales in our property development and sales business.

Gross Profit

During the year, the Group's gross profit increased by 101% to RMB9,853.92 million from RMB4,897.06 million in 2017. During the year, gross profit margin increased by 5.1 percentage points to 32.7% from 27.6% in 2017. The gross profit margin improvement was driven by the higher recognised ASP and an increasing proportion of higher-margin projects in our sales.

Other Income and Gains — Net

During the year, the Group's other income and gains — net increased by 107% to RMB691.51 million from RMB334.70 million in 2017. Other income and gains primarily consist of gains on financial assets at fair value through profit or loss, management and consulting service income, and gains on disposal of subsidiaries.

Selling and Marketing Expenses

During the year, the Group's selling and marketing expenses increased by 90% to RMB1,533.91 million from RMB807.88 million in 2017, primarily due to the increase of related marketing expenses along with the growth in sales of properties.

Administrative Expenses

During the year, the Group's administrative expenses increased by 194% to RMB2,285.19 million from RMB776.26 million in 2017, primarily due to the increase in our headcount caused by the Group's business expansion and that impairment provision made for some of the Group's properties under development and completed properties held for sale.

Finance Costs — Net

Our net finance costs primarily consist of interest expenses for bank loans, other borrowings and our issued domestic corporate bonds net of capitalised interest relating to properties under development, interest income from bank deposits, as well as foreign exchange gains and losses. The general and specific borrowing costs directly attributable to the acquisitions, 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 time as the assets are substantially ready for their intended use or sale.

During the year, the Group's net finance costs recorded a net income of RMB55.23 million as compared to net costs of RMB31.33 million in 2017, primarily due to capitalisation rate of 100% (2017: 84%) of interest expenses for the year, and our interest income for the year was RMB183.10 million (2017: RMB75.86 million), offset by the net foreign exchange loss of RMB127.87 million from financing activities (2017: net foreign exchange gain of RMB155.35 million from financing activities) for the year.

Profit Attributable to Owners of the Company

During the year, profit attributable to owners of the Company increased by 68% to RMB3,210.00 million from RMB1,912.44 million in 2017.

Liquidity and Capital Resources

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB26,533.14 million as at 31 December 2018 (2017: RMB23,791.02 million), including RMB15,439.15 million in cash and cash equivalents (2017: RMB19,917.38 million), RMB3,065.87 million in term deposits with initial terms of over three months (2017: RMB120.92 million) and RMB8,028.12 million in restricted cash (2017: RMB3,752.72 million). Property development companies of the Group are required to deposit certain amounts of presale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 31 December 2018, the Group's approved but unused credit facilities from banks and financial institutions were RMB34,227.46 million, and its approved but unused issuance amount of domestic corporate bonds were RMB5,060.00 million.

Borrowings

As at 31 December 2018, the Group's total borrowings amounted to RMB49,509.31 million. Bank and other borrowings, and corporate bonds were RMB43,575.72 million and RMB5,933.59 million, respectively. As at 31 December 2018, the gearing ratio was 97% (2017: 119%). Gearing ratio is calculated based on net borrowings divided by total equity. Net borrowings was calculated as total amount of interest-bearing borrowings less cash and cash equivalents, term deposits with initial terms of over three months and restricted cash.

The Group's bank and other borrowings as at 31 December 2018, of RMB23,145.37 million (2017: RMB11,280.18 million) were secured by certain buildings, land use rights, properties under development, completed properties held for sale and bank deposits of the Group with total carrying values of RMB39,355.26 million (2017: RMB15,520.48 million).

Borrowing Cost

In 2018, the total borrowing costs of the Group amounted to RMB2,676.35 million, representing an increase of RMB989.01 million from RMB1,687.34 million in 2017, mainly due to the higher average interest rate and the increase in the principal of borrowings in 2018. The Group's weighted average effective interest rate on total borrowings during the year was 5.91% (2017: 5.23%).

Management Discussion and Analysis (Continued)

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 2018, the value of the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB42,105.14 million (2017: RMB22,956.88 million).

In addition, the Group also provides guarantees for borrowings of several cooperative enterprises and associated companies. As at 31 December 2018, the value of the Group's guarantee for the loans of joint ventures and associates amounted to RMB2,947.42 million (2017: RMB1,713.54 million).

Commitments

As at 31 December 2018, the Group's capital and property development expenditure commitments amounted to RMB24,781.58 million (2017: RMB6,726.76 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. The Group has not entered into any hedging transactions against foreign currency risks.

Principal Risks and Uncertainties

Principal risks and uncertainties of the Group include: (i) uncertainty as to the economic conditions in the PRC and performance of the PRC property market; (ii) uncertainty as to the ability to acquire land reserves located in desirable locations at commercially reasonable prices; and (iii) uncertainty as to the Group's ability to obtain external financing for land acquisition and construction. For further details on the risks and uncertainties faced by our Group, please refer to the section headed "Risk Factors" of the prospectus of the Company dated 28 September 2018 (the "Prospectus").

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 3 January 2019, Midea Real Estate Group Limited (美的置業集團有限公司) (“**Midea Real Estate Group**”), an indirectly wholly-owned subsidiary of the Company, publicly offered the first tranche of a domestic corporate bond in an aggregate sum of RMB1,000,000,000 to qualified investors in China with a coupon rate of 7.0% per annum for a term of three years which will mature in January 2022 (“**2019 Public Offering of Domestic Corporate Bonds to Qualified Investors (First Tranche)**”). Midea Real Estate Group has the option to adjust the coupon rate at the end of the second year, and investors have the option to sell their bonds back. Further details about the 2019 Public Offering of Domestic Corporate Bonds to Qualified Investors (First Tranche) are set out in the Company’s announcements dated 27 December 2018, 28 December 2018, 3 January 2019, and 16 January 2019.

On 28 January 2019, Midea Real Estate Group offered the first tranche of a non-public domestic corporate bond in an aggregate sum of RMB3,060,000,000 in China with a coupon rate of 5.3% per annum for a term of three years which will mature in January 2022 (“**2019 Non-Public Offering of Domestic Corporate Bonds (First Tranche)**”). Midea Real Estate Group has the option to adjust the coupon rate at the end of the second year, and investors have the option to sell their bonds back. Further details about the 2019 Non-Public Offering of Domestic Corporate Bonds (First Tranche) are set out in the Company’s announcement dated 29 January 2019.

On 28 February 2019, Midea Real Estate Group offered the second tranche of a publicly offered domestic corporate bond in an aggregate sum of RMB1,000,000,000 to qualified investors in China with a coupon rate of 6.5% per annum for a term of three years which will mature in February 2022 (“**2019 Public Offering of Domestic Corporate Bonds to Qualified Investors (Second Tranche)**”). Midea Real Estate Group has the option to adjust the coupon rate at the end of the second year, and investors have the option to sell their bonds back. Further details about the 2019 Public Offering of Domestic Corporate Bonds to Qualified Investors (Second Tranche) are set out in the Company’s announcements dated 22 February 2019, 27 February 2019, 28 February 2019 and 14 March 2019.

Use of Proceeds from IPO

Trading of shares in the Company on the Stock Exchange commenced on 11 October 2018 (the “**Listing Date**”), and the Group raised net proceeds of approximately RMB2,786.87 million (including the exercise of the over-allotment options), after deducting the underwriting commission and other expenses in connection with the IPO.

As at 31 December 2018, an analysis of the utilisation of IPO proceeds is as follows:

	Original allocation of IPO proceeds (including the exercise of the over-allotment option)	Utilised IPO proceeds as at 31 December 2018	Unutilised IPO proceeds as at 31 December 2018
	RMB million	RMB million	RMB million
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	–	1,950.81
Land acquisition and construction for prefabricated construction projects	418.03	137.87	280.16
Research and development of Smart Home solutions	139.34	–	139.34
General working capital	278.69	272.16	6.53
Total	2,786.87	410.03	2,376.84

The Company intends to apply the remaining proceeds in the manner set out in the Prospectus. Nonetheless, the Directors will constantly evaluate the Group’s business objectives and may change or modify the plans against changing market conditions as necessary.

Employees and Remuneration Policy

As at 31 December 2018, the Group has employed approximately 12,275 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 as well as internal and external training opportunities.

Property Previews

Some of our Residential Projects

Pearl River Delta Economic Region



Foshan Midea Royal Orchid Landscape



Foshan Midea East Seaside Villa



Foshan Midea West River Mansion

Yangtze River Delta Economic Region



Hefei Midea-KWG Property Grand Garden



Hefei Lujiang Midea City



Ningbo Mingzhou Yard

Midstream of Yangtze River Economic Region



Changsha Midea Parasol Garden



Zhuzhou Midea Blue Valley



Ningxiang Midea Yard

North China Region



Shenyang Midea Grand Court



Xingtai Midea VIP Mansion



Shenyang Midea Grand Joy Mansion

Southwest Economic Region



Kunming Midea Shuncheng Mansion



Wuzhou Midea Central Square



Guiyang Midea Huaxi Yard

Some of our Commercial Projects



Foshan Midea Xinduhui Mall



Foshan Yueran Square



Shunde Future City



Handan Yueran Square



Zhuzhou Yueran Square



Guiyang Yueran Tiandi



Xuzhou Yueran Centre



Foshan Midea Egret Lake Forest Resort

Property Development

Smart home

Creating a leading brand as a smart life solutions provider. Smart life is an important characteristic of future lifestyles, and smart homes will become an important part of smart life. As the real estate industry is entering a prosperous period, real estate enterprises have switched their strategies from high-growth to high-quality expansion. Creating high-quality, premium products has become an inevitable direction for the development of the real estate industry, and delivery of finely decorated houses has become a nationwide strategy. The introduction of smart home fits well with the needs of real estate enterprises as they seek to create high-quality products. Thus, smart homes will become the standard configuration of new residential buildings in the future. Smart home solutions have evolved from traditional single products to smart solutions for the entire household system.

As a country leader in introducing smart life concepts, the Group continues to expand and improve the overall smart life.

After leading the introduction of smart and healthy community products in 2015, the Group has continuously improved and established new solutions which integrate hardware, software and services based on continual information upgrade. Combining intelligence, convenience and security as its core elements, the Group's solutions have provided a brand new smart life experience for homeowners. With the help of the technology and cost advantages of a wide range of smart household appliances of the Midea Group, Foshan Shunde Meijia Intelligent Technology Management Services Co., Ltd. ("**Meijia Intelligent**"), an indirectly wholly-owned subsidiary of the Company, in association with various hardware strategic partners of the smart community and various Internet ecological enterprises, jointly creates a new range of smart household appliances, household products and assembly sets. Evolving from a space provider to an all-rounded solutions provider and life services operator, the Group creates a new way of establishing links between community, home, and ecosystem thus enhancing the value of customers.

In 2018, the Group's smart life strategy has been rapidly established and widely recognised by the industry.

As an important element of smart life, the Group focuses on industrial craftsmanship and standardisation management. It has carried out its smart life strategy in 40 cities nationwide, built 163 open exhibition halls and demonstration model rooms, and has distinguished itself through intelligent demonstration and experiential marketing in the industry. In 2018, the Group delivered its first batch of smart homes in the country and achieved fruitful results. Through continuous exploration and promotion, in 2018, the Group won the title of "National Standard Creation Base for Smart Living" awarded by the National Smart Home Standards Technical Committee of SAC/TC426, and participated in the formulation of smart home industry standards. Meijia Intelligent won the title of "China's Good Life Potential Unicorn in 2018", and its services will expand from residential to office buildings, pension homes, commercial complexes, and public services.

The Group is committed to becoming a leader in smart life in China and promoting the development of the smart real estate industry.

The Group has used resources to establish a smart life research centre. It is committed to researching customers' needs based on users' experience. Specifically, we employ technologies such as Internet of Things, cloud computing, and artificial intelligence and synergise them with Midea Group's strong technology and product capabilities. Our ultimate focus is always on our customers for whom we build a tailored service system. This allows us to transform from a space provider to a life services operator. Furthermore, we have deepened our smart life supply chain system by forming cooperative alliances with Aliyun, Hikvision and other enterprises to establish the interoperability of cloud platforms. In indoor smart applications, the platforms among core hardware suppliers is connected, which allows all kinds of smart devices to connect freely. Converting from merchant-oriented to consumer-oriented model at a low cost, we will drive new demand, and achieve "Smart Home, Simple Life". The advantage of the output value chain will be an important development direction for the Group in its smart life business segment.

Property Development (Continued)

In the future, the Group will strive to build a green living environment featuring smart life as its core element, and rapidly establish digital transformation to become the leader of smart lifestyle.

We set forth below an example of the features of our Smart Home system:



Product services

New processes and products

The Group places emphasis on the installation of a new process system with core technologies such as fabrication and construction of all-concrete exterior walls, aluminum alloy frameworks, thin plastering, fine decoration and insertion, which will be adapted to the specific conditions of each region. Construction precision has been improved from centimetre to millimetre level. The adoption of such process results in the shortening of total construction period whilst maintaining safety and ensuring higher quality.

At the same time, the Group has divided the residential projects into four major product lines: Midea Royal Orchid (君蘭系), Midea Luxury Mansion (國賓系), Midea Cloud Mansion (雲築系), and Midea Future Town (未來系), which provide full coverage for customers with different needs and provide customer-oriented smart life. Midea Royal Orchid (君蘭系) is based on modern and neo-classical styles and is currently the highest-end product line of the Group. Midea Luxury Mansion (國賓系) is designed with the new Chinese style, focusing on the mid-to-high-end product line with refined integration features; Midea Cloud Mansion (雲築系) is based on the new Chinese style, focusing on the low-density medium-to-high-end product line; Midea Future Town (未來系) is based on modern and neo-classical style, taking a market positioning in of the mid-end product line.

After-sales services

We are committed to improving customer satisfaction and customer experience. With a focus on customer's holistic experience, we aim at providing customers with proactive and comprehensive after-sales services, including project progress notifications, site opening, property handover, maintenance services, and customer care activities, etc.

In order to better understand customers' aspirations and be responsive to customers' needs, we have established multiple channels by setting up our customer service hotline that starts with digits "400", establishing one-stop customer service platform "Meidihui" and conducting regular customer satisfaction surveys. Customers can make an online reservation, online consultation, online repairs, and real-time evaluations through our service and experience tools to meet their different needs.

Property Development (Continued)

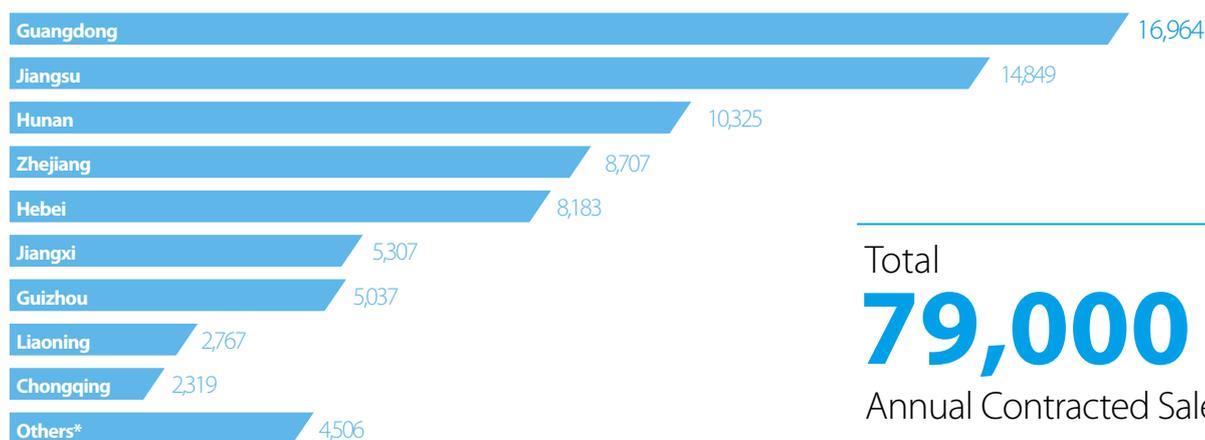
Contracted sales amount

In 2018, the Group, together with its joint ventures and associates, achieved a total contracted sales amount of about RMB79,000 million, with a contracted sales floor area of about 7.9 million square metres. From 2015 to 2018, the annual compound growth rate of contracted sales amount of the Group reached 92%. In 2018, the contracted sales amount in Guangdong Province accounted for 21.5% of the Group's total contracted sales amount, reflecting the Group's strong business capability in the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, the contracted sales amount in Jiangsu, Hunan, Zhejiang, Hebei and other eight provinces accounted for 18.8%, 13.1%, 11.0%, 10.4% and 25.3% of the total group respectively, demonstrating the Group's business focus on the most prosperous and active economic zones in China, the Pearl River Delta Economic Region and the Yangtze River Delta Economic Region, as well as the core cities of the Midstream of Yangtze River Economic Region, North China Region and the Southwest Economic Region which demonstrated good economic prospects and continuing population inflows.

Contracted sales amount for years (unit: RMB 100 million)



2018 contracted sales amount by province (unit: RMB million)



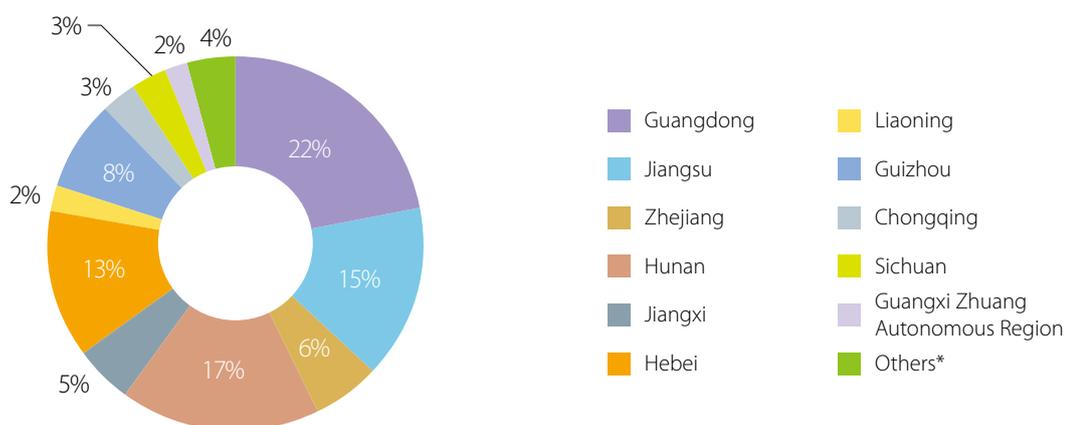
Total
79,000
Annual Contracted Sales

* Including Anhui, Sichuan, Guangxi and Yunnan

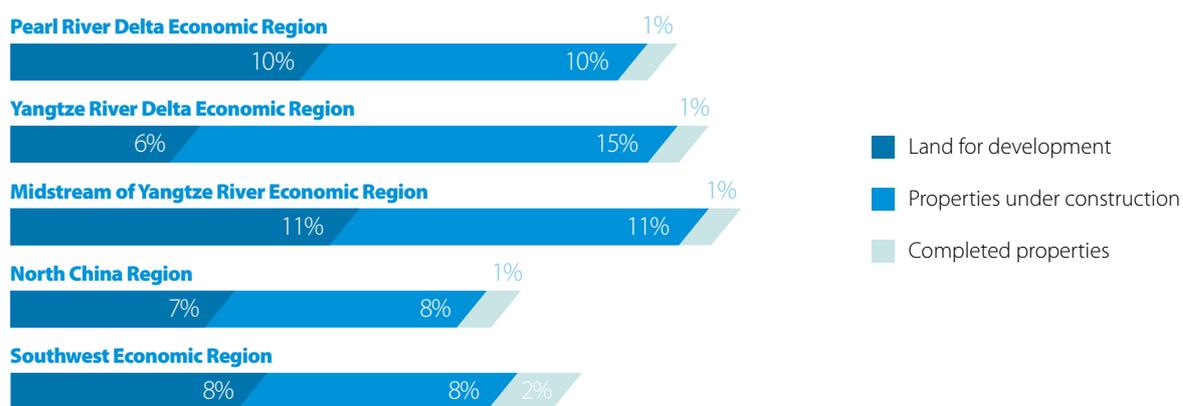
Land reserves

As at 31 December 2018, the Group has 173 property development projects and 32 projects through joint ventures and associates, covering 48 cities in 15 provinces in China. The Group's total gross floor area of land reserves reached 45.07 million square metres. Of these, the Group's land reserves are mainly distributed in Guangdong, Jiangsu, Hunan and Hebei provinces, accounting for 66.5% of the total group, while 11 other provinces account for 33.5% of the Group's entire land reserves. According to the development stage, 42% of the land reserves in five districts is reserved for future development, 53% is in the process of development while 5% is the completed property. This illustrates that our land reserves have strong future profitability.

DISTRIBUTION MAP OF LAND RESERVE BY PROVINCE



MAPPING ACCORDING TO THE PROJECT STATUS



* including Anhui, Fujian, Henan and Yunnan

Property Development (Continued)

Properties distribution map

As at 31 December 2018, the Group owned 173 property development projects and participated in 32 projects through joint ventures and associates, which are distributed in the five core regions of 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

Economic
Regions

48

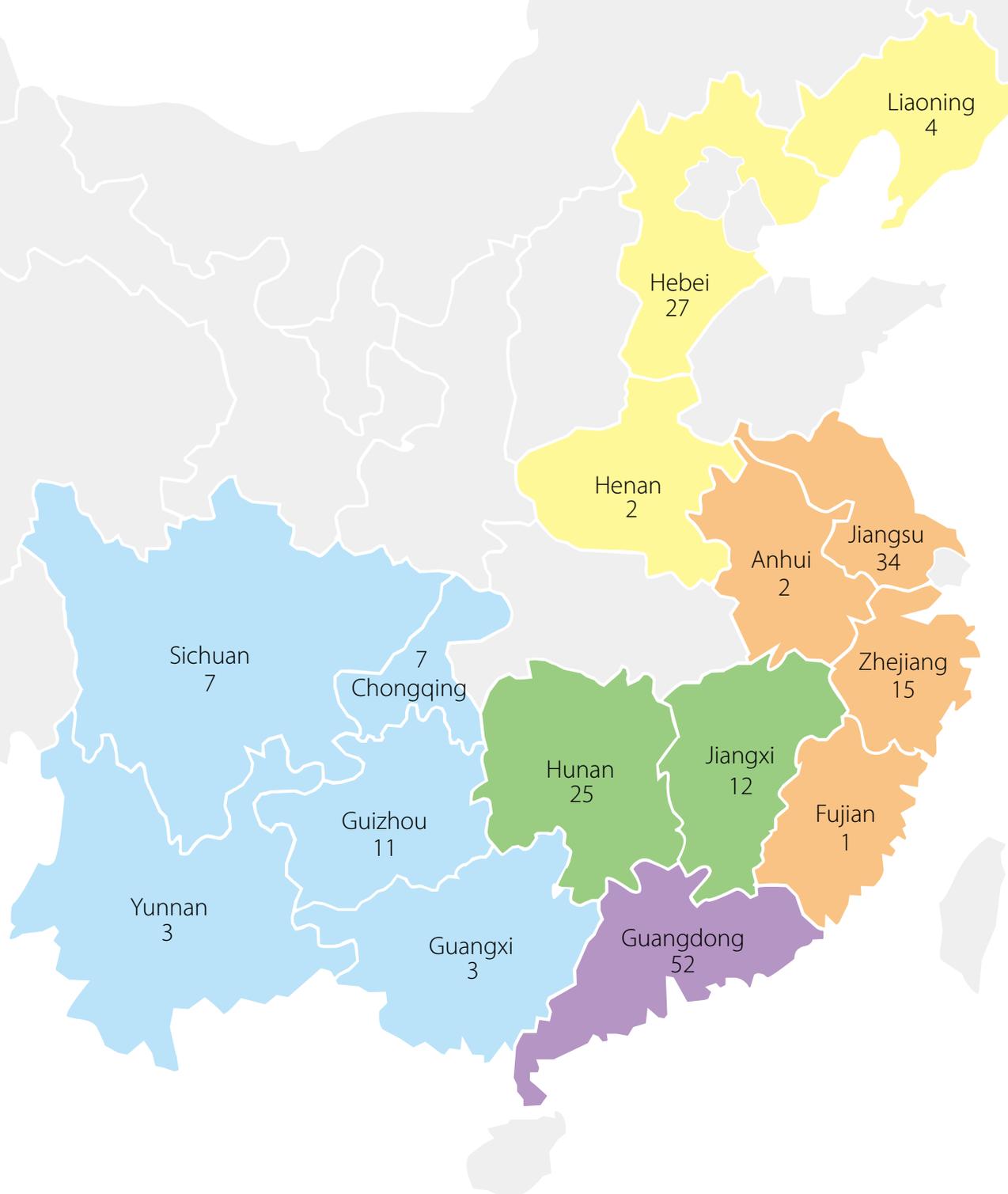
Cities

205

Projects*

* Including 32 projects participated through joint ventures and associates.

Property Development (Continued)



Details of Property Development Projects (as at 31 December 2018)
Property development projects developed by our subsidiaries

Serial number	Project Name	Cities	Land Reserve Area (square metre)	Completed			Under development				Future development			Company's attributable interest	
				Total Completed GFA (square metre)	Unsaleable GFA and GFA sold (square metre)	GFA available for sale and rentable (square metre)	GFA under development (square metre)	Saleable GFA (square metre)	GFA pre-sold (square metre)	Actual/estimated date for obtaining a pre-sale permit	Estimated completion date	Planned GFA with land use rights certificates (square metre)	GFA with land use rights not yet obtained (square metre)		Actual/estimated date for obtaining a pre-sale permit
Pearl River Delta Economic Region															
1	Foshan Midea Hancheng	Foshan City	16,296	290,957	274,661	16,296	-	-	-	-	-	-	-	-	100%
2	Foshan Midea Square	Foshan City	16,141	309,651	293,511	16,141	-	-	-	-	-	-	-	-	100%
3	Foshan Midea East Seaside Villa	Foshan City	24,910	687,577	663,666	24,910	-	-	-	-	-	-	-	-	100%
4	Foshan Midea Xinduhui Mall	Foshan City	53,547	142,149	88,603	53,547	-	-	-	-	-	-	-	-	100%
5	Foshan Midea Hancheng Grand View	Foshan City	9,255	284,393	275,138	9,255	-	-	-	-	-	-	-	-	100%
6	Foshan Midea Royal Orchid Landscape	Foshan City	34,301	527,959	493,658	34,301	-	-	-	-	-	-	-	-	100%
7	Foshan Midea Flowerbay City	Foshan City	218,484	372,122	153,637	218,484	-	-	-	-	-	-	-	-	98%
8	Foshan Midea Real Estate Square	Foshan City	318,745	-	-	-	318,745	151,566	1986	5/2023	8/2019	-	-	-	100%
9	Foshan Midea Lakeside Court	Foshan City	310,916	167,794	127,329	40,466	270,451	241,760	61,279	8/2017	11/2020	-	-	-	96%
10	Foshan Midea Pioneer Mansion	Foshan City	96,362	-	-	-	96,362	88,575	502,333	7/2017	1/2019	-	-	-	98%
11	Foshan Midea Elite Residence	Foshan City	251,266	-	-	-	251,266	239,623	123,740	3/2018	6/2019	-	-	-	60%
12	Foshan Midea Pinnacle Palace	Foshan City	68,018	-	-	-	68,018	63,285	17,709	8/2018	3/2020	-	-	-	100%
13	Foshan Waterfront Garden	Foshan City	129,237	-	-	-	-	-	-	-	-	129,237	-	-	70%
14	Foshan Phoenix Grand Palace	Foshan City	273,615	-	-	-	273,615	250,098	235	8/2018	3/2020	-	-	-	50%
15	Foshan Midea-CCCC Hancheng	Foshan City	105,655	-	-	-	105,655	96,174	4,018	8/2018	1/2020	-	-	-	69%
16	Foshan Midea-Heneng Osmanthus Garden	Foshan City	148,678	-	-	-	148,678	118,788	2,384	11/2018	12/2019	-	-	-	49%
17	Foshan Shui Mu Tsinghua	Foshan City	66,753	-	-	-	66,753	58,774	15,754	7/2018	6/2019	-	-	-	50%
18	Foshan Midea West River Mansion	Foshan City	328,902	-	-	-	159,258	152,972	24,311	6/2018	10/2019	169,644	12/2019	6/2021	95%
19	Foshan Midea Le Prestige Residence	Foshan City	12,9961	-	-	-	45,766	40,191	-	11/2019	1/2021	63,454	10/2020	4/2022	100%
20	Foshan Midea Osmanthus Garden	Foshan City	71,437	-	-	-	71,437	55,322	-	7/2019	10/2020	-	-	-	98%
21	Foshan Country Garden-Midea Future City	Foshan City	417,408	-	-	-	186,600	174,613	-	5/2019	4/2020	230,808	3/2020	4/2021	50%
22	Foshan Coastal Garden Club	Foshan City	6164	6164	-	6164	-	-	-	-	-	-	-	-	100%
23	Parcel 13 in Foshan Sanshui Southwest Street Construction Road South	Foshan City	351,968	-	-	-	88,858	70,779	-	11/2018	9/2020	263,109	8/2019	12/2022	34%

Property Development (Continued)

Serial number	Project Name	Cities	Land Reserve Area (square metre)	Completed				Under development				Future development					
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24	Shenzhen Spinning Building (11th Floor)	Shenzhen City	636	636	-	636	N/A	-	-	-	-	-	-	-	-	100%	
25	Zhongshan Midea Residence	Zhongshan City	6,043	-	-	6,043	-	48,004	19,369	3/2018	7/2019	-	-	-	-	97%	
26	Zhongshan Midea Joy Mansion	Zhongshan City	150,787	-	-	150,787	-	104,791	8,505	3/2018	7/2019	-	-	-	-	98%	
27	Zhongshan Midea Lanshan	Zhongshan City	47,670	-	-	47,670	-	43,665	11,262	3/2018	5/2019	-	-	-	-	95%	
28	Guangzhou Midea Shangcheng	Guangzhou City	141,633	-	-	81,246	-	68,914	3,905	11/2018	8/2020	60,387	-	10/2019	3/2021	98%	
29	Foshan Midea Jufeng Square	Foshan City	118,271	-	-	-	-	-	-	-	-	118,271	-	8/2019	12/2020	90%	
30	Foshan Midea West Coast	Foshan City	34,833	718,951	34,833	9/2017	-	-	-	-	-	-	-	-	-	100%	
31	Foshan Midea Minghu	Foshan City	140,260	223,938	190,838	8/2018	107,160	104,804	7,685	12/2016	1/2019	-	-	-	-	97%	
32	Foshan Midea Egret Lake Forest Resort	Foshan City	1,733,569	222,228	149,120	73,109	50,215	432,197	21,934	-	3/2021	1,159,246	-	N/A	N/A	90%	
33	Foshan Midea Minghu North	Foshan City	138,502	166,371	27,869	138,502	12/2018	-	-	-	-	-	-	-	-	48%	
34	Foshan Midea City	Foshan City	192,182	-	-	192,182	-	182,960	91,196	4/2018	9/2020	-	-	-	-	100%	
35	Land Lot No. 44/060802003G000038	Foshan City	80,666	-	-	-	-	-	-	-	-	80,666	-	N/A	N/A	60%	
36	Zhaoqing Midea Grand View Garden	Zhaoqing City	116,557	76,758	4,609	72,149	12/2018	44,407	43,181	1/2018	5/2019	-	-	-	-	97%	
37	Zhaoqing Midea Grand Garden	Zhaoqing City	156,969	-	-	-	-	156,969	146,872	8/2018	4/2021	-	-	-	-	51%	
38	Zhaoqing Midea-Country Garden SkyTeam	Zhaoqing City	145,211	-	-	-	-	145,211	137,623	10/2018	6/2021	-	-	-	-	50%	
39	Zhaoqing Country Garden-KWG-Midea Riverside Mansion	Zhaoqing City	237,308	-	-	-	-	144,937	143,034	1/2019	7/2020	92,371	-	12/2019	8/2021	34%	
40	Zhaoqing Midea Yue Mountain Garden	Zhaoqing City	74,739	-	-	-	-	-	-	-	-	-	74,739	3/2020	9/2022	100%	
41	Jiangmen Midea Grand Garden	Jiangmen City	100,914	81,749	62,448	19,301	11/2018	81,613	75,406	11/2017	6/2019	-	-	-	-	97%	
42	Jiangmen Midea-Excellence Group Skyfame Garden	Jiangmen City	122,064	-	-	-	-	122,064	142,115	11/2018	11/2020	-	-	-	-	50%	
43	Heyuan Midea City	Heyuan City	685,761	-	-	-	-	99,668	95,885	10/2018	6/2020	586,093	-	-	-	60%	
44	Heyuan Central Park	Heyuan City	167,061	-	-	-	-	-	-	-	-	-	167,061	9/2019	12/2022	80%	
45	Yangjiang Midea City on Xinjiang Avenue	Yangjiang City	899,264	-	-	-	-	-	-	-	-	-	899,264	7/2019	9/2022	60%	

Property Development (Continued)

Serial number	Project Name	Cities	Land Reserve Area (square metre)	Completed			Under development				Future development				Company's attributable interest			
				Total Completed GFA (square metre)	Unsaleable GFA and GFA sold (square metre)	GFA available for sale and rentable GFA (square metre)	GFA under development (square metre)	Saleable GFA (square metre)	GFA pre-sold (square metre)	Actual/estimated date for obtaining a pre-sale permit	Estimated completion date	Planned GFA with land use rights certificates (square metre)	GFA with land use rights not yet obtained (square metre)	Actual/estimated date for obtaining a pre-sale permit		Estimated completion date		
Yangtze River Delta Economic Region																		
46	Zhenjiang Midea City	Zhenjiang City	895,263	434,010	426,308	77,02	-	559,105	493,360	178,569	1/2018	-	-	15,649	312,807	3/2019	12/2021	100%
47	Zhenjiang Jinsinhu Masterpiece	Zhenjiang City	223,542	-	-	-	-	166,943	118,594	4455	11/2018	6/2021	-	56,599	-	-	-	33%
48	Xuzhou Midea City	Xuzhou City	2,028	401,354	380,426	209,28	7/2016	-	-	-	-	-	-	-	-	-	-	100%
49	Xuzhou Midea Hancheng	Xuzhou City	54,260	452,679	398,420	54,260	8/2017	-	-	-	-	-	-	-	-	-	-	100%
50	Xuzhou Midea Times City	Xuzhou City	77,181	325,552	293,712	31,820	12/2018	45,361	381,89	37,667	9/2016	6/2019	-	-	-	-	-	100%
51	Xuzhou Midea Grand Garden	Xuzhou City	516,411	-	-	-	-	516,411	412,789	389,782	4/2018	4/2020	-	-	-	-	-	98%
52	Xuzhou Midea Yunxi Mansion	Xuzhou City	41,420	-	-	-	-	41,420	37,265	300,88	4/2018	4/2020	-	-	-	-	-	95%
53	Xuzhou Eastem Midea City	Xuzhou City	393,272	-	-	-	-	156,152	124,058	77,769	4/2018	9/2019	128,844	108,276	9/2019	5/2021	100%	
54	Xuzhou Midea Joy City	Xuzhou City	440,713	-	-	-	-	394,186	331,240	265,716	4/2018	11/2019	46,527	-	12/2018	6/2020	97%	
55	Xuzhou Midea Greenfields Garden	Xuzhou City	93,121	-	-	-	-	93,121	63,212	20,413	9/2018	4/2020	-	-	-	-	-	100%
56	Xuzhou Midea Guantang Garden	Xuzhou City	108,391	-	-	-	-	108,391	76,121	23,233	11/2018	12/2020	-	-	-	-	-	51%
57	Xuzhou Midea Tenquetui	Xuzhou City	235,265	-	-	-	-	-	-	-	-	-	-	235,265	3/2019	12/2020	51%	
58	Xuzhou Midea East Lake Sky City	Xuzhou City	439,496	-	-	-	-	-	-	-	-	-	-	439,496	11/2019	10/2021	100%	
59	Wuxi Grand Garden	Wuxi City	140,235	95,525	71,994	23,531	-	116,704	86,045	70,859	5/2018	10/2019	-	-	-	-	58%	
60	Wuxi VIP Mansion	Wuxi City	130,953	-	-	-	-	130,953	96,546	14,943	7/2018	10/2020	-	-	-	-	-	100%
61	Parcel XD-G-2017-34	Wuxi City	301,337	-	-	-	-	157,458	110,887	25,445	12/2018	4/2021	149,879	-	1/2020	9/2022	60%	
62	Wuxi Midea Taike Garden	Wuxi City	292,384	-	-	-	-	87,927	43,432	-	12/2019	9/2020	204,457	-	9/2019	6/2022	34%	
63	Nanjing Midea Greenfields Garden	Nanjing City	107,614	-	-	-	-	107,614	101,886	-	3/2019	9/2019	-	-	-	-	-	98%
64	Yangzhou Midea City	Yangzhou City	223,331	123,651	12,382	111,269	12/2018	11,2062	97,551	88,623	1/2018	9/2019	-	-	-	-	-	97%
65	Yangzhou Midea Jade Cloud Deck	Yangzhou City	539,702	-	-	-	-	539,702	503,609	11,191	11/2018	5/2023	-	-	-	-	-	50%
66	Changzhou VIP Mansion	Changzhou City	205,155	-	-	-	-	205,155	150,992	61,957	5/2018	9/2020	-	-	-	-	-	100%
67	Changzhou Midea-CIFI Tianfu	Changzhou City	149,666	-	-	-	-	149,666	111,222	57,90	12/2018	11/2020	-	-	-	-	-	60%
68	Changzhou Midea Academician Mansion Phase I	Changzhou City	103,390	-	-	-	-	103,390	75,656	-	2/2019	2/2021	-	-	-	-	-	100%
69	Changzhou Midea Academician Mansion Phase II	Changzhou City	34,601	-	-	-	-	-	-	-	-	-	-	34,601	4/2020	5/2022	100%	

Property Development (Continued)

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																	Estimated completion date	
70	Changzhou Midea-Yanggo Jiangshanyue	Changzhou City	97,578	-	-	-	-	97,578	70,463	-	-	2/2019	3/2021	-	-	-	51%	
71	Jingjiang Midea Riverside Mansion	Taizhou City	134,868	-	-	-	-	-	-	-	-	-	-	134,868	-	5/2019	10/2021	100%
72	Parcel 2017-WG-81	Suzhou City	237,710	-	-	-	-	89,507	68,223	-	-	6/2019	4/2021	148,203	-	-	100%	
73	Suzhou Midea Ziyu Mansion	Suzhou City	196,732	-	-	-	-	196,732	125,778	-	-	12/2018	4/2021	-	-	-	34%	
74	Ningbo Midea Butterfly Sea	Ningbo City	613,981	463,979	400,718	532,60	6/2015	560,721	449,553	215,818	2/2018	5/2021	-	-	-	-	100%	
75	Ningbo Midea Grand Garden	Ningbo City	30,366	147,338	116,971	30,366	7/2018	-	-	-	-	-	-	-	-	-	99%	
76	Ningbo Midea Nine-Peak Sky Villa	Ningbo City	81,966	-	-	-	-	81,966	54,067	49,369	11/2017	4/2019	-	-	-	-	95%	
77	Ningbo Midea Mingzhou Yard	Ningbo City	185,778	-	-	-	-	185,778	138,127	106,080	10/2017	11/2019	-	-	-	-	99%	
78	Ningbo Midea Cicheng Mansion	Ningbo City	491,157	-	-	-	-	491,157	443,364	89,200	9/2018	7/2020	-	-	-	-	100%	
79	Mebian Bonded Port Area parcel 40	Ningbo City	344,132	-	-	-	-	112,650	79,312	-	3/2019	3/2021	231,482	-	3/2019	3/2021	100%	
80	Mebian Bonded Port Area parcel 41	Ningbo City	265,267	-	-	-	-	-	-	-	-	-	-	265,267	-	1/2020	3/2020	100%
81	Ningbo Midea-Country Garden Mountainside Villa	Ningbo City	68,222	-	-	-	-	68,222	54,802	7,270	11/2018	9/2020	-	-	-	-	51%	
82	Ningbo Xiaowen Alley	Ningbo City	36,231	-	-	-	-	36,231	18,895	-	9/2019	7/2021	-	-	-	-	97%	
83	Jinhua Midea Golden Mansion	Jinhua City	126,261	-	-	-	-	126,261	92,623	61,416	11/2017	6/2019	-	-	-	-	98%	
84	Jinhua Midea VIP Mansion	Jinhua City	191,084	-	-	-	-	191,084	146,712	101,484	6/2018	2/2020	-	-	-	-	64%	
85	Jinhua Midea Baolong Inheritance Garden	Jinhua City	285,517	-	-	-	-	285,517	178,652	47,317	8/2018	1/2021	-	-	-	-	50%	
86	Zhoushan Midea Dexin Hancheng	Zhoushan City	169,299	-	-	-	-	169,299	128,244	2,566	12/2018	11/2021	-	-	-	-	50%	
87	Parcel LC-10-01-22, LC-10-01-23	Zhoushan City	95,489	-	-	-	-	95,489	72,750	956	12/2018	9/2021	-	-	-	-	100%	
88	Hefei Lujiang Midea City	Hefei City	259,517	-	-	-	-	259,517	236,671	87,871	9/2017	2/2021	-	-	-	-	99%	
89	Hefei Midea-KWG Property Grand Garden	Hefei City	128,915	-	-	-	-	128,915	123,242	82,135	6/2018	12/2019	-	-	-	-	50%	
90	Parcel in Wangjiu Mountain, Qiuyang Village, Meilin Street, Nantian City	Quanzhou City	149,455	-	-	-	-	-	-	-	-	-	-	149,455	N/A	N/A	86%	

Property Development (Continued)

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Midstream of Yangtze River Economic Region																	
91	Zhuzhou Midea Blue Valley	Zhuzhou City	402,823	469,707	372,159	97,548	12/2018	151,875	106,258	104,067	8/2017	4/2019	153,401	-	3/2019	3/2022	99%
92	Zhuzhou Midea Times Square	Zhuzhou City	84,896	127,776	42,880	84,896	1/2017	-	-	-	-	-	-	-	-	-	100%
93	Zhuzhou Eastern Midea City	Zhuzhou City	349,724	201,269	163,844	37,424	3/2018	312,300	250,773	192,269	12/2017	3/2020	-	-	-	-	96%
94	Zhuzhou Midea Hancheng	Zhuzhou City	236,631	-	-	-	-	236,631	196,824	184,938	7/2017	2/2019	-	-	-	-	99%
95	Zhuzhou Midea Tan Mansion	Zhuzhou City	179,732	-	-	-	-	123,545	99,412	60,618	2/2018	12/2020	56,187	-	5/2019	4/2021	76%
96	Zhuzhou Midea Paramount Mansion	Zhuzhou City	220,805	-	-	-	-	87,983	68,428	43,784	8/2018	3/2020	132,823	-	3/2019	5/2021	97%
97	Zhuzhou Midea Parasol Garden	Zhuzhou City	235,514	-	-	-	-	141,658	115,113	49,760	9/2018	12/2020	99,856	-	8/2019	12/2021	80%
98	Zhuzhou Midea Purple Cloud Community	Zhuzhou City	188,164	-	-	-	-	-	-	-	-	-	188,164	-	1/2019	4/2022	100%
99	Ningxiang Midea City	Changsha City	388,685	-	-	-	-	222,989	192,630	154,855	9/2017	7/2019	165,696	-	5/2019	7/2021	100%
100	Changsha Midea Hancheng	Changsha City	301,612	-	-	-	-	134,294	110,011	51,679	6/2018	6/2020	167,318	-	7/2019	1/2021	50%
101	Ningxiang Midea Yard	Changsha City	219,897	-	-	-	-	135,588	105,173	15,288	8/2018	11/2019	84,309	-	6/2019	7/2021	100%
102	Ningxiang Midea VIP Mansion	Changsha City	606,883	-	-	-	-	130,902	102,511	52,805	8/2018	11/2019	474,991	-	6/2019	10/2023	88%
103	Changsha Midea Parasol Garden	Changsha City	192,603	-	-	-	-	71,724	36,289	28,297	9/2018	12/2020	120,880	-	5/2019	9/2022	95%
104	Ningxiang No. [2018] 027 parcel	Changsha City	197,831	-	-	-	-	-	-	-	-	-	197,831	-	8/2019	10/2020	100%
105	Xiangtan Midea VIP Mansion	Xiangtan City	502,679	-	-	-	-	243,397	209,007	136,073	10/2017	7/2020	259,282	-	7/2019	10/2022	97%
106	Xiangtan Midea Lotus Front Mansion	Xiangtan City	72,928	-	-	-	-	-	-	-	-	-	72,928	-	4/2019	7/2027	95%
107	Xiangtan Midea Lotus Front Mansion (East Group)	Xiangtan City	252,245	-	-	-	-	147,932	56,708	13,951	9/2018	10/2021	104,313	-	1/2020	4/2022	100%
108	Yueyang Midea Parasol Garden	Yueyang City	729,748	-	-	-	-	404,976	326,312	268,282	4/2018	9/2019	324,772	-	5/2019	6/2021	76%
109	Chenzhou Midea Yunxi Mansion	Chenzhou City	549,342	-	-	-	-	318,833	164,230	156,374	3/2018	5/2021	230,509	-	5/2019	9/2023	57%
110	Changsha Luyang Midea Phoenix Mountain	Changsha City	113,086	-	-	-	-	-	-	-	-	-	113,086	-	4/2019	2/2021	100%

Property Development (Continued)

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111	Yueyang Midea-Jinke Commandery (parcel 1#)	Yueyang City	169,960	-	-	-	-	-	-	-	-	-	-	-	169,960	-	3/2019	9/2020	50%
112	Yueyang Midea Platinum Joy Mansion	Yueyang City	186,867	-	-	-	-	-	-	-	-	-	-	-	186,867	-	3/2019	9/2020	100%
113	Changde Jinke Midea Willow Leaf Peace Garden	Changde City	287,602	-	-	-	-	-	-	-	-	-	-	-	287,602	-	7/2019	10/2022	50%
114	Nanchang Southern Midea City	Nanchang City	107,820	272,601	6,831	9/2018	100,990	89,403	64,234	12/2017	3/2021	-	-	-	-	-	-	-	64%
115	Nanchang Midea Riverside Mansion	Nanchang City	219,918	-	-	-	166,377	113,925	71,296	12/2017	11/2020	53,541	-	N/A	-	12/2021	63%		
116	Nanchang Midea Flowerbay City	Nanchang City	227,237	-	-	-	227,237	171,189	-	4/2019	3/2021	-	-	-	-	-	-	-	56%
117	Jiujiang Midea VIP Mansion	Jiujiang City	360,490	-	-	-	360,490	299,804	158,359	9/2018	8/2020	-	-	-	-	-	-	-	62%
118	Jiujiang Midea Platinum Joy Mansion	Jiujiang City	117,538	-	-	-	117,538	89,020	40,304	4/2018	5/2020	-	-	-	-	-	-	-	100%
119	Shangrao Midea-Yango Milan Mansion	Shangrao City	127,711	-	-	-	127,711	96,715	38,847	6/2018	4/2020	-	-	-	-	-	-	-	49%
120	Shangrao Midea-Newpower Emperor Bay	Shangrao City	198,662	-	-	-	198,662	142,700	5,713	11/2018	7/2021	-	-	-	-	-	-	-	34%
121	Nanchang Midea Grand Garden	Nanchang City	224,835	-	-	-	-	-	-	-	-	224,835	-	-	224,835	-	9/2019	6/2022	100%
122	Ganzhou Midea Royal Orchid Byland	Ganzhou City	388,592	-	-	-	129,706	99,952	-	3/2019	12/2021	253,885	-	-	253,885	-	9/2019	12/2022	60%
123	Shangrao Midea Tianyue	Shangrao City	350,833	-	-	-	350,833	317,680	79,833	6/2018	12/2020	-	-	-	-	-	-	-	33%

Property Development (Continued)

Serial number	Project Name	Cities	Land Reserve Area (square metre)	Completed				Under development				Future development				Company's attributable interest	
				Total Completed GFA (square metre)	Unsaleable GFA and GFA sold (square metre)	GFA available for sale and rentable GFA (square metre)	GFA development (square metre)	Saleable GFA (square metre)	GFA pre-sold (square metre)	Actual/estimated date for obtaining a pre-sale permit	Estimated completion date	Planned GFA with rights use certificates (square metre)	GFA with land use rights not yet obtained (square metre)	Actual/estimated date for obtaining a pre-sale permit	Estimated completion date		
North China Region																	
124	Handan Midea City	Handan City	109,134	740,404	682,153	58,252	1/2016	50,882	4,774	4,774	9/2014	12/2019	-	-	-	99%	
125	Handan Times City	Handan City	333,377	221,568	170,557	51,011	12/2018	282,366	148,006	148,006	7/2016	10/2021	-	-	-	99%	
126	Handan Roland Spring	Handan City	252,265	-	-	-	-	252,265	171,875	171,561	3/2017	11/2019	-	-	-	97%	
127	Handan Orchard Villa	Handan City	76,922	-	-	-	-	76,922	58,133	56,593	6/2017	12/2019	-	-	-	95%	
128	Handan Eastern Midea City	Handan City	540,704	-	-	-	-	455,993	354,939	191,782	9/2017	5/2023	84,712	-	12/2019	9/2023	51%
129	Handan Vernal Garden	Handan City	52,165	-	-	-	-	52,165	36,013	88,70	9/2018	12/2021	-	-	-	95%	
130	Handan Happy Times	Handan City	152,202	-	-	-	-	152,202	118,608	2835	9/2017	12/2020	-	-	-	95%	
131	Handan Parasol Whisper	Handan City	305,242	-	-	-	-	224,098	154,892	133,556	11/2017	5/2021	81,144	-	7/2020	5/2023	55%
132	Land Lot 13042106000800025	Handan City	388,104	-	-	-	-	-	-	-	-	-	388,104	-	8/2019	10/2022	100%
133	Handan Midea Square	Handan City	171,164	-	-	-	-	171,164	140,946	-	6/2019	6/2022	-	-	6/2019	-	99%
134	Handan Midea Cambridge Commandery	Handan City	812,138	-	-	-	-	-	-	-	-	-	812,138	-	6/2019	5/2023	49%
135	Handan Midea Riverside Mansion	Handan City	112,400	-	-	-	-	105,951	76,204	-	2/2019	5/2022	6,449	-	-	-	67%
136	Xingtai Midea VIP Mansion South Court	Xingtai City	195,373	-	-	-	-	68,605	49,916	-	4/2019	3/2022	126,768	-	8/2019	12/2022	60%
137	Xingtai Midea VP Mansion	Xingtai City	171,131	-	-	-	-	171,131	151,288	33,086	6/2018	7/2022	-	-	-	-	44%
138	Xingtai Midea Grand Garden	Xingtai City	197,573	-	-	-	-	-	-	-	-	-	-	-	6/2019	9/2022	100%
139	Shijiazhuang Yunxi Mansion Shijiazhuang City	Shijiazhuang City	88,372	-	-	-	-	88,372	64,668	56,184	9/2017	7/2020	-	-	-	-	48%
140	Xingtai Midea VP Mansion Crape Myrtle Court	Xingtai City	118,256	-	-	-	-	-	-	-	-	-	-	-	10/2019	12/2022	100%
141	Xingtai Midea Grand Garden Lilac Court	Xingtai City	131,384	-	-	-	-	-	-	-	-	-	-	-	8/2019	12/2022	100%
142	Xingtai Midea Mission Hills Number One	Xingtai City	197,187	-	-	-	-	24485	14,703	-	1/2018	11/2021	172,701	-	4/2019	11/2021	45%
143	Handan Midea Dongjin Mansion	Handan City	288,428	-	-	-	-	86,235	67,041	-	1/2019	6/2022	202,194	-	9/2019	6/2023	45%
144	Kaifeng Midea VIP Mansion	Kaifeng City	183,304	-	-	-	-	-	-	-	-	-	183,304	-	6/2019	11/2022	100%
145	Parcel 150 on Chuanyang Road, Zhengzhou High-tech Zone	Zhengzhou City	209,783	-	-	-	-	-	-	-	-	-	-	209,783	10/2019	12/2023	100%
146	Handan Midea Kangde Mansion	Handan City	77,545	-	-	-	-	-	-	-	-	-	-	77,545	8/2019	10/2022	100%
147	Shenyang Midea Square	Shenyang City	452,047	6,161,144	52,945,0	86,694	10/2018	33,911,3	303,003	188,064	5/2017	-	26,240	-	5/2019	5/2021	100%
148	Shenyang Midea Times City	Shenyang City	211,181	30,971	27,572	33,99	9/2018	20,782	162,817	134,859	9/2017	9/2019	-	-	-	-	99%
149	Shenyang Midea Grand Joy Mansion	Shenyang City	138,460	-	-	-	-	133,929	111,520	134,24	8/2018	-	4,531	-	8/2018	9/2020	100%
150	Shenyang Midea Grand Court	Shenyang City	176,775	-	-	-	-	176,775	140,330	25,840	7/2018	10/2020	-	-	-	-	99%

Property Development (Continued)

Serial number	Project Name	Cities	Land Reserve Area (square metre)	Completed				Under development				Future development				Company's attributable interest	
				Total Completed GFA (square metre)	Unsaleable GFA and GFA solid (square metre)	GFA available for sale and rentable GFA (square metre)	Completion date	GFA under development (square metre)	Saleable GFA (square metre)	GFA pre-sold (square metre)	Actual/estimated date for obtaining a pre-sale permit	Planned GFA with land use rights (square metre)	GFA with land use rights not yet obtained (square metre)	Actual/estimated date for obtaining a pre-sale permit	Estimated completion date		
																	Estimated completion date
Southwest Economic Region																	
151	Chengdu Midea-Seazen Grand Garden	Chengdu City	218,013	-	-	-	-	218,013	204,636	5,329	6,2018	2020/6	-	-	-	-	70%
152	Pengzhou Midea-Country Garden Mission Hills Mansion	Chengdu City	262,541	-	-	-	-	260,363	245,451	3,1819	9/2018	2020/8	2,178	-	4/2020	6/2020	78%
153	Chengdu Midea Bridgefront Commandery	Chengdu City	202,066	-	-	-	-	-	-	-	-	-	202,066	-	10/2019	12/2022	100%
154	Chongqing Midea-Rongnan Grand Garden	Chongqing City	174,414	-	-	-	-	171,343	160,217	71,738	4/2018	5/2020	3,072	-	6/2019	5/2020	50%
155	Chongqing Midea Yunjing	Chongqing City	359,161	-	-	-	-	-	-	-	-	-	359,161	-	1/2019	6/2024	50%
156	Chongqing Daishan Road No. 8	Chongqing City	330,182	-	-	-	-	199,020	184,356	-	2/2019	6/2021	131,161	-	12/2019	6/2022	35%
157	Meishan Cloudbay Commandery	Meishan City	112,123	-	-	-	-	112,123	101,711	10,144	9/2018	7/2020	-	-	-	-	100%
158	Meishan Midea Jinhui Commandery	Meishan City	94,449	-	-	-	-	-	-	-	-	-	94,449	-	9/2019	12/2021	50%
159	Leshan Midea Junyu Mansion	Leshan City	314,810	-	-	-	-	126,685	119,870	1,052	10/2018	5/2021	188,125	-	12/2019	6/2023	100%
160	Guiyang Midea Lincheng Times Mansion	Guiyang City	333,105	1,878,846	1,560,711	318,135	14,970	-	-	-	3/2016	5/2019	-	-	-	-	100%
161	Guiyang Midea Yunxi Mansion	Guiyang City	135,568	-	-	-	-	135,568	95,379	93,567	4/2017	4/2020	-	-	-	-	95%
162	Guiyang Midea VIP Mansion	Guiyang City	1,351,584	260,856	218,491	42,365	-	764,521	536,448	340,333	10/2016	5/2019	544,698	-	5/2018	8/2022	96%
163	Guiyang Midea VIP Mansion Phase 2 and Phase 3	Guiyang City	307,000	-	-	-	-	-	-	-	-	-	307,000	-	6/2019	5/2022	100%
164	Guiyang Midea Square	Guiyang City	330,363	-	-	-	-	-	-	-	-	-	330,363	-	8/2018	8/2021	90%
165	Guiyang Midea Huaxi Yard	Guiyang City	152,969	-	-	-	-	152,969	79,870	8,131	9/2018	6/2021	-	-	-	-	100%
166	Kunming Midea Shuncheng Mansion	Kunming City	532,987	165,617	106,800	154,937	12/2018	378,050	344,346	237,338	8/2017	12/2020	-	-	-	-	80%
167	Dali Midea Future City	Dali City	148,557	-	-	-	-	-	-	-	-	-	148,557	-	6/2019	6/2021	50%
168	Zunyi Midea City	Zunyi City	304,769	738,464	529,269	209,195	12/2018	95,574	93,830	88,166	4/2017	12/2019	-	-	-	-	100%
169	Zunyi Midea Grand Garden	Zunyi City	178,478	-	-	-	-	178,478	170,575	123,181	2/2018	1/2020	-	-	-	-	95%
170	Zunyi Midea Yunxi Mansion	Zunyi City	228,744	-	-	-	-	228,744	217,909	89,804	9/2018	5/2021	-	-	-	-	100%
171	Midea-Jinle Wanlu Mansion (parcel 357)	Zunyi City	400,175	-	-	-	-	207,201	200,417	-	3/2019	12/2021	192,974	-	3/2019	12/2021	51%
172	Nanning Midea Wisdom City	Nanning City	119,978	-	-	-	-	119,978	71,889	10,540	11/2018	5/2021	-	-	-	-	100%
173	Wuzhou Midea Central Square	Wuzhou City	848,165	-	-	-	-	126,747	78,191	35,619	10/2018	5/2021	94,634	636,783	8/2019	12/2026	98%

Property Development (Continued)

Properties held by joint ventures/associates

Serial number	Region	Project Name	Cities	Land Reserve Area (square metre)	Completed			Under development			Future development			Company's attributable interest			
					Total Completed GFA (square metre)	Unsaleable GFA and GFA sold (square metre)	GFA available for sale and rentable GFA (square metre)	GFA under development (square metre)	Saleable GFA (square metre)	GFA pre-sold (square metre)	Actual/estimated date for obtaining a pre-sale permit	Planned GFA with land use rights certificates (square metre)	GFA with land use rights not yet obtained (square metre)		Actual/estimated date for obtaining a pre-sale permit	Estimated completion date	
1		Foshan/Vanke-Midea West River Joy	Foshan City	175,659	11,055	965	10,089	380,264	362,057	254,744	9/2017	12/2019	-	-	-	45%	
2		Foshan Midea Clear Lake II	Foshan City	77,462	-	-	-	227,895	276,025	41,061	5/2018	6/2021	-	-	-	34%	
3		Foshan Poly-Midea Yue Mansion	Foshan City	65,876	-	-	-	114,725	164,053	12,309	11/2018	12/2021	-	-	9/2018	25%	
4		Land No. 207017-004	Foshan City	251,795	-	-	-	-	-	-	-	-	-	-	N/A	65%	
5		Pearl River Delta Country Garden-Midea Duhui Garden	Zhaoqing City	74,694	-	-	-	152,456	152,040	14,219	10/2018	3/2021	-	-	-	49%	
6	Economic Region	Jiangmen Midea-Angle Brilliant Garden	Jiangmen City	70,057	-	-	-	146,379	139,696	23,727	6/2018	6/2021	-	-	-	48%	
7		Yangjiang Midea Grand View Garden	Yangjiang City	231,712	-	-	-	103,345	100,004	29,543	9/2018	1/2021	186,295	-	7/2019	5/2021	80%
8		Wuxi Blue Light Yongjinli	Wuxi City	53,918	244,061	134,024	110,037	-	-	-	-	-	-	-	-	-	49%
9		Xuzhou Midea Gongjun Clear Lake	Xuzhou City	71,272	-	-	-	142,545	123,818	121,576	12/2016	10/2018	-	-	-	50%	
10		Jinhua Midea-Ronshine Royal Orchid Landscape	Jinhua City	71,527	-	-	-	182,740	124,387	69,100	12/2017	4/2020	-	-	-	39%	
11		Nanjing Oriental Golden Garden	Nanjing City	27,783	-	-	-	173,641	130,425	105,988	10/2017	8/2019	-	-	-	16%	
12	Yangtze River Delta Economic Region	Nanjing Midea-Xiamen CBD VIP Mansion	Nanjing City	47,371	-	-	-	94,742	72,392	-	9/2019	8/2019	-	-	-	50%	
13		Zhangjiagang Riverside Palace Garden	Zhangjiagang City	58,030	47,618	-	47,618	68,442	53,446	53,446	8/2017	6/2019	-	-	-	50%	
14		Zhangjiagang Original Work of River City	Zhangjiagang City	15,884	-	-	-	122,187	112,902	73,612	5/2018	7/2019	-	-	-	13%	

Property Development (Continued)

Serial number	Region	Project Name	Cities	Land Reserve Area (square metre)		Completed				Under development				Future development			
				Total Completed GFA (square metre)	Unsaleable GFA and GFA sold (square metre)	GFA available for sale and rentable GFA (square metre)	GFA under development (square metre)	Saleable GFA (square metre)	GFA pre-sold (square metre)	Actual/estimated date for obtaining a pre-sale permit	Estimated completion date	Planned GFA with land use rights certificates (square metre)	GFA with land use rights not yet obtained (square metre)	Actual/estimated date for obtaining a pre-sale permit	Estimated completion date	Company's attributable interest	
																	GFA (square metre)
15		Nanchang Midea-Newpower Joint Garden	Nanchang City	48,480	-	-	242,401	175,303	165,280	9/2017	9/2019	-	-	-	-	20%	
16	Midstream of Yangtze River Economic Region	Yueyang Midea-Jinke Commandery (parcel 115#)	Yueyang City	129,300	-	-	-	-	-	-	-	-	259,119	-	3/2020	12/2021	50%
17		Jiujiang Midea Sky Platinum Bay	Jiujiang City	111,137	-	-	277,843	211,272	95,296	6/2018	1/2021	-	-	-	-	40%	
18		Changde Midea-Country Garden Willow Leaves Mansion	Changde City	136,376	-	-	287,078	210,591	138,811	4/2018	12/2019	-	-	-	-	48%	
19		Handan LaDeFense	Handan City	388,479	340,294	284,039	642,54	440,342	78,287	7/2005	10/2021	572	-	7/2005	10/2021	60%	
20		Handan Millennium City	Handan City	294,538	-	-	342,387	238,263	-	9/2018	5/2022	156,630	-	10/2019	6/2023	59%	
21		Handan Robard Valley (North)	Handan City	36,719	-	-	146,876	100,801	-	7/2018	6/2023	-	-	-	-	25%	
22	North China Region	Handan Robard Valley (South)	Handan City	29,404	-	-	117,617	83,103	29,085	8/2018	7/2022	-	-	-	-	25%	
23		Handan VIP Mansion	Handan City	182,877	-	-	-	-	-	-	-	-	-	281,349	12/2018	12/2021	65%
24		Xingtai Jasmine Mansion	Xingtai City	40,970	-	-	136,566	128,125	14,101	6/2018	6/2020	-	-	-	-	30%	
25		Zunyi Midea-Jinke Warhu Mansion (parcel 36#)	Zunyi City	107,839	-	-	-	-	-	-	-	-	-	220,079	5/2020	7/2022	49%
26		Chongqing Midea-Jinke Commandery	Chongqing City	223,963	93,681	-	93,681	354,245	322,264	N/A	12/2021	-	-	-	-	50%	
27		Chongqing Gift Satisfy the Landscape	Chongqing City	26,516	-	-	132,582	110,019	39,807	6/2018	11/2020	-	-	-	-	20%	
28	Southwest China Economic Region	Chongqing Midea Wanyun Mansion	Chongqing City	39,116	-	-	195,582	174,260	48,225	8/2018	12/2019	-	-	-	-	20%	
29		Chongqing Midea Warhu Mansion	Chongqing City	107,367	-	-	-	-	-	-	-	134,209	-	10/2018	12/2019	80%	
30		Chengdu Academician Top Mansion	Chengdu City	29,637	-	-	169,354	154,418	43,920	9/2018	3/2020	-	-	-	-	18%	
31		Nanning Midea-CIF City	Nanning City	44,865	-	-	-	-	-	-	-	897,30	-	3/2019	12/2020	50%	
32		Dali Yamei Bay	Dali City	67,504	-	-	-	-	-	-	-	135,008	-	6/2019	6/2021	50%	

Property Development (Continued)

City distribution of land reserves (as at 31 December 2018) Property development projects developed by our subsidiaries

Region	City	Number of Projects	GFA available for sale and rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA of Future Development (square metre)	Total Land Reserves Area (square metre)	% of Total Land Reserves
Pearl River Delta Economic Region	Foshan	30	699,108	2,952,019	2,235,175	5,886,302	13.1%
	Zhaoqing	5	72,149	491,524	167,110	730,783	1.6%
	Zhongshan	3	–	258,500	–	258,500	0.6%
	Jiangmen	2	19,301	203,677	–	222,978	0.5%
	Heyuan	2	–	99,668	753,154	852,822	1.9%
	Shenzhen	1	636	–	–	636	0.0%
	Guangzhou	1	–	81,246	60,387	141,633	0.3%
	Yangjiang	1	–	–	899,264	899,264	2.0%
	Sub-total	45	791,193	4,086,635	4,115,088	8,992,917	20.0%
Yangtze River Delta Economic Region	Xuzhou	11	107,008	1,355,043	958,408	2,420,459	5.4%
	Ningbo	9	83,627	1,094,724	496,749	1,675,099	3.7%
	Changzhou	5	–	555,788	34,601	590,389	1.3%
	Wuxi	4	23,531	493,042	348,336	864,909	1.9%
	Jinhua	3	–	602,862	–	602,862	1.3%
	Zhenjiang	2	7,702	726,048	385,055	1,118,805	2.5%
	Yangzhou	2	111,269	651,764	–	763,033	1.7%
	Suzhou	2	–	286,239	148,203	434,442	1.0%
	Zhoushan	2	–	264,787	–	264,787	0.6%
	Hefei	2	–	388,432	–	388,432	0.9%
	Quanzhou	1	–	–	149,455	149,455	0.3%
Nanjing	1	–	107,614	–	107,614	0.2%	
Taizhou	1	–	–	134,868	134,868	0.3%	
	Sub-total	45	333,136	6,526,344	2,655,674	9,515,154	21.1%

Property Development (Continued)

Region	City	Number of Projects	GFA	GFA Under Development (square metre)	Planned GFA of Future Development (square metre)	Total Land Reserves Area (square metre)	% of Total Land Reserves
			available for sale and rentable GFA (square metre)				
Midstream of Yangtze River Economic Region	Zhuzhou	8	219,868	1,053,991	624,430	1,898,289	4.2%
	Changsha	7	–	695,496	1,324,111	2,019,608	4.5%
	Nanchang	4	6,831	494,603	278,376	779,809	1.7%
	Xiangtan	3	–	391,329	1,093,424	1,484,753	3.3%
	Yueyang	3	–	404,976	681,598	1,086,574	2.4%
	Shangrao	3	–	677,206	–	677,206	1.5%
	Jiujiang	2	–	478,028	–	478,028	1.1%
	Chenzhou	1	–	318,833	230,509	549,342	1.2%
	Changde	1	–	–	287,602	287,602	0.6%
Ganzhou	1	–	129,706	253,885	383,592	0.9%	
	Sub-total	33	226,699	4,644,168	4,773,935	9,644,802	21.4%
North China Region	Handan	14	109,263	1,910,243	1,652,285	3,671,790	8.1%
	Xingtai	6	–	264,221	746,682	1,010,904	2.2%
	Shenyang	4	90,093	857,599	30,771	978,463	2.2%
	Shijiazhuang	1	–	88,372	–	88,372	0.2%
	Kaifeng	1	–	–	183,304	183,304	0.4%
	Zhengzhou	1	–	–	209,783	209,783	0.5%
	Sub-total	27	199,356	3,120,436	2,822,825	6,142,617	13.6%
Southwest Economic Region	Guiyang	6	360,500	1,068,028	1,182,061	2,610,588	5.8%
	Zunyi	4	209,195	709,997	192,974	1,112,165	2.5%
	Chongqing	3	–	370,363	493,394	863,757	1.9%
	Chengdu	3	–	478,376	204,244	682,620	1.5%
	Meishan	2	–	112,123	94,449	206,572	0.5%
	Leshan	1	–	126,685	188,125	314,810	0.7%
	Kunming	1	154,937	378,050	–	532,987	1.2%
	Dali	1	–	–	148,557	148,557	0.3%
	Nanning	1	–	119,978	–	119,978	0.3%
	Wuzhou	1	–	126,747	721,417	848,165	1.9%
	Sub-total	23	724,632	3,490,348	3,225,221	7,440,200	16.5%
	Total	173	2,275,016	21,867,931	17,592,744	41,735,691	92.6%

Property Development (Continued)

Property held by our joint ventures/associates

Region	City	Number of Projects	GFA available for sale and rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA of Future Development (square metre)	Total Land Reserves Area (square metre)	% of Total Land Reserves
Pearl River Delta Economic Region	Foshan	4	4,540	292,262	273,989	570,792	1.3%
	Zhaoqing	1	–	74,694	–	74,694	0.2%
	Yangjiang	1	–	82,676	149,036	231,712	0.5%
	Jiangmen	1	–	70,057	–	70,057	0.2%
	Sub-total	7	4,540	519,688	423,026	947,254	2.1%
Yangtze River Delta Economic Region	Xuzhou	1	–	71,272	–	71,272	0.2%
	Wuxi	1	53,918	–	–	53,918	0.1%
	Jinhua	1	–	71,527	–	71,527	0.2%
	Nanjing	2	–	75,154	–	75,154	0.2%
	Zhangjiagang	2	23,809	50,105	–	73,915	0.2%
	Sub-total	7	77,727	268,059	–	345,786	0.8%
Midstream of Yangtze River Economic Region	Nanchang	1	–	48,480	–	48,480	0.1%
	Yueyang	1	–	–	129,300	129,300	0.3%
	Jiujiang	1	–	111,137	–	111,137	0.2%
	Changde	1	–	136,376	–	136,376	0.3%
	Sub-total	4	–	295,994	129,300	425,294	0.9%

Property Development (Continued)

Region	City	Number of Projects	GFA available for sale and rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA of Future Development (square metre)	Total Land Reserves Area (square metre)	% of Total Land Reserves
North China Region	Handan	5	38,553	617,833	275,632	932,018	2.1%
	Xingtai	1	–	40,970	–	40,970	0.1%
	Sub-total	6	38,553	658,803	275,632	972,988	2.2%
Southwest Economic Region	Zunyi	1	–	–	107,839	107,839	0.2%
	Chongqing	4	46,841	242,755	107,367	396,963	0.9%
	Chengdu	1	–	29,637	–	29,637	0.1%
	Nanning	1	–	–	44,865	44,865	0.1%
	Dali	1	–	–	67,504	67,504	0.1%
Sub-total	8	46,841	272,392	327,575	646,808	1.4%	
Total		32	167,661	2,014,935	1,155,533	3,338,129	7.4%
Total land reserves		205	2,442,677	23,882,866	18,748,277	45,073,820	100.0%

Property Management Services



We believe that high quality property management services are an indispensable part of customer experience and are essential for maintaining long-term relationships with our customers. We currently provide comprehensive property management services for most of our property development projects through our subsidiary, Midea Property Management. Midea Property Management was established in 2000 and was listed on the NEEQ in December 2016. Its headquarters are located in Shunde District.

Midea Property Management adheres to the concept of “Caring Everywhere”. With a focus on property management, it provides a variety of services including security services, maintenance of public areas and property facilities, property development consulting services, property inspection services, etc. As at 31 December 2018, Midea Property Management provides property management services for the residents and tenants of nearly 50 delivered property projects, including commercial and residential properties.

With the application of new technologies such as Internet of Things and Big Data, Midea Property Management has built an intelligent management platform (E Control Centre) for improving and innovating the online service and control system under the premise of constantly studying the new service model of the industry. Through the platform and the promotion and application of its mobile app, Midea Property Management has established functions such as one-touch opening, online ordering, visitor invitations, one-touch payment, community news inquiry, online business processing, smart home control and other high-tech functions, so that owners can easily enjoy smart home services and smart community services through their mobile phones. Management cockpit, remote video surveillance, intelligent digital intercom, intelligent parking system, equipment remote sensing, “400-digit” call centres and other intelligent systems aim to achieve early warning, real-time monitoring and other intensive management controls to provide a safe and secure residential environment for owners. Midea Property Management has always been based on the essence of “service” and continues to provide customers with “satisfaction + surprise” property services.



During the year, Midea Property Management organised a variety of community cultural activities in various communities throughout the country, including youth summer camps, activities for respecting and loving elderlies, activities for parents and children, community convenience services and various public welfare art performances. Midea Property Management will adhere to its values, continue to strengthen its property service capabilities, enhance its customer satisfaction, reputation and brand influence, and establish a healthy, scientific and sustainable business model.

Investment and Operation of Commercial Properties

We hold and operate some of our commercial properties for long-term investment purposes, including shopping malls, offices, hotels, and other shops. We hold commercial properties other than hotels for capital appreciation and rental income, while our hotels are mainly operated on a leaseback basis. At present, we have launched six product lines: urban complexes, characteristic commerce, community neighbourhood, shopping malls, cultural tourism projects and long-term rental apartments. We have built many benchmark projects such as Foshan Yueran Square, Guiyang Yueran Tiandi, Zhenjiang Yueran Centre, Shunde Future City, Handan Yueran Square, etc., which make these cities more charming.



We usually develop cultural tourism projects in cities within 15 kilometres of their respective provincial capital cities. As at 31 December 2018, we are developing the Midea Egret Lake Forest Resort. Midea Egret Lake Forest Resort, located in Gaoming District of Foshan City, Guangdong Province (the hinterland of Guangfozhao Economic Zone (廣佛肇經濟區)), is built according to the 5A Level national standard of tourist attractions. In May 2016, the Midea Egret Lake Forest Resort was selected by the National Tourism Administration of China in the National List of Optimal Tourism Projects in 2016. In addition, the project was listed as a key construction project by the Guangdong Provincial Government for two consecutive years in 2016 and 2017. We developed residential properties, commercial properties, and hotels as part of this cultural tourism project. We believe that the development and construction of cultural tourism projects can enhance the brand value and recognition of the Group, and provide better ancillary facilities for customers who purchase residential properties located in such areas and improve their quality of life.

Prefabricated Construction

Prefabricated construction involves the assembly of all parts in factories or other production sites, and the transport of the whole set of parts or sub-parts to the site where the structure is located. The stable structure can be assembled conveniently and steadily on site using pre-fabricated components which are produced out-of-site. Materials suitable for prefabricated construction mainly include concrete, steel and wood. The advantage of prefabricated construction is that it produces some of the main building materials in factories outside the construction site, which can enhance productivity and quality. The completed parts can then be transported to the construction site for assembly, thus shortening the construction period and reducing the costs.

As at 31 December 2018, details of our prefabricated construction plants are as follows:

Xuzhou: On 25 March 2018, we signed a contract with the Xuzhou Industrial Park Management Committee of Jiangsu Province (江蘇徐州工業園區管理委員會) to set up a prefabricated construction plant in Jiangsu Province. The prefabricated construction plant covers 359 mu of the total land area. We plan to use it to produce prefabricated components for high-rise residential buildings and public buildings. On 2 August 2018, the parties signed the land transfer contract (229.6 mu).

Zhenjiang: On 31 May 2018, we signed a contract with the Zhenjiang High-tech Zone Management Committee (鎮江高新區管理委員會) to set up a prefabricated construction plant in Zhenjiang City, Jiangsu Province. The total land area is estimated to be 128 mu. Zhenjiang plant will produce prefabricated components for high-rise residential buildings and public buildings. The land transfer is expected to be completed in 2019.

Nan'an: In June 2018, we signed the Cooperation Framework Agreement with Nan'an Municipal Government (南安市政府). In July 2018, we signed the Investment Cooperation Agreement with Nan'an Municipal Government. The Agreements include the plan to set up a prefabricated construction plant in Nan'an, Quanzhou City of Fujian Province. In September 2018, we won Nan'an (2018) G046 Industrial Land near Guanyin Mountain, and signed the Land Transfer Contract.

We plan to use the prefabricated components produced by these plants only for our own property development projects. We also plan to use internal funds and/or IPO proceeds to fund the construction phase of these plants. Please refer to the section headed "Future Plans and Use of Proceeds" of the Prospectus for details.

Directors and Senior Management

Board of Directors

Executive Directors

Mr. Hao Hengle (郝恒樂) (alias, He Hengle (赫恒樂)), aged 49, 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 over 14 years of 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 Group, since January 2006. Mr. Hao has also assumed multiple directorships in other Group subsidiaries, including, among others, Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company listed on the NEEQ in 2016 (stock code: 839955) since November 2005 and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司) since November 2012.

Mr. Hao has held multiple directorships in the subsidiaries of Midea Holding Co., Ltd. (美的控股有限公司), a connected person of the Company, including Foshan Shunde Midea Development Company Limited (佛山市順德區美的發展有限公司) since October 2012 and Midea Development (Hong Kong) Co., Limited (美的發展(香港)有限公司) since November 2012.

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 in July 1991 with a bachelor's degree of Law in Economic Studies. He graduated from China Europe International Business School (中歐國際工商學院) in the PRC in August 2015 with an executive master's degree in Business Administration. He has been admitted to practice law in the PRC since April 1995.

Directors and Senior Management (Continued)

Mr. Yao Wei (姚巍), aged 48, 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 and land investment and development of the Group and the investment in the housing industrialisation technology, industry and city integration and urban renewal segments.

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 Group, including: (i) general manager of the strategic development centre; (ii) vice president since July 2011; (iii) director since September 2011; and (iv) general manager of the strategic investment centre since July 2018. Mr. Yao has also assumed multiple directorships in other Group subsidiaries, including, among others, Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company listed on the NEEQ in 2016 (stock code: 839955) since July 2012 and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司) since August 2013.

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, including: (i) planning manager in the planning and investment division from July 1997 to March 2000; (ii) head of the management of the information industry department from March 2000 to September 2000; (iii) deputy director and investment director in charge of strategic development from April 2003 to March 2010; (iv) head of general manager office of the kitchen manufacturing division from September 2000 to January 2001; and (v) deputy general manager of domestic sales of the kitchen manufacturing division from February 2001 to April 2003.

Mr. Yao graduated from South-Central University for Nationalities (中南民族大學) in the PRC with a master's degree in Economics in June 1997.

Directors and Senior Management (Continued)

Mr. Lin Ge (林戈), aged 46, was appointed as an executive Director and the Group's chief financial officer on 15 May 2018. Mr. Lin is primarily responsible for the overall management of the financial affairs 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 Group, 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 Group subsidiaries, including, among others, Guangdong Midea Property Management Co., Ltd. (廣東美的物業管理股份有限公司), a company listed on the NEEQ in 2016 (stock code: 839955) since June 2017 and Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司) since April 2017. He has served as a supervisor of certain Group's subsidiaries in the PRC.

From January 2001 to February 2014, Mr. Lin 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, including as an accounting manager of the finance management centre from January 2001 to December 2006, a senior manager of the tax affairs management centre from January 2007 to January 2010, an assistant to the director of the tax affairs management centre from February 2010 to February 2011, the deputy director of the finance management department from March 2011 to July 2012 and the director in charge of tax affairs of the finance management department from August 2012 to February 2014.

Mr. Lin graduated from Jinan University (暨南大學) in the PRC with a professional certificate in Accounting in July 1996.

Directors and Senior Management (Continued)

Ms. Lin Dongna (林冬娜), aged 44, was appointed as an executive Director and the managing director of the design management centre on 15 May 2018. She is primarily responsible for the overall management of the design of the Group's property development projects and the modular bathrooms segment.

Ms. Lin joined the Group in September 2012. She was the head of the design department of Midea Real Estate Group Limited (美的置業集團有限公司), a subsidiary of the Group, from December 2012 to June 2015, the head of the design institute from July 2015 to May 2016, the managing director of the design management centre from May 2016 to June 2018 and the assistant to the president and the general manager of the product management centre since July 2018. Ms. Lin has also assumed multiple directorships in other Group subsidiaries, including Guangdong Tianyuan Architectural Design Co., Ltd. (廣東天元建築設計有限公司) since June 2017, Ningbo Liancheng Housing Industrialisation Technology Co., Ltd. (寧波聯城住工科技有限公司) since January 2018 and Foshan Shunde Meijia Intelligent Technology Management Services Co., Ltd. (佛山市順德區美家智能科技管理服務有限公司) since March 2018.

Prior to joining the Group, Ms. Lin worked at the Architectural Design and Research Institute of Guangdong Province from September 2004 to August 2012.

Ms. Lin graduated from South China University of Technology (華南理工大學) in the PRC with a bachelor's degree in Architectural Studies in July 1999 and a master's degree in Architectural Studies in July 2004. Since 2009, she has been a postgraduate doctoral candidate in Architectural Studies at South China University of Technology. Ms. Lin is a senior architect conferred by Human Resources and Social Security Department of Guangdong Province in December 2011.

Ms. Lin has received various awards in recognition of her achievements, including, among others, the first prize of the 2011 Guangdong Outstanding Engineering Geotechnical Survey & Design Award for Engineering Design (2011年度廣東省優秀工程勘察設計獎工程設計一等獎) by the Guangdong Engineering Geotechnical Survey & Design Association (廣東省工程勘察設計行業協會) in August 2011, the second prize of the 2011 National Outstanding Engineering Geotechnical Survey & Design Industry Award for Architectural Engineering (2011年度全國優秀工程勘察設計行業獎建築工程二等獎) by the China Engineering & Consulting Association (中國勘察設計協會) in November 2011 as a principal designer of the Guangzhou Biking Building project (廣州自行車館項目), and the second prize of the 2012 National Engineering Construction Project Outstanding Design Award (2012年度全國工程建設項目優秀設計成果二等獎) by the National Engineering Construction Quality Award Approval Committee (國家工程建設質量獎審定委員會) as a designer of the Guangzhou Traffic Information Command Centre project (廣州交通信息指揮中心工程) in November 2012.

Directors and Senior Management (Continued)

Non-executive Directors

Mr. He Jianfeng (何劍鋒), aged 51, 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.

Since August 2012, Mr. He Jianfeng has been a director 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. He has also acted as the president of Midea Holding Co., Ltd. (美的控股有限公司), a connected person of the Company, since January 2016 and a director of its subsidiary, Midea Holding (International) Limited (美的控股(國際)有限公司) since December 2015. He has held multiple directorships and/or senior management position(s) in other companies which are connected persons of the Company, including chairman and president of Infore Investments Holding Group Co., Ltd. (盈峰投資控股集團有限公司) since October 2002, chairman of Infore Environment Technology Group Co., Ltd. (盈峰環境科技集團股份有限公司) (Shenzhen Stock Exchange: 000967) from October 2007 to November 2016, director of Foshan Junyu Management Company Limited (佛山順德君域管理有限公司) since September 2016, director of Ningbo Puluofei Investment Management Co., Ltd. (寧波普羅非投資管理有限公司) since December 2015 and director of Foshan Midea Investment Management Company Limited (佛山美的投資管理有限公司) since December 2015.

Mr. He Jianfeng graduated from South China University of Technology (華南理工大學) in the PRC in July 1988 with a degree in Industrial Management Engineering. He completed the president programme in August 2003 and the CEO business study programme in July 2005 at Tsinghua University (清華大學) in the PRC. In April 2011, he completed 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) since December 2013 and the curator of the He Art Museum (和的美術館) since September 2013.

Mr. He Jianfeng is the spouse of Ms. Lu Deyan and the son of Mr. He Xiangjian, the controlling shareholders of the Company.

Directors and Senior Management (Continued)

Mr. Zhao Jun (趙軍), aged 43, 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 Group, and assumed multiple directorships in other subsidiaries.

Mr. Zhao has served various positions in Midea Holding Co., Ltd. (美的控股有限公司), a connected person of the Company, including vice president and chief financial officer since December 2015. He has also served as a director of various subsidiaries of Midea Holding Co., Ltd., including: (i) Foshan Shunde Midea Development Company Limited (佛山市順德區美的發展有限公司) since December 2015; (ii) Midea Development (Hong Kong) Co., Limited (美的發展(香港)有限公司) since November 2012; and (iii) Midea Holding (International) Limited (美的控股(國際)有限公司) since March 2013. He has 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 which was listed in 2013, since April 2014 and the chief accountant and accountant-in-chief of the company from March 2000 to July 2004. In addition, Mr. Zhao has acted as a director and general manager of Ningbo Puluofei Investment Management Co., Ltd. (寧波普羅非投資管理有限公司) since December 2015 and a director of Foshan Midea Investment Management Co., Ltd. (佛山美的投資管理有限公司) since December 2015, both of which are connected persons of the Company. Mr. Zhao has also served as the 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) since December 2015.

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 in July 1997. He graduated from The Chinese University of Hong Kong (香港中文大學) in Hong Kong with a master's degree in Accounting in December 2008. He graduated 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 in October 2013. 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) in December 2000.

Directors and Senior Management (Continued)

Independent Non-executive Directors

Mr. Tan Jinsong (譚勁松), aged 54, 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 extensive experience serving in a number of listed companies, including as 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) since May 2014, an independent director and a convener of the audit committee 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, 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 and 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. Since December 2013, he has served as 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) where he had served as the chairman of the audit and risk management committee, the chairman of the audit committee, a member of the remuneration and assessment committee, a member of the nomination committee and a member of aviation safety committee. Mr. Tan was an independent director of Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司) (Shanghai Stock Exchange: 600048) from April 2012 to September 2018 and an independent non-executive director of Welling Holding Limited (威靈控股有限公司) (a company previously listed on the Stock Exchange and was privatised in February 2018) from August 2009 to February 2018, where he had served as the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee.

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 in July 1985. He further obtained a master's degree in Economics from Renmin University of China (中國人民大學) in the PRC in March 1990. He then obtained a doctorate degree of Management in Accounting Studies from Renmin University of China in the PRC in July 2003. He has become a non-practising senior member of the Chinese Institute of Certified Public Accountants since November 2010. Since December 2002, Mr. Tan has served as a professor of the School of Management of Sun Yat-sen University (中山大學) in the PRC.

Directors and Senior Management (Continued)

Mr. O'Yang Wiley (歐陽偉立), 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 Remuneration Committee and a member of the Audit Committee. He is primarily responsible for providing independent advice on the operations and management of the Group. He has over 33 years of experience in accounting, finance and legal industry.

Mr. O'Yang has served as an independent non-executive director, the chairman of the audit committee and a member of the nomination committee of Hong Kong Economic Times Holdings Limited (香港經濟日報集團有限公司) (Stock Exchange: 423) since October 2012. He has also served as the managing director of Shanggu Securities Limited since February 2018. Further, he had served a number of roles in financial institutions and law firms, including: (i) head of the investment banking division of CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (Stock Exchange: 1988) from September 2015 to January 2018 (including a temporary transfer to Quam Capital Limited, currently known as Oceanwide Capital Limited (中國泛海企業融資有限公司), between December 2015 and June 2016); (ii) managing director of the Corporate Finance division and co-head of the transaction execution group of Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malayan Banking Berhad, from February 2012 to September 2015; (iii) managing director of the investment banking division of UBS AG, Hong Kong branch from July 2010 to December 2011; (iv) executive director of the investment banking (China (Hong Kong)) division of J.P. Morgan Securities (Asia Pacific) from July 2007 to June 2010; (v) managing director of the corporate finance execution department at BNP Paribas Capital (Asia Pacific) Limited from May 2004 to June 2007; (vi) assistant solicitor from June 2002 to April 2003 and partner from May 2003 to May 2004 at Richards Butler (currently known as Reed Smith Richards Butler); (vii) senior vice president of BNP Paribas Peregrine Capital Limited from September 2000 to May 2002; (viii) assistant solicitor of Herbert Smith Hong Kong from October 1997 to August 2000; and (ix) trainee solicitor from August 1994 and assistant solicitor from September 1996 to October 1997 at Lu, Lai & Li Solicitors & Notaries.

Mr. O'Yang graduated from The Chinese University of Hong Kong in Hong Kong with a bachelor's degree in Social Science in December 1985 and a master's degree in Business Administration in October 1990. He obtained a common professional examination certificate from the School of Professional and Continuing Education of the University of Hong Kong in Hong Kong in June 1993. He obtained the postgraduate certificate in Laws from the department of professional legal education of the Faculty of Law at the University of Hong Kong in June 1994. He is also a fellow member of the Chartered Association of Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Law Society of Hong Kong.

Directors and Senior Management (Continued)

Mr. Lu Qi (陸琦), aged 62, 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 since February 2004. 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) from 1982 to 2004 and served as the deputy chief architect from 2000 to 2004. 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 in January 1982. He further obtained a doctorate degree of Engineering in Architectural History and Theories from South China University of Technology in the PRC in July 2002. Mr. Lu is a Guangdong provincial senior architect (professor grade) conferred by Guangdong Province Personnel Department (廣東省人事廳) in January 2002. Since December 2014, he has served as the vice president of the National Architecture Institute of China (中國民族建築研究會). Since July 2014, he has served as the principal member of the Dwelling Construction Professionals Committee (民居建築專業委員會) of the National Architecture Institute of China (中國民族建築研究會). Since October 2007, he has been a member of the Scholarship Committee of the Yuanmingyuan Society of China (中國圓明園學會學術專業委員會).

Senior Management

Mr. Zeng Chaoming (曾超明), aged 57, was appointed as the managing director of our Hong Kong business centre and joint company secretary on 15 May 2018. Mr. Zeng is primarily responsible for the overall management of the capital operations, investor relations and company secretarial matters of our Group. Since joining our Group in September 2017, Mr. Zeng has served as the managing director of Hong Kong business centre of Midea Real Estate Group Limited.

From January 2005 to November 2012, Mr. Zeng served as the investment director in charge of overseas capital operations 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 November 2007 to November 2012, he was also the investment and investor relations director at Welling Holding Limited (a company previously listed on the Stock Exchange and was privatised in February 2018). From August 2003 to July 2004, he served as an assistant to the chairman and the director in charge of capital operations of Asia Aluminum Holdings Limited (亞洲鋁業控股有限公司) (Stock Exchange: 930). From 2000 to 2003, he worked in Credit Suisse (United States). From 1997 to 2000, he worked at Painewebber (later acquired by UBS).

Mr. Zeng graduated from South China Normal University (華南師範大學) in the PRC with a bachelor's degree in Science (Semiconductor) in July 1984. He then graduated from The City University of New York in New York, United States with a master's degree in Science (Computer Science) in February 1994. In May 2006, he graduated from Lingnan (University) College (中山大學嶺南(大學)學院) of Sun Yat-Sen University in the PRC with an executive master's degree of Business Administration (EMBA). Subsequently, in July 2006, he graduated from the Carlson School of Management of the University of Minnesota in Minnesota, United States with a master's degree of Business Administration (MBA). He obtained a qualification in funds practice as conferred by the Asset Management Association of China in April 2016.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its corporate governance policies and practices. The Company had complied with the provisions of the CG Code for the period from the Listing Date up to and including 31 December 2018, 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 for the period from the Listing Date up to and including 31 December 2018.

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 report, the Board comprised of nine Directors:

Executive Directors

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

Non-executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent non-executive Directors

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

During the period from the Listing Date up to and including 31 December 2018, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board) including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The biographies of each of the Directors are set out on pages 52 to 60 in this annual report. The Directors have no financial, business, family or other material or relevant relationships with each other.

Chairman and President

The 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. The 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 period from the Listing Date up to and including 31 December 2018, 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 Hengle has considerable knowledge and experience in the PRC real estate industry and the business operations of the Group, the Board believes that vesting both roles of chairman and president in Mr. Hao Hengle facilitates the execution of the Group's business strategies and implementation of the Group's long-term business goals, thereby maximising the effectiveness of the Group's operations.

The Board believes that this structure is in the best interest of the Company, and that this situation will not impair the balance of power and authority between the Board and the management of the Company because the Board comprises nine experienced and high-calibre individuals with demonstrated integrity, of which three are independent non-executive Directors. Further, decisions of the Board are collectively made by way of majority voting. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate 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 2018, 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	Female	Executive Director	≥ 60	≥ 10	General Management and Strategy Development
2	Male		50-59	5-9	
3		Non-executive Director	40-49		0-4
4				Architecture and Design	
5					
6		Independent non-executive Director			
7					
8					
9					

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

Independent Non-executive Directors

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

Each of the independent non-executive Directors has submitted to the Company the annual confirmation of independence for the year ended 31 December 2018. The Nomination Committee has reviewed such annual confirmation of independence and assessed the independence of each of the independent non-executive Directors based on the guidelines set out in Rule 3.13 of the Listing Rules and considered that all the independent non-executive Directors are independent. The Board adopted the view of the Nomination Committee and confirmed that all the independent non-executive Directors are independent.

Appointments, Re-election and Removal of Directors

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

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

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

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

Directors Continuous Training and Development Programme

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

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

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

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

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

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

Supply of and Access to Information

During the period from the Listing Date up to and including 31 December 2018, 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 2018, 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 2018, the Audit Committee held two 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 69 of the annual report below.

The Audit Committee has reviewed the Group's 2018 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 2018.

The Board agreed with the Audit Committee's proposal for the re-appointment of Messrs. PricewaterhouseCoopers as the Company's external auditor for the year 2019. The recommendation will be put forward for shareholders' approval at the forthcoming annual general meeting of the Company.

Auditor's Remuneration

The remuneration paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit services for the year ended 31 December 2018 was RMB14,402,000, of which RMB1,425,000 was capitalised as share issuance costs and the remaining RMB12,977,000 was charged to administrative expenses, which is analysed as below:

Type of services provided by the external auditor	Amount (RMB)
Audit services relating to:	
Listing of shares of the Company	8,077,000
Annual audit services	4,900,000
Total	12,977,000

No non-audit services was provided by PricewaterhouseCoopers during the year.

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 2018, 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 2018, the Remuneration Committee held one meeting and duly discharged the above duties. The attendance of individual Directors at the Remuneration Committee meetings is set out set out on page 69 of the annual report below.

Corporate Governance Report (Continued)

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 2018 is as follows:

Remuneration band	Number of individuals
HK\$5,000,001 to HK\$5,500,000	1
HK\$5,500,001 to HK\$6,000,000	1
HK\$6,000,001 to HK\$6,500,000	1
HK\$9,500,001 to HK\$10,000,000	1

Details of the Directors' emoluments for the year ended 31 December 2018 are set out in note 41 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 2018, 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 2018 and duly discharged the above duties. The attendance of individual Directors at the Nomination Committee meetings is set out set out on page 69 of the annual report below.

Directors' Attendance Record at Meetings

The number of Board meeting, Audit Committee meetings, Remuneration Committee meeting and Nomination Committee meeting of the Company held for the period from the Listing Date up to and including 31 December 2018 and the attendance record and tenure of office of each individual Director are set out in the following table:

Directors	Board Meeting	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting
Number of Meeting(s) held	1	2	1	1
Executive Directors				
Mr. Hao Hengle (Note 1)	1/1	–	1/1	1/1
Mr. Yao Wei (Note 2)	1/1	–	–	–
Mr. Lin Ge (Note 2)	1/1	–	–	–
Ms. Lin Dongna (Note 2)	1/1	–	–	–
Non-executive Directors				
Mr. He Jianfeng (Note 3)	1/1	–	–	–
Mr. Zhao Jun (Note 4)	1/1	2/2	1/1	–
Independent non-executive Directors				
Mr. Tan Jinsong (Note 5)	1/1	2/2	1/1	1/1
Mr. O'Yang Wiley (Note 5)	1/1	2/2	1/1	–
Mr. Lu Qi (Note 5)	1/1	–	1/1	1/1

Notes:

1. Mr. Hao Hengle was re-designated as the Chairman, Executive Director and President on 15 May 2018.
2. Mr. Yao Wei, Mr. Lin Ge and Ms. Lin Dongna were appointed as the executive Directors on 15 May 2018.
3. Mr. He Jianfeng was appointed as a non-executive Director on 15 May 2018.
4. Mr. Zhao Jun was re-designated as a non-executive Director on 15 May 2018.
5. Mr. Tan Jinsong, Mr. O'Yang Wiley and Mr. Lu Qi were appointed as the independent non-executive Directors on 15 May 2018 with effect from 11 October 2018.

During the period from the Listing Date up to and including 31 December 2018, the Chairman held one meeting with the independent non-executive Directors without the executive Directors present.

Company Secretary

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

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

For the year ended 31 December 2018, the joint company secretaries of the Company had completed relevant professional training covering regulatory updates and knowledge about company secretarial duties.

Dividend Policy

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

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

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

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

For the Board's proposed payment of a final dividend for the year ended 31 December 2018, please refer to the paragraph headed "Dividend" in the "Directors' Report" section of this report.

Shareholders' Rights

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

1. Procedures for shareholders to send enquiries to the Company

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

The Company's registered office in Hong Kong: Suites 3906–10, 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, it 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 period from the Listing Date up to and including 31 December 2018.

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 88 to 93 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. The Company's senior management is responsible for setting appropriate principles and values, performing risk assessments, owning the design, implementation and maintenance of internal controls. Each of our relevant departments are responsible for carrying out their day-to-day aspects of the risk management and internal control systems. Other business functions such as operations, finance, legal and human resources provide assistance and expertise to the management as necessary. The Board and the Audit Committee oversee the actions of the management and monitor the overall effectiveness of the control systems.

Our risk management and internal control systems cover all major aspects of our operations, including, among others, sales, procurement, asset investment and management, budgets and accounting system. To effectively implement such systems, we have a set of comprehensive policies and guidelines which set out details regarding the internal control standards, segregation of responsibilities, approval procedures and personnel accountability in each aspect.

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 evaluate the performance of them on a regular basis while maintaining daily quality control supervision.
- 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 internal assessments and training to ensure our employees are equipped with sufficient knowledge on such policies and guidelines.

During the year ended 31 December 2018, the Group had engaged an external internal control consultant to review the Group's risk management and internal control systems. The Group had considered and adopted or will adopt recommended measures by the external consultant to ensure ongoing compliance and enhance its internal control measures where appropriate.

Internal Audit

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

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

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

During the year ended 31 December 2018, 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 2018, the Company was committed to continually improving the risk management framework and capabilities of the Group 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 2018, the Company has implemented procedures and internal controls for the handling and dissemination of inside information, including:

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

Review of the Risk Management and Internal Control Systems

During the year ended 31 December 2018, 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 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.

Directors' Report

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 2018.

Principal Activities, Performance and Business Review

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

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

Further discussion and analysis of the activities, 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 "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 10 to 23 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 94.

Dividend

The Board has recommended the payment of a final dividend of RMB1.0768 per share for the year ended 31 December 2018 (2017: Nil). The total payout will amount to approximately RMB1,282.00 million, representing approximately 40% of the profit attributable to shareholders (excluding the post-tax gains arising from changes in fair value of and transfer to investment properties) for the year ended 31 December 2018. Subject to the approval of the shareholders of the Company at the annual general meeting of the Company to be held on 28 May 2019 (the "AGM"), the proposed final dividend will be paid on or about 20 June 2019 to the shareholders whose names appear on the register of members of the Company on 5 June 2019.

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 23 May 2019 to 28 May 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 22 May 2019.

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 4 June 2019 to 5 June 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 3 June 2019.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

Pre-emptive Rights

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.

Reserves

Details of movements in reserves of the Company and the Group during the year are set out in note 40 and 28 respectively to the consolidated financial statements.

As at 31 December 2018, the Company had distributable reserves amounting to RMB9,074,312,000 (2017: RMB5,151,618,000).

Property, Plant and Equipment

Details of movement in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

Intangible Assets

Details of movement in intangible assets of the Group during the year are set out in note 20 to the consolidated financial statements.

Investment Properties

During the year, the fair value gains of the Group's investment properties amounted to RMB3,306,000 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 18 to the consolidated financial statements.

Issuance of Bonds

Details of the outstanding bonds of the Group are set out in note 29 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings are set out in note 30 to the consolidated financial statements.

Interest Capitalised

Interest and other borrowing costs capitalised of the Group during the year are set out in note 11 to the consolidated financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 187. 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 23 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 has purchased, sold or redeemed any of the listed securities of the Company during the period from the Listing Date up to and including 31 December 2018.

Directors

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

Executive Directors

Mr. Hao Hengle (re-designated as the Chairman, executive Director and President on 15 May 2018)

Mr. Yao Wei (appointed on 15 May 2018)

Mr. Lin Ge (appointed on 15 May 2018)

Ms. Lin Dongna (appointed on 15 May 2018)

Non-executive Directors

Mr. He Jianfeng (appointed on 15 May 2018)

Mr. Zhao Jun (re-designated as non-executive Director on 15 May 2018)

Independent non-executive Directors

Mr. Tan Jinsong (appointed on 11 October 2018)

Mr. O'Yang Wiley (appointed on 11 October 2018)

Mr. Lu Qi (appointed on 11 October 2018)

In accordance with the Company's Articles of Association, each Mr. Hao Hengle, Mr. Yao Wei, Mr. Lin Ge, Ms. Lin Dongna, Mr. He Jianfeng, Mr. Zhao Jun, Mr. Tan Jinsong, Mr. O'Yang Wiley and Mr. Lu Qi will retire as Directors of the Company and, being eligible, offer themselves for re-election at the AGM.

Biographical Details of Directors and Senior Management

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

Directors' Service Contracts

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

Nomination Policy

The nomination policy of the Group 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 Group 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 Company 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.

Directors' Report (Continued)

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.

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 has 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 2018.

Disclosure of Interests

Directors' Interests

Save as disclosed below, as at 31 December 2018, 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	83.99%

Notes:

1. Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu Deyan, a controlling shareholder of the Company. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO.
2. The percentage has been compiled on the basis of 1,190,567,000 shares of the Company in issue as at 31 December 2018.

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

Substantial Shareholders' Interests

Save as disclosed below, as at 31 December 2018, the Directors and chief executive of the Company were not aware of any other persons (other than Directors or chief executive of the Company) 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	78.95%
Ms. Lu Deyan (Note 1)	Interests of controlled corporations	1,000,000,000	83.99%
Mr. He Xiangjian (Note 2)	Interest held jointly with another person	1,000,000,000	83.99%
Mr. He Jianfeng (Note 3)	Interest of spouse	1,000,000,000	83.99%
Youngor Group Co., Ltd. (Note 4)	Beneficial owner	60,350,200	5.07%

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**"). Midea Development (BVI), Midea Ever and Midea Field held 940,000,000, 30,000,000 and 30,000,000 shares of the Company, respectively. Therefore, Ms. Lu is deemed to be interested in the shares of the Company held by Midea Development (BVI), Midea Ever and Midea Field by virtue of the SFO.
- Mr. He Xiangjian ("**Mr. He**") and Ms. Lu are parties acting-in-concert. Therefore, Mr. He is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO. However, as confirmed by Mr. He and Ms. Lu in the deed of acting-in-concert dated 14 May 2018 entered into between Mr. He and Ms. Lu, Mr. He does not hold any economic interest (including the right to dividend) in the Group.
- 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.
- Youngor Group Co., Ltd. ("**Youngor Group**") is one of the cornerstone investors of the Company who subscribed for the shares of the Company through a qualified domestic institutional investor pursuant to a cornerstone investment agreement dated 21 September 2018 entered into between, among others, the Company and Youngor Group.
- The percentage has been compiled on the basis of 1,190,567,000 shares of the Company in issue as at 31 December 2018.

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:

Interests in Competing Business

Name of Director	Our Company		Our controlling shareholders and their respective close associates	
	Position	Roles and responsibilities	Position	Roles and responsibilities
Mr. Hao Hengle	Chairman, executive Director and president	Presiding over our Board and responsible for the overall business direction and day-to-day business and management of our Group	Director of Midea Ever and Midea Field	As confirmed by Mr. Hao, these companies are special purpose vehicles for investment holding purpose.
			Director of Foshan Shunde Midea Development Company Limited (" Foshan Midea ", 佛山市順德區美的發展有限公司) and Midea Development (Hong Kong) Co., Limited (" Midea Development (HK) ", 美的發展(香港)有限公司)	As confirmed by Mr. Hao, these companies are special purpose vehicles for investment holding purpose.
Mr. He Jianfeng	Non-executive Director	Providing strategic advice and recommendations on the operations and management of our Group	Director of Ningbo Puluofei Investment Management Co., Ltd. (" Ningbo Puluofei ", 寧波普羅非投資管理有限公司), Foshan Midea Investment Management Co., Ltd. (" Foshan Midea Investment ", 佛山市美的投資管理有限公司), Midea Holding (International) Limited (" Midea Holding (International) ", 美的控股(國際)有限公司), Foshan Junyu Management Company Limited (佛山順德君域管理有限公司); President of Midea Holding Co., Ltd. (" Midea Holding Company ", 美的控股有限公司)	As confirmed by Mr. He Jianfeng, these companies are special purpose vehicles for investment holding purpose.
			Director of Midea Group Co., Ltd. (" Midea Group Company ", 美的集團股份有限公司)	As confirmed by Mr. He Jianfeng, he participates in decision making and day-to-day management of this company.

Directors' Report (Continued)

Name of Director	Our Company		Our controlling shareholders and their respective close associates	
	Position	Roles and responsibilities	Position	Roles and responsibilities
Mr. Zhao Jun	Non-executive Director	Providing strategic advice and recommendations on the operations and management of our Group	Director of Midea Development (BVI) and Midea Field Supervisor of Midea Group Company Director and/or general manager of Foshan Shunde Junlan Holding Development Company Limited, Foshan Midea and Midea Development (HK), Ningbo Puluofei, Foshan Midea Investment, Midea Holding (International), Million King Holding (International) Limited (美景控股國際有限公司); Vice President and financial controller of Midea Holding Company	As confirmed by Mr. Zhao, these companies are special purpose vehicles for investment holding purpose. As confirmed by Mr. Zhao, he is responsible for supervising the board of directors. As confirmed by Mr. Zhao, these companies are special purpose vehicles for investment holding purpose.

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

Controlling Shareholders' Interests in Contracts

No contract of significance was 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 ended 31 December 2018.

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 ended 31 December 2018.

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 2018, revenue generated from the Group's five largest customers accounted for approximately 0.6% of the Group's revenue for the year and revenue generated from the largest customer amounted to approximately 0.2% of the Group's revenue for the year.

For the year ended 31 December 2018, purchases from the Group's five largest suppliers accounted for approximately 10.9% of the Group's total purchases excluding land purchase for the year and purchases from the largest supplier amounted to approximately 3.0% 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:

Household Technology Products Framework Purchase Agreement

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

Midea Group Company is a company established under the laws of the PRC in April 2000, the shares of which are listed on the Shenzhen Stock Exchange. It is held as to approximately 33.20% by Midea Holding Co., Ltd., which in turn was held by our controlling shareholders, 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 Household Technology Products Framework Purchase Agreement, Midea Group Company agreed to provide the Household Technology Products to our Group according to the separate agreements in respect of each of the transactions to be entered into by the relevant members of our Group with the relevant members of Midea Group from time to time.

Directors' Report (Continued)

The transactions contemplated under the Household 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 caps for 2018:

Transactions	Transaction amount for the year ended	
	Annual caps for 2018	31 December 2018
	RMB'000	RMB'000
Purchase of the Household Technology Products from Midea Group	12,000	11,921

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 2018 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 caps in respect of each of the continuing connected transactions.

A copy of the auditor's letter on continuing connected transactions of the Group for the year ended 31 December 2018 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.

Related Party Transactions

The continuing connected transaction disclosed above constitutes a related party transaction under the Hong Kong Financial Reporting Standards. A summary of the significant related party transactions entered into by the Group in the normal course of business are set out in note 36 to the consolidated financial statements. Those related party transactions which constituted connected transaction or continuing connected transactions under the Listing Rules have complied with Chapter 14A of the Listing Rules.

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 the PRC and Hong Kong. Details of the Non-Competition Deed are set out in the sub-section headed "Non-Competition Undertakings" in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

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 our Group) (as defined in the Listing Rules) have complied with all the provisions of the Non-Competition Deed since the entering of the Non-Competition Deed up to and including 31 December 2018 (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.

Compliance with Laws and Regulations

The Group has complied with applicable laws, rules and regulations that have a significant impact on the Group. During the year, we experienced certain non-compliance incidents in relation to the commencement of construction before completing requisite administrative procedures and/or obtaining requisite permits. Details of such non-compliance incidents are set out in the section headed "Business — Non-compliance Incidents" of the Prospectus. Other than these non-compliance incidents, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the operation of the Group.

Compliance with the Model Code and the Corporate Governance Code

Please refer to the Corporate Governance Report set out on pages 61 to 75 for the compliance with the Model Code and the Corporate Governance Code.

Public Float

According to Rule 8.08(1)(a) of the Listing Rules, there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% to 25% in the case of issuers with an expected market capitalisation at the time of listing of over HK\$10 billion.

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules to accept a lower public float percentage of 15.25% of our total issued share capital. Details of the waiver is set out in the sub-section headed "Public Float Requirements" in the section headed "Waivers from Strict Compliance with the Listing Rules" of the Prospectus.

As at 31 December 2018, our minimum public float was 16.01% of the Company's total issued share capital. Such percentage was held by the public immediately after the completion of the issue and allotment by the Company of the shares pursuant to the over-allotment option described in the Prospectus. For details on the exercise of the over-allotment option, please refer to the Company's announcement dated 5 November 2018.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as 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 Group is to be proposed at the forthcoming AGM.

Subsequent Events

Please refer to the "Management Discussion and Analysis" section set out on page 23 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, 28 March 2019

Independent Auditor's Report

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 94 to 186, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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.

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 2018, revenue of the Group from sales of properties was RMB29,602,383,000, of which RMB10,590,393,000 was recognised over time.

The Group cannot change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. In assessing whether the Group has an enforceable right to payment for its sales contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right.

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

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

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

Key Audit Matters (Continued)

Key audit matter

How our audit addressed the key audit matter

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

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

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

In respect of the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have performed the following procedures on a sample basis:

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

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

Key Audit Matters (Continued)

Key audit matter

How our audit addressed the key audit matter

Assessment of net realisable value of properties under development and completed properties held for sale

Refer to note 4 'Critical accounting estimates and judgements', note 21 'Properties under development' and note 22 '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 RMB109,599,366,000 and RMB4,384,344,000 respectively as at 31 December 2018, which in total accounted for approximately 64% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV"). Based on management's assessment on the NRV of PUD and PHS, impairment provision of RMB362,605,000 was made against the carrying amounts of the PUD and PHS as at 31 December 2018.

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. 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) Compared the relevant PUD and PHS balances, as at 31 December 2018, on a sample basis, against the result of management's NRV assessment made in the prior year to assess, with hindsight, the accuracy of management's historical NRV assessment and reliability and appropriateness of the NRV assessment methodology.
- (ii) Tested management's key estimates, on a sample basis, for:
 - Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location.
 - 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.
- (iii) Checked the mathematical accuracy of the calculation of the NRV and impairment provision of PUD and PHS as at 31 December 2018.

We found the key 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, related safeguards.

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 March 2019

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
Revenue	5	30,119,811	17,716,924
Cost of sales	6	(20,265,888)	(12,819,864)
Gross profit		9,853,923	4,897,060
Other income and gains — net	9	691,508	334,702
Gains arising from changes in fair value of and transfer to investment properties	18	3,306	18,801
Selling and marketing expenses	7	(1,533,913)	(807,877)
Administrative expenses	8	(2,285,191)	(776,262)
Net impairment losses on financial assets		(34,297)	(29,090)
Operating profit		6,695,336	3,637,334
Finance income	11	183,097	231,211
Finance costs	11	(127,872)	(262,540)
Finance income/(costs) — net	11	55,225	(31,329)
Share of results of joint ventures and associates	16	(93,374)	2,118
Profit before income tax		6,657,187	3,608,123
Income tax expenses	12	(3,370,318)	(1,714,554)
Profit for the year		3,286,869	1,893,569
Profit attributable to:			
Owners of the Company		3,209,997	1,912,442
Non-controlling interests		76,872	(18,873)
Total comprehensive income for the year		3,286,869	1,893,569
Total comprehensive income attributable to:			
Owners of the Company		3,209,997	1,912,442
Non-controlling interests		76,872	(18,873)
		3,286,869	1,893,569
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	13	3.08	2.54

The notes on pages 99 to 186 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	836,712	435,882
Investment properties	18	690,660	709,844
Land use rights	19	456,274	368,601
Intangible assets	20	35,084	16,046
Properties under development	21	5,685,753	3,500,677
Investments in joint ventures	16(a)	1,023,571	743,704
Investments in associates	16(b)	841,896	239,739
Deferred income tax assets	15	918,603	567,329
		10,488,553	6,581,822
Current assets			
Inventories		8,327	5,350
Contract assets and contract acquisition costs	5	1,429,912	1,065,834
Properties under development	21	103,913,613	59,272,059
Completed properties held for sale	22	4,384,344	2,618,605
Trade and other receivables	23	19,545,931	15,491,821
Prepaid taxes		9,758,793	3,753,948
Financial assets at fair value through profit or loss	24	1,256,498	398,439
Restricted cash	25	8,028,121	3,752,716
Term deposits with initial terms of over three months	26	3,065,866	120,922
Cash and cash equivalents	26	15,439,152	19,917,383
		166,830,557	106,397,077
Total assets		177,319,110	112,978,899
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	27	8,787,079	6,000,209
Other reserves	28	1,293,695	868,870
Retained earnings	28	6,076,085	3,314,600
		16,156,859	10,183,679
Non-controlling interests		7,427,577	1,981,101
Total equity		23,584,436	12,164,780

Consolidated Balance Sheet (Continued)

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	29	2,434,318	3,495,481
Bank and other borrowings	30	30,473,817	25,688,820
Deferred income tax liabilities	15	1,560,795	944,193
		34,468,930	30,128,494
Current liabilities			
Contract liabilities	5	55,929,397	36,362,728
Corporate bonds	29	3,499,268	–
Bank and other borrowings	30	13,101,903	9,070,647
Trade and other payables	31	43,502,042	23,686,875
Current income tax liabilities		3,233,134	1,565,375
		119,265,744	70,685,625
Total liabilities		153,734,674	100,814,119
Total equity and liabilities		177,319,110	112,978,899

The notes on pages 99 to 186 are an integral part of these consolidated financial statements.

The financial statements on pages 94 to 186 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
		Share capital and premium	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	Note	RMB'000 (note 27)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		-	724,431	1,546,792	2,271,223	823,196	3,094,419
Comprehensive income							
Profit for the year		-	-	1,912,442	1,912,442	(18,873)	1,893,569
Total comprehensive income for the year		-	-	1,912,442	1,912,442	(18,873)	1,893,569
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves		-	144,634	(144,634)	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	(1,390)	(1,390)
Non-controlling interests arising from business combination		-	-	-	-	542,230	542,230
Capital injections from non-controlling interests		-	-	-	-	635,938	635,938
Business combination under common control		-	(195)	-	(195)	-	(195)
Issue of new shares		6,000,209	-	-	6,000,209	-	6,000,209
Total transactions with owners		6,000,209	144,439	(144,634)	6,000,014	1,176,778	7,176,792
Balance at 31 December 2017		6,000,209	868,870	3,314,600	10,183,679	1,981,101	12,164,780
Balance at 1 January 2018		6,000,209	868,870	3,314,600	10,183,679	1,981,101	12,164,780
Comprehensive income							
Profit for the year		-	-	3,209,997	3,209,997	76,872	3,286,869
Total comprehensive income for the year		-	-	3,209,997	3,209,997	76,872	3,286,869
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves		-	433,152	(433,152)	-	-	-
Non-controlling interests arising from business combination	39	-	-	-	-	782,670	782,670
Acquisition of subsidiaries which do not contain a business		-	-	-	-	1,533,955	1,533,955
Capital injections from non-controlling interests		-	-	-	-	3,038,845	3,038,845
Business combination under common control		-	(4,321)	-	(4,321)	-	(4,321)
Additional investments in subsidiaries	35	-	(19,366)	-	(19,366)	14,134	(5,232)
Issue of shares in connection with the Listing	27	2,856,409	-	-	2,856,409	-	2,856,409
Share issuance costs	27	(69,539)	-	-	(69,539)	-	(69,539)
Stock dividends paid by a subsidiary		-	15,360	(15,360)	-	-	-
Total transactions with owners		2,786,870	424,825	(448,512)	2,763,183	5,369,604	8,132,787
Balance at 31 December 2018		8,787,079	1,293,695	6,076,085	16,156,859	7,427,577	23,584,436

The notes on pages 99 to 186 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash used in operations	32	(11,023,866)	(3,968,299)
Income tax paid		(2,929,271)	(1,732,340)
Interest paid		(2,661,872)	(1,656,527)
Net cash used in operating activities		(16,615,009)	(7,357,166)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	39	(633,195)	(1,600,308)
Proceeds from disposal of subsidiaries, net of cash disposed of	38	(9,074)	539,415
Purchases of property, plant and equipment		(141,744)	(53,886)
Purchases of land use rights for self-use		(54,838)	(20,250)
Purchases of intangible assets		(25,211)	(9,191)
Investments in joint ventures		(322,254)	(178,900)
Investments in associates		(652,813)	(243,280)
Proceeds from disposal of an associate		4,670	–
Advances to joint ventures and associates		(214,180)	(4,709,333)
Repayment of advances to joint ventures and associates		4,136,267	789,761
Proceeds from disposal of property, plant and equipment and investment properties	32	8,513	25,691
(Increase)/decrease in term deposits with initial terms of over three months		(2,944,944)	135,598
Payments for financial assets at fair value through profit or loss		(28,774,504)	(29,167,070)
Proceeds from disposal of financial assets at fair value through profit or loss		28,167,292	35,128,922
Interest received		183,097	75,862
Net cash (used in)/generated from investing activities		(1,272,918)	713,031
Cash flows from financing activities			
Capital injections from non-controlling interests		3,038,845	635,938
Capital injections from the owners of the Company		–	6,000,209
Issue of shares in connection with the Listing	27	2,856,409	–
Payments for acquisition of additional interests in subsidiaries	35	(5,232)	–
Proceeds from bank and other borrowings	32	42,321,163	25,675,313
Repayments of bank and other borrowings	32	(33,632,782)	(11,461,823)
Payments for share issuance costs	27	(69,539)	–
Proceeds from corporate bonds	29	2,433,060	–
(Repayment of advances)/advances from related parties controlled by the Ultimate Controlling Parties		(3,735,395)	2,702,190
Dividends paid to non-controlling interests		–	(1,390)
Payments for business combination under common control		–	(195)
Net cash generated from financing activities		13,206,529	23,550,242
Net (decrease)/increase in cash and cash equivalents		(4,681,398)	16,906,107
Cash and cash equivalents at beginning of the year		19,917,383	3,284,335
Exchange gains/(losses) on cash and cash equivalents		203,167	(273,059)
Cash and cash equivalents at end of the year	26	15,439,152	19,917,383

The notes on pages 99 to 186 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information and reorganisation

1.1 General information

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

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

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 history of the Group can be traced back to July 2004 when Mr. He Xiangjian (何享健, "Mr. He") acquired a majority equity interest in Midea Real Estate Group Limited (美的置業集團有限公司, "Midea Real Estate Group", then known as Foshan Shunde Welling Realty Company Limited (佛山市順德區威靈房產有限公司)). In September 2013, in preparation for the independent development of the Group's property business, Midea Development (Hong Kong) Limited, the sole shareholder of Midea Construction (BVI) Limited ("Midea Construction (BVI)") at that time which was indirectly owned by Mr. He and Ms. Lu Deyan (盧德燕, "Ms. Lu") as to 94.55% and 5.45%, respectively, transferred the entire equity interest in Midea Construction (BVI) to Ms. Lu. Since Midea Construction (BVI) held the entire equity interest in Midea Construction (Hong Kong) Limited ("Midea Construction (HK)") and in turn, the entire equity interest in Midea Real Estate Group, Ms. Lu became directly or indirectly interested in the entire equity interest in each of Midea Construction (BVI), Midea Construction (HK) and Midea Real Estate Group upon completion of the above equity transfer.

On 14 May 2018, a deed of acting-in-concert was entered into between Ms. Lu and Mr. He and pursuant to which, Ms. Lu and Mr. He have agreed to consult each other and reach a unanimous consensus among themselves on the subject matters of any shareholders' resolutions to be passed pursuant to the applicable constitution documents, listing rules or other corporate governance documents during the period when Ms. Lu remains in control of the Group, directly or indirectly. Ms. Lu and Mr. He have also confirmed that the acting-in-concert arrangement has been in place since the date of incorporation of the Company or the date when Ms. Lu became interested in any member of the Group, whichever is earlier.

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 and Ms. Lu (the "Ultimate Controlling Parties").

These consolidated financial statements for the year ended 31 December 2018 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2019.

1. General information and reorganisation (continued)

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business was operated through Midea Construction (BVI) and its subsidiaries in the PRC. Midea Construction (BVI) was incorporated in the British Virgin Islands ("BVI") on 21 October 2009 and is an investment holding company.

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Reorganisation was undertaken pursuant to which Midea Construction (BVI) and its subsidiaries were transferred to the Company. The Reorganisation involved the following steps:

(1) Establishment of the investment holding company

Midea Development (BVI) was incorporated in the BVI on 24 November 2017. Upon its incorporation, the authorised capital of Midea Development (BVI) was HKD10,000 divided into 10,000 shares with a par value of HKD1.00 each. On the same date, Midea Development (BVI) allotted and issued 10,000 shares with a par value of HKD1.00 each to Ms. Lu. Midea Development (BVI) was wholly owned by Ms. Lu.

(2) Incorporation of the Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 November 2017. Upon its incorporation, the authorised capital of the Company was HKD1 billion divided into 1,000,000,000 shares with a par value of HKD1.00 each. Upon its incorporation on 29 November 2017, the Company allotted and issued at par value one share to Osiris International Cayman Limited, an independent third party, and 9,999 shares to Midea Development (BVI). The one share held by Osiris International Cayman Limited was subsequently transferred to Midea Development (BVI) on the same day. Upon completion of such transfer, Midea Development (BVI) held 10,000 shares with a par value of HKD1.00 each and the Company was wholly owned by Midea Development (BVI).

(3) Transfer of the entire interest of Midea Construction (BVI)

On 18 December 2017, Ms. Lu transferred her entire equity interest in Midea Construction (BVI) to the Company at a consideration of HKD234,000, which was determined with reference to the issued share capital of Midea Construction (BVI). On the same date, the Company allotted and issued 290,000 shares with a par value of HKD1.00 each to Midea Development (BVI), 234,000 shares of which represented the consideration of the above equity transfer, and the other 56,000 shares of which were issued at a par value of HKD1.00 each. As a result of the equity transfer, Midea Construction (BVI) became a direct wholly-owned subsidiary of the Company.

Upon completion of the above transfers, the Company became the holding company of the Group.

(4) Additional capital injection into the Company

To prepare for the potential adoption of management share incentive scheme(s) in the future, on 28 December 2017, the Company allotted and issued 76,000, 12,000 and 12,000 shares with a par value of HKD1.00 each to Midea Development (BVI), Midea Ever Company Limited ("Midea Ever") and Midea Field Company Limited ("Midea Field"), all of which are wholly owned by Ms. Lu, respectively. On the same date, the Company further allotted and issued 939,624,000, 29,988,000 and 29,988,000 shares with a par value of HK\$1.00 each to Midea Development (BVI), Midea Ever and Midea Field, respectively.

1. General information and reorganisation (continued)

1.2 Reorganisation (continued)

(4) Additional capital injection into the Company (continued)

The aggregated consideration for the above-mentioned allotment and issuance of the shares of the Company, which was fully paid up by Midea Development (BVI) on 29 December 2017, Midea Ever on 28 December 2017 and Midea Field on 28 December 2017, was RMB4.56 billion, RMB720 million and RMB720 million, respectively. Upon completion of the above additional capital injection into the Company, Midea Development (BVI), Midea Ever and Midea Field held 940,000,000, 30,000,000 and 30,000,000 shares of the Company with a par value of HKD1.00 each.

On 12 September 2018, in preparation for the listing of the Company's shares, the authorised share capital of the Company was increased to HKD2,000,000,000 divided into 2,000,000,000 shares of HKD1.00 each.

The subsidiaries in which the Company held direct or indirect interest upon completion of the Reorganisation and as at the date of this report are set out in note 37.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622 ("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.

(iii) New and amended standards adopted by the Group

HKFRS 9, 'Financial instruments' and HKFRS 15, 'Revenue from contracts with customers' are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group had applied HKFRS 9 and HKFRS 15 in prior years as disclosed in the Company's listing documents dated 28 September 2018.

The Group has also applied the following standards and amendments for the first time in current year:

- Classification and measurement of share-based payment transactions — amendments to HKFRS 2;
- Foreign currency transactions and advance consideration — HK (IFRIC) 22;
- Transfers of investment properties — amendments to HKAS 40; and
- Investments in associates and joint ventures — Annual improvements to HKFRS 2014–2016 cycle — amendments to HKAS 28.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) New and amended standards adopted by the Group (continued)

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for 31 December 2018 reporting periods and relevant to the Group and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
HKFRS 16	Leases	01 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatment	01 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	01 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	01 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	01 January 2019
Annual improvements 2015–2017		01 January 2019
Amendments to HKFRS 3	Definition of a business	01 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	01 January 2020
HKFRS 17	Insurance contracts	01 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new standards, amendments and interpretations to standards are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) *Business combination*

Business combinations under common control

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

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

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

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

Business combinations not under common control

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

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

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combination (continued)*

Business combinations not under common control (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) *Disposal of subsidiaries*

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

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(d) *Separate financial statements*

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

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

2.3 Associates

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

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

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

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

2. Summary of significant accounting policies (continued)

2.4 Joint arrangements

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

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

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

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

2.5 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 is presented in RMB, which is the Company's functional and the Group's presentation currency.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

2.7 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.

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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

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

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

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

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

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

2.8 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 programmes are recognised as an expenses 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

2. Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(b) Research and development expenditures (continued)

- adequate technical, financial and other resources to complete the development and to use or sell the prefabricated construction related technologies are available, and
- the expenditure attributable to the prefabricated construction related technologies during its development can be reliably measured.

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

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

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

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

2. 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.

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.

2.13 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.

2. Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

2.13.1 Classification (continued)

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 fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss 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'.

Equity instruments

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

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

2. Summary of significant accounting policies (continued)

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.

2.16 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 Land use rights

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

2. Summary of significant accounting policies (continued)

2.18 Trade and other receivables

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

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

2.19 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.

2.20 Cash and cash equivalents and restricted cash

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

2.21 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.

2.22 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. Summary of significant accounting policies (continued)

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 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.

2.25 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. Summary of significant accounting policies (continued)

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2. Summary of significant accounting policies (continued)

2.27 Employee benefits

(a) Pension obligations

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

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

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

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

(c) Termination benefits

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

(d) Employee leave entitlements

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

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

2. Summary of significant accounting policies (continued)

2.28 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 recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.29 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 buyer; or
- creates or enhances an asset that the buyer 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 buyer 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 buyer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2. Summary of significant accounting policies (continued)

2.29 Revenue recognition (continued)

(b) Property management

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

(c) Investment and operation of commercial properties

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

Property lease income

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

Hotel operations

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

Cultural-tourism project

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

2.30 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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.34 Dividend distribution

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

2. Summary of significant accounting policies (continued)

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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Foreign exchange risk (continued)

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

Assets	As at 31 December	
	2018 RMB'000	2017 RMB'000
HKD	541,747	5,486,983
USD	2,289,050	143,600
	2,830,797	5,630,583

Liabilities	As at 31 December	
	2018 RMB'000	2017 RMB'000
HKD	1,600,817	1,347,247
USD	789,268	1,608,901
	2,390,085	2,956,148

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	
	2018 RMB'000	2017 RMB'000
RMB against HKD:		
Strengthened by 5%	39,715	(155,240)
Weakened by 5%	(39,715)	155,240
RMB against USD:		
Strengthened by 5%	(56,242)	54,949
Weakened by 5%	56,242	(54,949)

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 2018, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB31,931,522,000 (2017: RMB31,253,143,000). As at 31 December 2018, 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 2018 would increase/decrease by approximately RMB159,658,000 (2017: RMB156,266,000).

3.1.3 Credit risk

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

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

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

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Credit risk (continued)

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

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

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

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

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Credit risk (continued)

(i) *Trade receivables and contract assets*

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

Expected loss rate of current contract assets and trade receivables from related parties are assessed to be 0.1%. As at 31 December 2018, the loss allowance provision for these balances was not material.

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

The loss allowance provision as at 31 December 2018 and 2017 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 2018					
Expected loss rate	0.50%	5.00%	10.00%	21%–100%	
Gross carrying amount (RMB'000)	1,135,575	95,645	13,138	89,816	1,334,174
Loss allowance provision (RMB'000)	5,678	4,782	1,314	32,362	44,136
Trade receivables (excluding receivables from related parties)					
At 31 December 2017					
Expected loss rate	0.10%	2.00%	5.00%	10.00%	
Gross carrying amount (RMB'000)	220,324	67,520	48,386	40,492	376,722
Loss allowance provision (RMB'000)	220	1,350	2,419	4,049	8,038

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 2018 and 2017 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables (excluding receivables from related parties)
	RMB'000
At 1 January 2017	2,805
Provision for loss allowance recognised in profit or loss	5,233
At 31 December 2017	8,038
At 1 January 2018	8,038
Provision for loss allowance recognised in profit or loss	36,098
At 31 December 2018	44,136

For the years ended 31 December 2018 and 2017, the provision for loss allowances were recognised in profit or loss in administrative expenses in relation to the impaired trade receivables.

As at 31 December 2018, the gross carrying amount of trade receivables excluding receivables from related parties was RMB1,334,174,000 (2017: RMB376,722,000), and thus the maximum exposure to loss was RMB1,290,038,000 (2017: RMB368,684,000).

(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 2018 and 2017, 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 2018.

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 2017	32,622
Provision for loss allowance recognised in profit or loss	23,857
At 31 December 2017	56,479
At 1 January 2018	56,479
Reversal for loss allowance recognised in profit or loss	(1,801)
At 31 December 2018	54,678

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 2018 and 2017, the reversal/provision for loss allowances were recognised in profit or loss in administrative expenses in relation to the impaired other receivables.

As at 31 December 2018 and 2017, the maximum exposure to loss of other receivables from third parties, related parties and non-controlling interests were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties	4,995,043	5,916,991
Amounts due from non-controlling interests	2,229,237	670,056
Amounts due from third parties (including deposits and others)	5,350,291	2,875,841
	12,574,571	9,462,888

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.4 Liquidity risk

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

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

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

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

	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 2017					
Corporate bonds	165,400	3,551,654	–	–	3,717,054
Bank and other borrowings	10,749,813	10,311,801	17,473,954	–	38,535,568
Trade and other payables (excluding salaries payable and other taxes payable)	21,469,702	–	–	–	21,469,702
Financial guarantee	24,670,415	–	–	–	24,670,415
	57,055,330	13,863,455	17,473,954	–	88,392,739

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	
	2018 RMB'000	2017 RMB'000
Total borrowings (notes 29 and 30)	49,509,306	38,254,948
Less: cash and cash equivalents (note 26)	(15,439,152)	(19,917,383)
term deposits with initial terms of over three months (note 26)	(3,065,866)	(120,922)
restricted cash (note 26)	(8,028,121)	(3,752,716)
Net borrowings	22,976,167	14,463,927
Total equity	23,584,436	12,164,780
Gearing ratio	97%	119%

Decrease in gearing ratio as at 31 December 2018 was mainly due to issue of shares in connection with the Listing.

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 2018 and 2017, 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 2018				
Financial assets at FVPL (note 24)	–	1,256,498	–	1,256,498
At 31 December 2017				
Financial assets at FVPL (note 24)	–	398,439	–	398,439

(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 18.

3. Financial risk management (continued)

3.4 Financial instruments by category

	At 31 December 2018		
	Assets at fair value through profit or loss	Assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Assets as per consolidated balance sheet			
Trade and other receivables (excluding prepayments) (note 23)	–	13,870,476	13,870,476
Restricted cash (note 26)	–	8,028,121	8,028,121
Cash and cash equivalents (note 26)	–	15,439,152	15,439,152
Term deposits with initial terms of over three months (note 26)	–	3,065,866	3,065,866
Financial assets at FVPL (note 24)	1,256,498	–	1,256,498
Total	1,256,498	40,403,615	41,660,113

	At 31 December 2017		
	Assets at fair value through profit or loss	Assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Assets as per consolidated balance sheet			
Trade and other receivables (excluding prepayments) (note 23)	–	9,842,210	9,842,210
Restricted cash (note 26)	–	3,752,716	3,752,716
Cash and cash equivalents (note 26)	–	19,917,383	19,917,383
Term deposits with initial terms of over three months (note 26)	–	120,922	120,922
Financial assets at FVPL (note 24)	398,439	–	398,439
Total	398,439	33,633,231	34,031,670

3. Financial risk management (continued)

3.4 Financial instruments by category (continued)

	At 31 December 2018		
	Liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
Corporate bonds (note 29)	5,933,586	–	5,933,586
Bank and other borrowings (note 30)	43,575,720	–	43,575,720
Trade and other payables (excluding other taxes payable and salaries payable)(note 31)	39,042,553	–	39,042,553
Total	88,551,859	–	88,551,859

	At 31 December 2017		
	Liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
Corporate bonds (note 29)	3,495,481	–	3,495,481
Bank and other borrowings(note 30)	34,759,467	–	34,759,467
Trade and other payables (excluding other taxes payable and salaries payable) (note 31)	21,469,702	–	21,469,702
Total	59,724,650	–	59,724,650

4. Critical accounting estimates and judgments

(a) Revenue recognition

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

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

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

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

(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 18.

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 2018 and 2017 is analysed as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Property development and sales	29,602,383	17,330,213
Property management services	355,002	232,803
Investment and operation of commercial properties		
— Property lease income	43,041	39,126
— Hotel operation	11,860	67,331
— Cultural-tourism project	107,525	47,451
	30,119,811	17,716,924

Represented by:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Revenue from property development and sales:		
— Recognised at a point in time	19,011,990	11,154,053
— Recognised over time	10,590,393	6,176,160
	29,602,383	17,330,213
Revenue from rendering of services:		
— Recognised over time	474,387	347,585
Revenue from other sources:		
— Property lease income	43,041	39,126
	30,119,811	17,716,924

The Group's revenue is mainly attributable to the PRC market and over 90% 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	
	2018 RMB'000	2017 RMB'000
Contract assets related to property development and sales (i)	1,016,658	788,719
Contract acquisition costs (ii)	413,254	277,115
Total contract assets and contract acquisition costs	1,429,912	1,065,834

- (i) Contract assets related to property development and sales consist of unbilled amount resulting from sales of properties when revenue recognised over time exceeds the amount billed to the property purchasers. Contract assets increased compared to last year, which was primarily due to the growth of the Group's contracted sales.
- (ii) Management expects the contract acquisition costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amounts of amortisation were RMB213,846,000 for the year ended 31 December 2018 (2017: RMB145,065,000). 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	
	2018 RMB'000	2017 RMB'000
Contract liabilities	55,929,397	36,362,728

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.

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
Property development and sales	16,610,152	9,455,362

5. Revenue and segment information (continued)

(c) Unsatisfied contracts related to property development and sales

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Expected to be recognised within one year	35,440,245	19,576,725
Expected to be recognised after one year	27,279,003	20,563,962
	62,719,248	40,140,687

The unsatisfied contracts amounts of RMB35,440,245,000 as at 31 December 2018 expected to be recognised within one year was calculated based on the Group's pre-sale contracts signed up to 31 December 2018.

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

6. Cost of sales

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of property development and sales—including construction cost, land cost, capitalised interest expenses	19,504,341	11,938,910
Business taxes and other levies relating to property development and sales	156,546	422,286
Employee benefit expenses	363,462	246,615
Depreciation (note 17)	4,956	28,745
Amortisation of land use rights	3,290	1,140
Others	233,293	182,168
Total	20,265,888	12,819,864

Pursuant to the "Circular on the Overall Promotion of Pilot Programme of Levying VAT in place of Business Tax" ("Cai Shui [2016] No. 36") jointly issued by the Ministry of Finance and the State Administration of Taxation, the PRC subsidiaries of the Group are subject to value added tax ("VAT") on their revenues instead of business tax since May 1, 2016, while the business tax was 5% before then.

- (i) According to the Circular Cai Shui [2016] No. 36, VAT for property development and sales and income from property leasing is calculated at a tax rate of 5% based on a simple method in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016. Otherwise, the VAT is calculated at a tax rate of 11%. According to the relevant regulations about Adjustment of the VAT Rate issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No.32), since 1 May 2018, tax rate on VAT taxable sales adjust from 17% and 11% to 16% and 10%, respectively. VAT for income from property development and sales and income from property leasing is calculated at a tax rate of 10%.
- (ii) According to the Circular Cai Shui [2016] No. 36, VAT rate for property management services, hotel management and consulting service are 6% and 3% for general VAT payer and small-scale VAT payer respectively.

Notes to the Consolidated Financial Statements (Continued)

7. Selling and marketing expenses

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Employee benefit expenses	434,591	218,086
Marketing and advertising expenses	750,922	343,511
Amortisation of contract acquisition costs	213,846	145,065
Office expenses	78,139	68,037
Travelling and entertainment expenses	17,922	11,533
Rental expenses	15,496	5,774
Depreciation (note 17)	7,886	2,586
Others	15,111	13,285
Total	1,533,913	807,877

8. Administrative expenses

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Employee benefit expenses	964,351	364,044
Taxes and surcharges	165,794	97,868
Depreciation (note 17)	39,215	12,537
Amortisation of land use rights and intangible assets	12,443	6,329
Property management fees	6,772	3,341
Professional service fees	111,083	22,864
— Listing related expenses (excluding audit fees)	49,719	—
— Others	61,364	22,864
Auditor's remuneration		
— Audit services in relation to the Listing	8,077	1,060
— Annual audit services	4,900	3,824
Provision for impairment of properties under development and completed properties held for sale	362,605	—
Bank charges	192,576	85,086
Travelling and entertainment expenses	121,659	69,385
Office expenses	56,732	30,793
Rental expenses	41,271	14,805
Others	197,713	64,326
Total	2,285,191	776,262

9. Other income and gains — net

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Other income		
Management and consulting service income	141,785	45,872
Government subsidy income	33,788	8,637
Compensation income (note(a))	128,541	—
	304,114	54,509
Other gains — net		
Realised and unrealised gains on financial assets at FVPL	250,847	217,926
Gains on disposal of subsidiaries (note 38)	3,657	26,640
Gains on disposal of an associate	925	—
Losses on disposal of property, plant and equipment	(416)	—
Net foreign exchange gains/(losses)	72,511	(46,890)
Others	59,870	82,517
	387,394	280,193
Other income and gains — net	691,508	334,702

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

10. Employee benefit expenses

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Wages, salaries and bonuses and other benefits	2,156,687	1,040,528
Pension costs — statutory pension	159,654	94,803
	2,316,341	1,135,331
Less: amounts capitalised in properties under development	(553,937)	(306,586)
	1,762,404	828,745

10. 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 2018, the five individuals whose emoluments were the highest in the Group included 1 director (2017: 2), whose emoluments are reflected in the analysis in note 41 below. The emoluments payable to the remaining 4 individuals during the year (2017: 3) are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Wages, salaries and bonuses and other benefits	23,121	10,609
Pension costs — statutory pension	102	91
	23,223	10,700

The emoluments fell within the following bands:

Emolument band	Number of Individuals Year ended 31 December	
	2,018	2,017
HKD2,500,001–3,000,000	–	1
HKD3,000,001–3,500,000	–	2
HKD5,000,001–5,500,000	1	–
HKD5,500,001–6,000,000	1	–
HKD6,000,001–6,500,000	1	–
HKD9,500,001–10,000,000	1	–

During the years ended 31 December 2018 and 2017, 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.

Notes to the Consolidated Financial Statements (Continued)

11. Finance (income)/costs — net

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Finance costs		
— Interest expenses		
— Bank and other borrowings	2,416,322	1,518,276
— Corporate bonds	260,027	169,062
	2,676,349	1,687,338
Less:		
— Capitalised interest	(2,676,349)	(1,424,798)
	—	262,540
— Net foreign exchange losses on financing activities	127,872	—
	127,872	262,540
Finance income		
— Interest income	(183,097)	(75,862)
— Net foreign exchange gains on financing activities	—	(155,349)
	(183,097)	(231,211)
Finance (income)/costs — net	(55,225)	31,329

12. Income tax expenses

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current income tax:		
— Corporate income tax	1,476,932	1,026,284
— Withholding income tax on profits distributed	—	5,000
— LAT	2,114,663	979,364
	3,591,595	2,010,648
Deferred income tax (note 15)		
— Corporate income tax	(271,277)	(291,094)
— Withholding income tax on profits to be distributed in future (note (d))	50,000	(5,000)
	(221,277)	(296,094)
	3,370,318	1,714,554

Notes to the Consolidated Financial Statements (Continued)

12. 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	
	2018 RMB'000	2017 RMB'000
Profit before income tax	6,657,187	3,608,123
Tax calculated at PRC corporate income tax rate of 25%	1,664,297	902,031
Effects of share of post-tax results of joint ventures and associates	23,344	(530)
Different tax rates applicable to certain subsidiaries of the Group	(26,464)	(29,559)
Expenses not deductible for tax	56,313	108,831
Income not subject to tax	–	(742)
LAT deductible for calculation of income tax purpose	(528,666)	(244,841)
Tax losses for which no deferred income tax assets were recognised	16,831	–
Withholding income tax on dividends to be distributed in future LAT	50,000	–
	2,114,663	979,364
Income tax expenses	3,370,318	1,714,554

Note:

- 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.
- PRC corporate income tax has been provided at corporate income tax rate of 25%.
- 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.
- 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 2018, 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 RMB5,074,541,000 (2017: RMB3,382,548,000). 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.

13. Earnings per share

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000):	3,209,997	1,912,442
Weighted average number of ordinary shares in issue (thousands)	1,042,031	10,968
Adjustment for bonus issue relating to the issue of shares for cash consideration and recapitalisation (thousands)	–	741,763
	1,042,031	752,731
Earnings per share — Basic (RMB per share)	3.08	2.54

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

14. Dividends

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Dividends	1,282,003	–

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

On 28 March 2019, the Board of Directors of the Company declared the payment of a 2018 final dividend of RMB1.0768 (2017: nil) per share, totalling approximately RMB1,282,003,000 (2017: nil). Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

15. Deferred income tax

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Deferred tax assets		
— to be realised within 12 months	631,444	313,537
— to be realised after more than 12 months	1,235,859	586,211
	1,867,303	899,748
Deferred tax liabilities		
— to be realised within 12 months	735,550	286,869
— to be realised after more than 12 months	1,773,945	989,743
	2,509,495	1,276,612
	(642,192)	(376,864)

Notes to the Consolidated Financial Statements (Continued)

15. Deferred income tax (Continued)

(i) Deferred income tax assets

The movement of deferred income tax assets is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Beginning of the year	899,748	426,968
Recognised in profit or loss	967,555	472,780
End of the year	1,867,303	899,748
Offsetting with deferred tax liabilities	(948,700)	(332,419)
Net deferred tax assets	918,603	567,329

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

	Tax losses RMB'000	Deductible temporary differences of expenses and cost of sales RMB'000	Impairment of assets RMB'000	Elimination of unrealised profits RMB'000	Deferred income RMB'000	Accrued land appreciation tax RMB'000	Total RMB'000
At 1 January 2017	184,434	37,495	8,857	1,660	85,676	108,846	426,968
Recognised in profit or loss	322,564	(5,891)	7,272	20,386	(15,276)	143,725	472,780
At 31 December 2017	506,998	31,604	16,129	22,046	70,400	252,571	899,748
Recognised in profit or loss	446,315	(14,937)	99,193	17,420	(30,277)	449,841	967,555
At 31 December 2018	953,313	16,667	115,322	39,466	40,123	702,412	1,867,303

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 2018, the Group did not recognise deferred income tax assets of RMB16,831,000 (2017: nil), in respect of losses amounting to RMB67,324,000 (2017: nil), that can be carried forward to offset against future taxable income. These tax losses will expire up to and including year 2023 (2017: 2022).

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

The movement of deferred income tax liabilities is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	1,276,612	505,041
Acquisition of subsidiaries (note 39)	486,605	594,885
Recognised in profit or loss	746,278	176,686
End of the year	2,509,495	1,276,612
Offsetting with deferred tax assets	(948,700)	(332,419)
Net deferred tax liabilities	1,560,795	944,193

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

	Valuation surplus of properties under development	Fair value gains on investment properties	Recognition of contract revenue and contract costs over time	Withholding income tax on profits to be distributed in future	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	97,939	13,614	388,488	5,000	505,041
Acquisition of subsidiaries	594,885	–	–	–	594,885
Recognised in profit or loss	(6,146)	2,582	185,250	(5,000)	176,686
At 31 December 2017	686,678	16,196	573,738	–	1,276,612
Acquisition of subsidiaries (note 39)	486,605	–	–	–	486,605
Recognised in profit or loss	(101,911)	827	797,362	50,000	746,278
At 31 December 2018	1,071,372	17,023	1,371,100	50,000	2,509,495

Notes to the Consolidated Financial Statements (Continued)

16(a). Investments in joint ventures

The movement of investments in joint ventures are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January	743,704	552,551
Transfer from investment in a subsidiary (note 38)	10,000	–
Other additions	320,654	180,500
Share of results	(50,787)	10,653
At 31 December	1,023,571	743,704

Set out below are the particulars of the joint venture which is material to the Group as at 31 December 2018:

	Place of incorporation and operation	Principle activities	As at 31 December 2018
Wuxi Languang Properties Co., Ltd. 無錫藍光置地有限公司 (“Wuxi Languang”)	Wuxi, PRC	Property Development	49%

* 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.

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

Summarised balance sheets

	As at/Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Assets		
Current Assets		
Cash and cash equivalents	638,986	575,302
Trade and other receivables	1,799,034	1,248,302
Properties under development	1,698,322	1,389,947
	4,136,342	3,213,551
Non-current assets	31,171	13,103

16(a). Investments in joint ventures (Continued)
Summarised balance sheets (Continued)

	As at/Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Total assets	4,167,513	3,226,654
Liabilities		
Current liabilities		
Trade and other payables	1,386,689	1,787,171
Other liabilities	1,714,974	2,399
	3,101,663	1,789,570
Non-current liabilities		
Bank and other borrowings	200,000	549,000
Total liabilities	3,301,663	2,338,570
Net assets	865,850	888,084
Reconciliation to carrying amounts:		
Opening net assets	888,084	899,918
Loss for the year	(22,234)	(11,834)
Closing net assets	865,850	888,084
Group's share in %	49%	49%
Group's share of carrying amounts	424,267	435,161

Summarised statement of comprehensive income

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Interest income	1,280	—
Interest expenses	—	(603)
Other expenses — net	(23,514)	(11,231)
Loss and total comprehensive loss for the year	(22,234)	(11,834)

Notes to the Consolidated Financial Statements (Continued)

16(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	
	2018 RMB'000	2017 RMB'000
Carrying amounts in the consolidated balance sheet	599,304	308,543
Share of results for the year	(39,892)	16,452
Share of total comprehensive (loss)/income for the year	(39,892)	16,452

As at 31 December 2018 and 2017, 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 33).

16(b). Investments in associates

The movement of investments in associates is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balances	239,739	4,994
Additions	652,813	243,280
Transfer to a subsidiary for business combination under common control	(4,324)	–
Disposal	(3,745)	–
Share of results	(42,587)	(8,535)
Ending balances	841,896	239,739

The directors of the Company consider that none of the associates as at 31 December 2018 and 2017 were significant to the Group and thus the individual financial information of the associates was not disclosed.

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

	As at/Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Carrying amounts in the consolidated balance sheet	841,896	239,739
Share of results for the year	(42,587)	(8,535)
Share of total comprehensive loss for the year	(42,587)	(8,535)

As at 31 December 2018 and 2017, certain borrowings of the associates were guaranteed by the Group (note 33).

Notes to the Consolidated Financial Statements (Continued)

17. 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 2017						
Cost	672,838	70,023	18,294	71,352	16,310	848,817
Accumulated depreciation	(50,884)	(24,813)	(12,192)	–	(5,273)	(93,162)
Net book amount	621,954	45,210	6,102	71,352	11,037	755,655
Year ended 31 December 2017						
Opening net book amount	621,954	45,210	6,102	71,352	11,037	755,655
Acquisition of subsidiaries	170,261	131	106	–	–	170,498
Other additions	–	17,375	4,764	31,380	11,593	65,112
Transfer from properties under development	13,302	–	–	26,450	–	39,752
Disposal of subsidiaries	(520,878)	(25,553)	(178)	–	–	(546,609)
Other disposals	–	(837)	(284)	–	–	(1,121)
Internal transfer	64,417	–	–	(64,417)	–	–
Depreciation	(30,372)	(7,198)	(2,864)	–	(6,971)	(47,405)
Closing net book amount	318,684	29,128	7,646	64,765	15,659	435,882
At 31 December 2017						
Cost	344,638	53,775	21,907	64,765	27,903	512,988
Accumulated depreciation	(25,954)	(24,647)	(14,261)	–	(12,244)	(77,106)
Net book amount	318,684	29,128	7,646	64,765	15,659	435,882
Year ended 31 December 2018						
Opening net book amount	318,684	29,128	7,646	64,765	15,659	435,882
Acquisition of subsidiaries (note 39)	36,303	573	1,173	–	–	38,049
Other additions	–	58,429	6,641	42,524	43,451	151,045
Transfer from properties under development	256,000	–	–	–	–	256,000
Transfer from investment properties (note 18)	22,490	–	–	–	–	22,490
Internal transfer	26,450	11,625	–	(38,075)	–	–
Disposal of subsidiaries (note 38)	–	(676)	–	–	–	(676)
Other disposals	(6,408)	(1,897)	(624)	–	–	(8,929)
Depreciation	(27,347)	(13,684)	(2,168)	–	(13,950)	(57,149)
Closing net book amount	626,172	83,498	12,668	69,214	45,160	836,712
At 31 December 2018						
Cost	679,473	121,829	29,097	69,214	71,354	970,967
Accumulated depreciation	(53,301)	(38,331)	(16,429)	–	(26,194)	(134,255)
Net book amount	626,172	83,498	12,668	69,214	45,160	836,712

Notes to the Consolidated Financial Statements (Continued)

17. 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	
	2018 RMB'000	2017 RMB'000
Selling and marketing expenses	7,886	2,586
Administrative expenses	39,215	12,537
Cost of sales	4,956	28,745
Properties under development	5,092	3,537
	57,149	47,405

As at 31 December 2018, buildings with net book value of RMB116,734,000 (2017: nil), were pledged as collateral for the Group's bank and other borrowings.

As at 31 December 2018, title certificates of certain buildings with net book value of RMB78,397,000 (2017: RMB91,020,000), were still to be obtained.

18. Investment properties

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening net book amount	709,844	645,306
Transfer from completed properties held for sale	—	70,307
Revaluation losses upon transfer from completed properties held for sale	—	(25,566)
Fair value changes	3,306	44,367
Transfer to property, plant and equipment (note 17)	(22,490)	—
Disposals	—	(24,570)
Closing net book amount	690,660	709,844
Gains arising from changes in fair value of and transfer to investment properties represent:		
— revaluation losses upon transfer from completed properties held for sale	—	(25,566)
— fair value changes	3,306	44,367
	3,306	18,801

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 2018 and 2017, the Group had only level 3 investment properties.

As at 31 December 2018, title certificates of buildings with net book value of RMB9,580,000 (2017: RMB9,500,000) were still to be obtained.

18. Investment properties (Continued)

Valuation processes of the Group

A valuation of the Group's investment properties as at 31 December 2018 and 2017 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 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	690,660	Income capitalisation	The rate of return/ capitalisation rate Monthly rental (RMB/square metre/month) Vacancy rate	3.5%–6% 2.75–173 2%–70%

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.

18. Investment properties (Continued)

Valuation techniques (Continued)

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Rental income	18,472	14,966
Direct operating expenses	(10,684)	(18,460)
	7,788	(3,494)

As at 31 December 2018, investment properties with fair value of RMB132,896,000 (2017: nil) were pledged as collateral for the Group's bank and other borrowings.

19. Land use rights

	RMB'000
Year ended 31 December 2017	
Opening net book amount	104,849
Additions	178,392
Acquisition of subsidiaries	116,734
Disposal of a subsidiary	(27,391)
Amortisation	(3,983)
Closing net book amount	368,601
Year ended 31 December 2018	
Opening net book amount	368,601
Additions	80,308
Non-cash capital injection from non-controlling interests	16,925
Amortisation	(9,560)
Closing net book amount	456,274

The land use rights were located in the PRC and were held on leases of between 40 to 70 years. Land use rights with net book amount of RMB7,860,000 as at 31 December 2018 (2017: nil), were pledged as collateral for the Group's bank and other borrowings.

Amortisation of land use rights has been charged to cost of sales and administrative expenses.

20. Intangible assets

	Computer software RMB'000
At 1 January 2017	
Cost	18,937
Accumulated amortisation	(8,760)
Net book amount	10,177
Year ended 31 December 2017	
Opening net book amount	10,177
Acquisition of subsidiaries	164
Other additions	9,191
Amortisation	(3,486)
Closing net book amount	16,046
At 31 December 2017	
Cost	26,561
Accumulated amortisation	(10,515)
Net book amount	16,046
Year ended 31 December 2018	
Opening net book amount	16,046
Other additions	25,211
Amortisation	(6,173)
Closing net book amount	35,084
At 31 December 2018	
Cost	51,772
Accumulated amortisation	(16,688)
Net book amount	35,084

Amortisation of intangible assets has been charged to administrative expenses.

21. Properties under development

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Properties under development expected to be completed:		
— Within normal operating cycle included under current assets	103,913,613	59,272,059
— Beyond normal operating cycle included under non-current assets	5,685,753	3,500,677
	109,599,366	62,772,736
Properties under development comprise:		
— Construction costs	21,466,813	11,198,028
— Land use rights	84,662,941	49,359,818
— Capitalised interest expenses	3,792,370	2,214,890
	109,922,124	62,772,736
Less: provision of impairment	(322,758)	–
	109,599,366	62,772,736

Properties under development were all located in the PRC.

Cost of sales for the year included RMB461,131,000 (2017: RMB190,472,000) of costs brought forward from prior year to fulfil those contracts, revenue of which was recognised over time.

At 31 December 2018, properties under development included the costs to fulfil those contracts, revenue of which was recognised over time, amounted to RMB1,373,368,000 (2017: RMB735,264,000).

The amounts of RMB81,962,780,000 as at 31 December 2018 (2017: RMB40,191,667,000) under normal operating cycle classified as current assets were expected to be completed and delivered beyond one year.

The capitalisation rate of general borrowings were 5.66% for the year ended 31 December 2018 (2017: 6.09%).

As at 31 December 2018, properties under development with net book value of RMB36,097,726,000 (2017: RMB15,520,477,000), were pledged as collateral for the Group's bank and other borrowings.

22. Completed properties held for sale

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Completed properties held for sale	4,424,191	2,618,605
Less: provision of impairment	(39,847)	–
	4,384,344	2,618,605

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

As at 31 December 2018, completed properties held for sale with net book value of RMB226,447,000 (2017: nil), were pledged as collateral for the Group's bank and other borrowings.

23. Trade and other receivables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Included in current assets:		
Trade receivables — net (note (a))	1,295,905	379,322
Other receivables — net (note (b))	12,574,571	9,462,888
Prepayments for land use rights (note (c))	5,210,675	5,265,493
Other prepayments	464,780	384,118
	19,545,931	15,491,821

As at 31 December 2018 and 2017, the fair value of trade and other receivables approximated their carrying amounts.

(a) Details of trade receivables are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables — related parties (note 36(b))	5,867	10,638
Trade receivables — third parties	1,334,174	376,722
Less: allowance for impairment	(44,136)	(8,038)
Trade receivables — net	1,295,905	379,322

Notes to the Consolidated Financial Statements (Continued)

23. Trade and other receivables (continued)

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

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 90 days	1,138,953	230,962
Over 90 days and within 180 days	97,946	67,520
Over 180 days and within 365 days	13,318	48,386
Over 365 days	89,824	40,492
	1,340,041	387,360

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 2018, additional provision of RMB36,098,000 (2017: RMB5,233,000) were made against the gross amounts of trade receivables.

(b) Details of other receivables are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Amounts due from related parties (note 36(b))	4,995,043	5,916,991
Amounts due from non-controlling interests (note (i))	2,229,237	670,056
Deposits and others from third parties (note (ii))	5,404,969	2,932,320
	12,629,249	9,519,367
Less: allowance for impairment	(54,678)	(56,479)
Other receivables — net	12,574,571	9,462,888

(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.

24. Financial assets at fair value through profit or loss

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Investments in wealth management products	405,000	398,439
Investments in asset management schemes	851,498	–
	1,256,498	398,439

- (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.
- (b) The ranges of expected return rates of these products as at 31 December 2018 were 0.30%–4.86% (2017: 0.35%–4.70%).

25. 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.

26. Cash and cash equivalents

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash at bank and in hand	21,091,796	23,170,099
Bank deposits	5,441,343	620,922
	26,533,139	23,791,021
Less: restricted cash (note 25)	(8,028,121)	(3,752,716)
term deposits with initial terms of over three months (note(a))	(3,065,866)	(120,922)
	15,439,152	19,917,383

Notes to the Consolidated Financial Statements (Continued)

26. Cash and cash equivalents (Continued)

- (a) These bank deposits were denominated in RMB and with original maturity of over three months. As at 31 December 2018, bank deposits of RMB2,773,600,000 (2017: nil) were pledged as collateral for the Group's bank and other borrowings (note 30). The effective interest rate of these deposits as at 31 December 2018 were 1.99% per annum (2017: 2.07% per annum).

Cash and deposits were denominated in the following currencies:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Denominated in RMB	23,702,342	18,160,442
Denominated in USD	2,289,050	143,600
Denominated in HKD	541,747	5,486,979
	26,533,139	23,791,021

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.

27. 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 29 November 2017 (date of incorporation)		10,000	10	8	-	8
Issue of shares of HKD1.00 each		290,000	290	246	-	246
Additional capital injection		999,700,000	999,700	837,088	5,162,867	5,999,955
At 31 December 2017 and 1 January 2018		1,000,000,000	1,000,000	837,342	5,162,867	6,000,209
Issue of shares in connection with the Listing	(a)	190,567,000	190,567	168,024	2,688,385	2,856,409
Share issuance cost	(b)	-	-	-	(69,539)	(69,539)
		1,190,567,000	1,190,567	1,005,366	7,781,713	8,787,079

27. Share capital and premium (Continued)

- (a) On 11 October 2018, the Company issued 180,000,000 ordinary shares of HKD1.00 each at HKD17.00 per share in connection with the Listing, and raised net proceeds of approximately HKD3,060,000,000 (approximately RMB2,698,002,000). In addition, on 2 November 2018, the over-allotment option in connection with the global offering of the Company's shares was partially exercised by the joint global coordinators and as a result, additional 10,567,000 ordinary shares of HKD1.00 each were issued at HKD17.00 per share and raised net proceeds of HKD179,639,000 (approximately RMB158,407,000). The respective paid up capital amount was approximately RMB168,024,000 and share premium arising from the issuance was approximately RMB2,688,385,000.
- (b) Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing. Incremental costs that are directly attributable to the issue of the new shares amounting RMB69,539,000 was treated as a deduction against the share premium arising from the issuance.

28. Other reserves and retained earnings

	Merger reserve RMB'000	Statutory reserves RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	196,882	497,902	29,647	724,431	1,546,792	2,271,223
Profit for the year	–	–	–	–	1,912,442	1,912,442
Transfers to statutory reserve	–	144,634	–	144,634	(144,634)	–
Business combination under common control	(195)	–	–	(195)	–	(195)
Balance at 31 December 2017	196,687	642,536	29,647	868,870	3,314,600	4,183,470
Balance at 1 January 2018	196,687	642,536	29,647	868,870	3,314,600	4,183,470
Profit for the year	–	–	–	–	3,209,997	3,209,997
Transfer to statutory reserves (note (a))	–	433,152	–	433,152	(433,152)	–
Business combination under common control	(4,321)	–	–	(4,321)	–	(4,321)
Additional investments in subsidiaries (note 35)	(19,366)	–	–	(19,366)	–	(19,366)
Stock dividends paid by a subsidiary	–	–	15,360	15,360	(15,360)	–
Balance at 31 December 2018	173,000	1,075,688	45,007	1,293,695	6,076,085	7,369,780

- (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.

Notes to the Consolidated Financial Statements (Continued)

29. Corporate bonds

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
As at 1 January	3,495,481	3,491,819
Additions	2,433,060	–
Interests charges	260,028	169,062
Interests paid	(254,983)	(165,400)
Ending balance	5,933,586	3,495,481
Analysed as:		
— Current portion	3,499,268	–
— Non-current portion	2,434,318	3,495,481
	5,933,586	3,495,481

The Group's corporate bonds were repayable as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Within 1 year	3,499,268	–
Between 1 and 2 years	–	3,495,481
Between 2 and 5 years	2,434,318	–
	5,933,586	3,495,481

The Group's corporate bonds comprised the following:

Issue Date	Par Value RMB'000	Interest Rate	Term of bond	Net proceeds after issuance cost RMB'000	Effective interest rate per annum
05/01/2016	500,000	4.28%	3 years	495,000	4.65%
30/03/2016	1,000,000	4.80%	3 years	998,000	4.87%
01/06/2016	2,000,000	4.80%	3 years	1,996,000	4.87%
24/05/2018	1,440,000	7.80%	3 years	1,438,060	7.88%
17/09/2018	1,000,000	7.50%	3 years	995,000	7.78%

The corporate bonds of RMB3,499,268,000 (2017:RMB3,495,481,000) as at 31 December 2018 were guaranteed by its related parties (note 36(a)).

30. Bank and other borrowings

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Bank borrowings	24,785,827	17,255,467
Loans from related parties (note 36(c))	–	2,855,600
Other loans	18,789,893	14,648,400
	43,575,720	34,759,467
Included in non-current liabilities:		
— Secured/guaranteed	22,701,745	21,421,014
— Unsecured	11,388,262	9,807,419
Less: current portion of non-current liabilities	(3,616,190)	(5,539,613)
	30,473,817	25,688,820
Included in current liabilities:		
— Secured/guaranteed	6,857,074	2,523,833
— Unsecured	2,628,639	1,007,201
— Current portion of non-current liabilities	3,616,190	5,539,613
	13,101,903	9,070,647
Total	43,575,720	34,759,467

As at 31 December 2018 and 2017, all of the Group's borrowings were denominated in following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	41,185,635	31,811,115
HKD	1,600,817	1,343,583
USD	789,268	1,604,769
	43,575,720	34,759,467

The Group's bank and other borrowings as at 31 December 2018, of RMB23,145,368,000 (2017: RMB11,280,181,000) were secured by certain buildings, land use rights, properties under development, completed properties held for sale and bank deposits of the Group with total carrying values of RMB39,355,263,000 (2017: RMB15,520,477,000).

The Group's bank and other borrowings of RMB4,170,451,000 (2017: RMB13,242,811,000), as at 31 December 2018 were guaranteed by its related parties (note 36(a)); and RMB2,243,000,000 were guaranteed by third parties.

Notes to the Consolidated Financial Statements (Continued)

30. 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	
	2018 RMB'000	2017 RMB'000
3 months or less	3,215,298	6,572,716
6–12 months	1,201,924	2,527,150
1–2 years	27,514,300	22,153,277
	31,931,522	31,253,143

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 1 year	13,101,903	9,070,647
1 to 2 years	11,994,371	9,042,408
2 to 5 years	17,436,446	16,646,412
Over 5 years	1,043,000	–
	43,575,720	34,759,467

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Borrowings wholly repayable within 5 years	42,532,720	34,759,467
Borrowings wholly repayable after 5 years	1,043,000	–
	43,575,720	34,759,467

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Bank and other borrowings	5.95%	5.28%

The carrying amounts of the borrowings approximated their fair values as at 31 December 2018 and 2017 as the impact of discounting of borrowings with fixed interest rates was not significant or the borrowings carried floating interest rate.

31. Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables (note (a))	15,793,819	8,085,929
Amounts due to related parties (note 36(b))	5,079,228	5,811,306
Amounts due to non-controlling interests (note (b))	11,811,009	4,600,708
Outstanding acquisition considerations payable	1,401,975	872,532
Deposit payables	2,543,391	1,176,935
Accrued expenses	452,246	265,267
Salaries payable	742,918	386,195
Interest payable	246,508	237,076
Other taxes payable	3,716,571	1,830,978
Other payables (note (c))	1,714,377	419,949
	43,502,042	23,686,875

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 90 days	10,780,781	7,521,301
Over 90 days and within 365 days	4,304,598	217,617
Over 365 days	708,440	347,011
	15,793,819	8,085,929

The Group's trade and other payables as at 31 December 2018 and 2017 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.

Notes to the Consolidated Financial Statements (Continued)

32. Cash flow information

(a) Cash used in operations

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit for the year	3,286,869	1,893,569
Adjustments for:		
Income tax expenses (note 12)	3,370,318	1,714,554
Interest income (note 11)	(183,097)	(75,862)
Interest expenses (note 11)	–	262,540
Net foreign exchange losses/(gains) (note 11)	127,872	(155,349)
Depreciation (note 17)	52,057	43,868
Amortisation of land use rights (note 19)	9,560	3,983
Amortisation of intangible assets (note 20)	6,173	3,486
Losses on disposal of property, plant and equipment and investment properties (note 9)	416	–
Net impairment losses on trade and other receivables (note 3.1.3)	34,297	29,090
Provision for impairment of properties under development and completed properties held for sale (note 8)	362,605	–
Share of results of joint ventures and associates (note 16)	93,374	(2,118)
Gains arising from changes in fair value of and transfer to investment properties (note 18)	(3,306)	(18,801)
Gains on disposal of subsidiaries (note 38)	(3,657)	(26,640)
Gains on disposal of an associate (note 9)	(925)	–
Realised and unrealised gains on financial assets at FVPL (note 9)	(250,847)	(217,926)
	6,901,709	3,454,394
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Properties under development and completed properties held for sale	(45,059,209)	(24,858,936)
Inventories	(2,977)	(2,021)
Restricted cash	(4,275,405)	(2,265,842)
Trade and other receivables	(2,614,275)	(4,140,391)
Prepaid taxes (excluding prepaid income taxes)	(7,010,279)	(1,974,669)
Contract assets and contract acquisition costs	(364,078)	(362,913)
Contract liabilities	19,566,669	18,414,717
Trade and other payables	21,833,979	7,767,362
	(17,925,575)	(7,422,693)
Cash used in operations	(11,023,866)	(3,968,299)

32. Cash flow information (continued)

- (b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment and investment properties comprise:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Property, plant and equipment and investment properties		
Net book amount (note 17 and 18)	8,929	25,691
Losses on disposal (note 9)	(416)	–
Proceeds	8,513	25,691

(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
Balance as at 1 January 2017	20,867,234	3,491,819	1,027,346
Cash flows			
— Increase	25,675,313	–	2,702,190
— Decrease	(11,461,823)	–	–
— Interest paid	–	(165,400)	–
— Interest expenses	–	169,062	–
— Exchange differences	(321,257)	–	–
Balance as at 31 December 2017/1 January 2018	34,759,467	3,495,481	3,729,536
Cash flows			
— Increase	42,321,163	2,433,060	–
— Decrease	(33,632,782)	–	(3,735,395)
— Interest paid	–	(254,983)	–
— Interest expenses	–	260,028	–
— Exchange differences	127,872	–	–
Balance as at 31 December 2018	43,575,720	5,933,586	(5,859)

Notes to the Consolidated Financial Statements (Continued)

33. Guarantee

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	42,105,140	22,956,879
Guarantees to joint ventures and associates in respect of borrowings (note (b))	2,947,421	1,713,536
	45,052,561	24,670,415

- (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.

34. Commitments

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Contracted but not provided for:		
Property, plant and equipment	128,918	134,820
Property development expenditure	24,652,664	6,591,941
	24,781,582	6,726,761

34. Commitments (Continued)

(b) Operating leases commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
— Not later than one year	38,659	17,732
— Later than one year and not later than five years	82,628	39,211
— Over five years	406	37,795
	121,693	94,738

(c) Operating lease rental receivable

The lease terms are between 1 and 10 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	
	2018 RMB'000	2017 RMB'000
— Not later than one year	84,776	51,578
— Later than one year and not later than five years	233,197	209,933
— Over five years	82,402	69,513
	400,375	331,024

35. Transactions with non-controlling interests

Acquisition of additional interests in subsidiaries

The Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total cash consideration of RMB5,232,000. The differences between the carrying amounts of non-controlling interest acquired and consideration paid are set out below:

	Year ended 31 December 2018 RMB'000
Total carrying amounts of non-controlling interests acquired	(14,134)
Less: total consideration paid to non-controlling interests	(5,232)
Total difference recognised within equity	(19,366)

Notes to the Consolidated Financial Statements (Continued)

36. 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	
		2018	2017
		RMB'000	RMB'000
(i)	Ultimate Controlling Parties		
	Receiving guarantee in respect of borrowings	–	1,592,469
(ii)	Entities controlled by the Ultimate Controlling Parties		
	Rendering of property management services	5,965	895
	Purchase of home appliances and smart home technology products	11,921	1,576
	Purchase of information technology support services	1,800	1,800
	Interest expense	177,282	121,846
	Receiving guarantee in respect of borrowings and corporate bonds	7,669,719	15,145,823
	Proceeds from disposal of subsidiaries	–	589,775
	Licensing fees	8,561	6,838
	Rental expenses	926	337
	Management and consulting service income	5,097	–
(iii)	Entities controlled by certain directors		
	Management and consulting service income	1,406	–
	Rental expenses	5,442	2,061
(iv)	Joint ventures		
	Management and consulting service income	36,836	–
	Providing guarantee in respect of borrowings	2,408,400	1,713,536
	Selling of materials, equipment and other services	15,170	–
	Rendering of property management services	14,602	–
	Lease income	1,390	–
(v)	Associates		
	Providing guarantee in respect of borrowings	539,021	–
	Management and consulting service income	13,751	–
	Rendering of property management services	6,205	–
	Selling of materials, equipment and other services	988	–
(vi)	Directors and/or their close family members		
	Sales of properties	2,170	1,563

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

36. Related party transactions (continued)**(b) Balances with related parties**

		As at 31 December	
		2018	2017
		RMB'000	RMB'000
(i)	Joint ventures		
	Amounts due from related parties	3,711,974	3,725,820
	Amounts due to related parties	3,074,195	753,592
(ii)	Associates		
	Amount due from related parties	1,281,140	1,058,117
	Amount due to related parties	2,000,150	184,486
(iii)	Entities controlled by the Ultimate Controlling Parties		
	Amounts due from related parties	7,397	1,143,692
	Amounts due to related parties	4,883	4,873,228
	Loans from related parties	–	2,855,600
(iv)	Entities controlled by certain directors and/or their close family members		
	Amounts due from related parties	399	–
(v)	Analysis on amounts due from related parties:		
	Trade	5,867	10,638
	Non-trade	4,995,043	5,916,991
(vi)	Analysis on amounts due to related parties:		
	Trade	3,907	729
	Non-trade	5,075,321	5,810,577

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

36. Related party transactions (continued)

(c) Loans from related parties

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Beginning of the year	2,855,600	1,650,294
Loans advanced	3,723,260	1,809,900
Loans repayments	(6,578,860)	(604,594)
End of the year	–	2,855,600

Loans from related parties carried variable interest rates ranging from 6% to 6.15% per annum, the terms of the loans were between 2 months to 21 months.

(d) Key management compensation

Key management comprise the Company's directors and senior management. The compensation paid or payable to key management for employee services is shown below.

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Key management compensation		
— Salaries and other employee benefits	21,946	16,540
— Pension costs	134	111
— Fees	373	294
	22,453	16,945

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries

The following is a list of principal subsidiaries at 31 December 2018, all of these are limited liability companies:

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in BVI and operates in Mainland China					
美的建業（英屬維京群島）有限公司 Midea Construction (BVI) Limited	21/10/2009	Property Development	USD30	100%	–
Platinum Years Limited	08/10/2013	Property Development	USD50	100%	–
科納投資控股有限公司 Kona Investment Holding Limited	18/05/2012	Property Development	USD50	100%	–
Incorporated in Hong Kong and operates in Mainland China					
美的建業（香港）有限公司 Midea Construction (Hong Kong) Co., Ltd	03/11/2009	Property Development	HKD2,144,100	100%	–
科納投資控股（香港）有限公司 Kona Investments Holding (Hong Kong) Limited	31/05/2012	Property Development	HKD100	100%	–
旭建（香港）有限公司 Xu Jian (HK) Co. Limited	7/12/2018	Property Development	HKD0.01	60%	40%
Incorporated in Macau and operates in Mainland China					
澳門比華利房地產有限公司 Pei Wa Lei Real Estate Limited	07/07/2006	Property Development	MOP500	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%	–

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
佛山市皇朝房地產發展有限公司 Foshan Huangchao Real Estate Development Co., Ltd	06/11/2003	Property Development	RMB50,000	90%	10%
徐州躍輝置業有限公司 Xuzhou Yuehui Real Estate Company Limited	07/09/2016	Property Development	RMB135,950	98%	2%
廣東美的物業管理股份有限公司 Guangdong Midea Property Management Co., Ltd	31/01/2000	Property Management	RMB51,200	82%	18%
美的置業集團有限公司 Midea Real Estate Group Limited	13/01/1995	Property Development	RMB3,191,495	100%	–
佛山市美的房地產發展有限公司 Foshan Midea Real Estate Development Co., Ltd	10/08/1998	Property Development	RMB200,000	100%	–
佛山市順德區捷高房產有限公司 Foshan Shunde Jiegao Real Estate Co., Ltd	16/09/2004	Property Development	RMB200,000	100%	–
佛山市名勝投資有限公司 Foshan Mingsheng Investment Co., Ltd	16/06/2005	Property Development	RMB170,000	100%	–
美的西南房地產發展有限公司 (前稱「貴陽市美的房地產發展有限公司」) Midea Xinan Property Development Company Limited (formerly known as "Guiyang Midea Real Estate Development Co., Ltd")	26/03/2010	Property Development	RMB500,000	100%	–
株洲市美的高科房地產發展有限公司 Zhuzhou Midea Gaoke Real Estate Development Co., Ltd	10/06/2010	Property Development	RMB45,000	100%	–
株洲市美的房地產發展有限公司 Zhuzhou Midea Real Estate Development Co., Ltd	10/06/2010	Property Development	RMB402,820	99%	1%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
佛山市高明區美的房地產發展有限公司 Foshan Gaoming Midea Real Estate Development Co., Ltd	14/01/2011	Property Development	RMB400,000	100%	–
佛山市順德區美的房產有限公司 Foshan Shunde Midea Real Estate Co., Ltd.	13/01/2011	Property Development	RMB75,000	100%	–
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	99%	1%
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	14/01/2013	Property Development	RMB200,000	100%	–
瀋陽市美的房地產開發有限公司 Shenyang Midea Real Estate Development Co., Ltd	03/07/2013	Property Development	RMB384,098	100%	–
鎮江美的房地產發展有限公司 Zhenjiang Midea Real Estate Development Co., Ltd	27/09/2013	Property Development	RMB100,000	100%	–
遵義市美的房地產發展有限公司 Zunyi Midea Real Estate Development Co., Ltd	17/02/2014	Property Development	RMB150,000	100%	–
佛山市高明區新江房地產發展有限公司 Foshan Gaoming Xinjiang Real Estate Development Co., Ltd	28/10/2015	Property Development	RMB100,000	97%	3%

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
佛山市順德區緝恒美的房產有限公司 Foshan Shunde Ganheng Midea Real Estate Co., Ltd	29/10/2015	Property Development	RMB100,000	98%	2%
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	99%	1%
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	96%	4%
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	96%	4%
江西省冶電能源配送有限公司 Jiangxi Yedian Power Transit Company Limited	30/07/2007	Property Development	RMB50,000	64%	36%
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	97%	3%
佛山市順德區越誠房地產發展有限公司 Foshan Shunde Yuecheng Real Estate Development Co., Ltd	21/07/2016	Property Development	RMB60,000	98%	2%
徐州市鵬輝房地產發展有限公司 Xuzhou Penghui Real Estate Development Co., Ltd	16/08/2016	Property Development	RMB50,000	97%	3%
瀋陽嘉美房地產開發有限公司 Shenyang Jiamei Real Estate Development Co., Ltd	25/08/2016	Property Development	RMB50,000	99%	1%
佛山市高明區美高房地產開發有限公司(*) Foshan Gaoming Meigao Real Estate Development Co., Ltd	12/08/2016	Property Development	RMB20,000	48%	52%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
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	58%	42%
邯鄲市冀輝房地產開發有限公司 Handan Jihui Real Estate Development Co., Ltd	24/06/2016	Property Development	RMB100,000	95%	5%
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%
南京天輝房地產發展有限公司 Nanjing Tianhui Real Estate Development Co., Ltd	11/10/2016	Property Development	RMB20,000	98%	2%
貴陽恒祥房地產開發有限公司 Guiyang Hengxiang Real Estate Development Co., Ltd	29/07/2010	Property Development	RMB51,000	95%	5%
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	76%	24%
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	97%	3%
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	99%	1%
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%
佛山市順德區迅德置業投資有限公司 Foshan Shunde Xunde Properties Investment Co., Ltd	11/11/2014	Property Development	RMB79,462	56%	44%

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
長沙市鼎輝房地產開發有限公司 Changsha Dinghui Real Estate Development Co., Ltd	12/12/2016	Property Development	RMB20,000	95%	5%
寧波梅山保稅港區盈美投資管理有限公司 Ningbo Meishan Bonded Port Yingmei Investment Management Co., Ltd	23/09/2016	Property Development	RMB3,000,000	100%	–
徐州市騰輝房地產發展有限公司 Xuzhou Tenghui Real Estate Development Co., Ltd	23/01/2017	Property Development	RMB20,000	95%	5%
昆明城業房地產有限公司 Kunming Chengye Real Estate Co., Ltd.	20/02/2012	Property Development	RMB50,000	80%	20%
雲南藍門子房地產有限公司 Yunnan Lanmenzi Real Estate Co., Ltd.	17/01/1997	Property Development	RMB150,000	67%	33%
湘潭市鼎輝房地產發展有限公司 Xiangtan Dinghui Real Estate Development Co., Ltd	16/05/2017	Property Development	RMB20,000	97%	3%
合肥悅輝房地產發展有限公司 Hefei Yuehui Real Estate Development Co., Ltd	18/05/2017	Property Development	RMB50,000	99%	1%
常州市翔輝房地產發展有限公司 Changzhou Xianghui Real Estate Development Co., Ltd	11/08/2017	Property Development	RMB20,000	100%	–
佛山市順德區美畔房產有限公司(*) Foshan Shunde Meipan Real Estate Co., Ltd.	05/07/2017	Property Development	RMB20,000	49%	51%
貴陽智興房地產開發有限公司 Guiyang Zhixing Real Estate Development Co., Ltd	13/11/1998	Property Development	RMB20,100	100%	–

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
江西嘉麗房地產有限公司 Jiangxi Jiali Real Estate Co., Ltd.	28/09/2014	Property Development	RMB20,000	63%	37%
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	13/04/2017	Property Development	RMB383,100	100%	–
貴陽國龍置業有限公司 Guizhou Guolong Properties Co., Ltd	14/09/2010	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	16/10/2014	Property Development	RMB20,000	62%	38%
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	16/12/2016	Property Development	RMB295,658	100%	–
湖南中寧置業有限公司 Hunan Zhongning Properties Co., Ltd	01/08/2011	Property Development	RMB30,000	57%	43%
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%	–
重慶美榮房地產開發有限公司(*) Chongqing Meirong Real Estate Development Co., Ltd	11/09/2017	Property Development	RMB50,000	50%	50%
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	27/09/2004	Property Development	RMB250,000	70%	30%
長沙市乾升實業有限公司(*) Changsha Qiansheng Industrial Co., Ltd	21/07/2016	Property Development	RMB100,000	50%	50%
蘇州悅輝房地產發展有限公司 Suzhou Yuehui Real Estate Development Co., Ltd	26/02/2018	Property Development	RMB20,000	100%	–

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
佛山市順德區美家智能科技管理服務有限公司 Foshan Shunde Meijia Intelligent Technology Management Services Co., Ltd.	20/11/2015	Property Development	RMB25,000	100%	–
佛山市美的文化旅遊發展有限公司 Foshan Midea Cultural Tourism Development Co., Ltd	28/08/2015	Property Development	RMB50,000	100%	–
徐州聚輝房地產有限公司 Xuzhou Juhui Real Estate Co., Ltd	24/08/2017	Property Development	RMB20,000	100%	–
合肥美富房地產發展有限公司(*) Hefei Meifu Real Estate Development Co., Ltd	04/08/2017	Property Development	RMB50,000	50%	50%
成都市美曜房地產開發有限公司 Chengdu Meiyao Real Estate Development Co., Ltd	17/11/2017	Property Development	RMB500,000	70%	30%
邢臺市美智房地產開發有限公司(*) Xingtai Meizhi Real Estate Development Co., Ltd	29/11/2017	Property Development	RMB200,000	44%	56%
徐州市恩輝房地產發展有限公司 Xuzhou Enhui Real Estate Development Co., Ltd.	13/09/2017	Property Development	RMB50,000	100%	–
鎮江美裕房地產發展有限公司(*) Zhenjiang Meiyu Real Estate Development Co., Ltd	19/12/2017	Property Development	RMB210,000	33%	67%
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%
寧波梅山保税港區薈弘投資管理有限公司 Ningbo Meishan Bonded Port Huihong Investment Management Co., Ltd	31/08/2017	Others	RMB62,834	100%	–

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
寧波梅山保稅港區邁迪瑞建築材料有限公司 Ningbo Meishan Bonded Port Maidirui Building Materials Co., Ltd	18/07/2013	Others	RMB20,000	100%	–
江門市美拓房地產開發有限公司 Jiangmen Meituo Real Estate Development Co., Ltd	08/11/2016	Property Development	RMB50,000	97%	3%
石家莊市美的房地產開發有限公司 Shijiazhuang Midea Property Development Co., Ltd	20/04/2017	Property Development	RMB50,000	100%	–
佛山市順德區天美房產有限公司 Foshan Shunde Tianmei Real Estate Co., Ltd.	20/06/2017	Property Development	RMB50,000	95%	5%
寧波市瑞甬房地產發展有限公司 Ningbo Ruiyong Real Estate Development Co., Ltd	01/11/2017	Property Development	RMB50,000	100%	–
肇慶市鼎湖區美肇房地產開發有限公司(*) Zhaoqing Dinghu Meizhao Real Estate Development Co., Ltd	27/10/2017	Property Development	RMB50,000	50%	50%
佛山市順德區美智房產有限公司(*) Foshan Shunde Meizhi Real Estate Development Co., Ltd	13/11/2017	Property Development	RMB20,000	50%	50%
河源市銅人銅業發展有限公司 Heyuan Tongren Tongye Real Estate Development Co., Ltd	25/12/2017	Property Development	RMB70,032	60%	40%
肇慶市鼎湖區美澳房地產開發有限公司 Zhaoqing Dinghu Meiao Property Development Co., Ltd	13/12/2017	Property Development	RMB20,000	51%	49%
江門市美卓房地產開發有限公司(*) Jiangmen Meizhuo Real Estate Development Co., Ltd	16/01/2018	Property Development	RMB20,000	50%	50%

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
上饒市美宸房地產開發有限公司(*) Shangrao Meichen Real Estate Development Co., Ltd	04/01/2018	Property Development	RMB20,000	49%	51%
寧波市瑞昇房地產發展有限公司 Ningbo Ruisheng Real Estate Development Co., Ltd	05/02/2018	Property Development	RMB80,000	51%	49%
寧波聯城住工科技有限公司 Ningbo Liancheng Housing Industrialisation Technology Co., Ltd	05/02/2018	Others	RMB60,000	100%	–
金華市瑞麟房地產開發有限公司(*) Jinhua Ruilin Real Estate Development Co., Ltd	12/04/2018	Property Development	RMB100,000	50%	50%
眉山美文房地產開發有限公司(*) Meishan Meiwen Real Estate Development Co., Ltd	25/04/2018	Property Development	RMB80,000	50%	50%
佛山市三水區擎美房地產有限公司(*) Foshan Sanshui Qingmei Real Estate Development Co., Ltd	15/05/2018	Property Development	RMB40,000	34%	66%
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	RMB400,000	51%	49%
邯鄲市天志地成房地產開發有限公司(*) Handan Tianzhi Dicheng Property Development Company Limited	08/05/2018	Property Development	RMB400,000	49%	51%
常州市美輝房地產發展有限公司 Changzhou Meihui Real Estate Development Company Limited	28/05/2018	Property Development	RMB560,000	60%	40%
上饒市美越房地產開發有限公司(*) Shangrao Meiyue Real Estate Development Co., Ltd	12/06/2018	Property Development	RMB50,000	34%	66%
南寧市美曦房地產開發有限公司 Nanning Meixi Real Estate Development Company Limited	12/06/2018	Property Development	RMB30,000	100%	–

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
重慶美駿房地產開發有限公司(*) Chongqing Meijun Real Estate Development Co., Ltd	15/06/2018	Property Development	RMB200,000	50%	50%
舟山市瑞海房地產發展有限公司 Zhoushan Ruihai Real Estate Development Company Limited	19/06/2018	Property Development	RMB500,000	100%	–
江西省飛鴻置業有限公司 Jiangxi Feihong Real Estate Company Limited	19/06/2018	Property Development	RMB20,000	56%	44%
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	RMB133,242	100%	–
鎮江聯城住宅工業科技發展有限公司 Zhenjiang Liancheng Housing Industrialisation Technology Development Co., Ltd	21/06/2018	Others	RMB108,277	80%	20%
舟山市瑞雲房地產開發有限公司(*) Zhoushan Ruiyun Real Estate Development Company Limited	27/06/2018	Property Development	RMB300,000	50%	50%
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	RMB50,000	60%	40%
無錫市美商駿房地產發展有限公司(*) Wuxi Meishangjun Real Estate Development Co., Ltd	10/07/2018	Property Development	RMB1,200,000	34%	66%
揚州萬美置業有限公司(*) Yangzhou Wanmei Properties Co., Ltd.	17/07/2018	Property Development	RMB685,353	50%	50%
常州市美業房地產發展有限公司 Changzhou Meiyue Real Estate Development Co., Ltd	13/07/2018	Property Development	RMB20,000	100%	–

Notes to the Consolidated Financial Statements (Continued)

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
重慶美城金房地產開發有限公司(*) Chongqing Meichengjin Real Estate Development Co., Ltd	27/07/2018	Property Development	RMB200,000	35%	65%
成都市美的房地產開發有限公司 Chengdu Midea Real Estate Development Co., Ltd	06/07/2018	Property Development	RMB100,000	100%	–
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	RMB100,000	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%
徐州君輝置業有限公司 Xuzhou Junhui Properties Co., Ltd.	28/08/2018	Property Development	RMB200,000	51%	49%
大理美詔房地產開發有限公司(*) Dali Meizhao Real Estate Development Co., Ltd	06/09/2018	Property Development	RMB200,000	50%	50%
蘇州正壘房地產開發有限公司(*) Suzhou Zhengxi Real Estate Development Co., Ltd	30/09/2018	Property Development	RMB100,000	34%	66%
徐州美譽房地產發展有限公司 Xuzhou Meiyu Real Estate Development Co., Ltd	09/11/2018	Property Development	RMB200,000	100%	–
陽江市宏陽置業發展有限公司 Yangjiang Hongyang Properties Development Co., Ltd.	27/11/2018	Property Development	RMB54,517	60%	40%
邢臺新碧房地產開發有限公司(*) Xingtai Xinbi Real Estate Development Co., Ltd	02/11/2018	Property Development	RMB50,000	45%	55%
贛州鑫群置業有限公司 Ganzhou Xinqun Properties 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	RMB1,150,000	51%	49%

37. Subsidiaries (Continued)

Name of companies	Date of incorporation/ establishment	Principal activities	Nominal value of issued and fully paid share capital/paid-in capital '000	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests
Incorporated in Mainland China and operates in Mainland China (Continued)					
常德市鼎業房地產開發有限公司(*) Changzhou Dingye Real Estate Development Co., Ltd	04/12/2018	Property Development	RMB120,184	50%	50%
陽江市陽東瑞陽置業有限公司 Yangjiang Yangdong Ruiyang Property Co., Ltd	02/01/2018	Property Development	RMB30,000	80%	20%

* 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 its majority voting position 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.

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.

38. 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 2018 RMB'000
Disposal consideration	
— Fair value of investment in a joint venture	10,000
— Capital injection from the non-controlling interests	8,623
	18,623
Property, plant and equipment	676
Other net assets disposed of	14,290
Total net assets disposed of	14,966
Gains on disposal	3,657
Cash proceeds from disposal, net of cash disposed of	
— From third parties	—
— Cash and cash equivalents of the subsidiaries disposed of	(9,074)
Net cash inflow on disposal	(9,074)

Notes to the Consolidated Financial Statements (Continued)

39. Business combinations

Business combinations during the year represented acquisitions of certain property development companies. The directors of the Company consider that none of these subsidiaries acquired was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

The acquired companies' principal activities are property development in the PRC. The financial information of these acquired companies on the acquisition date is listed as follows:

	Year ended 31 December 2018 RMB'000
Business combinations	
— Cash paid	1,071,223
— Cash consideration outstanding and included in other payables	154,800
Purchase consideration	1,226,023
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	438,028
Properties under development and completed properties held for sale	3,581,168
Trade and other receivables	328,178
Property, plant and equipment	38,049
Trade and other payables	(1,354,295)
Bank and other borrowings	(368,948)
Current income tax liabilities	(19,763)
Deferred income tax liabilities	(486,605)
Others	(147,119)
Total identifiable net assets	2,008,693
Non-controlling interests	(782,670)
	1,226,023
Outflow of cash to acquire business net of cash acquired	
— cash considerations	1,071,223
Less: cash paid as additional capital injection into a subsidiary	(375,000)
— cash and cash equivalents of the subsidiaries acquired	(63,028)
Cash outflow on acquisitions	633,195

The acquired businesses contributed total revenues of RMB75,384,000, and net profit of RMB13,624,000 to the Group for the period from their respective acquisition dates to 31 December 2018.

Had these companies been consolidated from 1 January 2018, the consolidated statement of comprehensive income would show pro-forma total revenue of 30,407,174,000 and net profit for the year of RMB3,335,347,000.

40. Balance sheet and reserve movement of the Company

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		4,183,660	4,183,660
Amount due from a subsidiary		2,856,409	–
		7,040,069	4,183,660
Current assets			
Amount due from a subsidiary		5,975,312	3,891,691
Trade and other receivables		133	–
Cash and cash equivalents		1,253,263	2,098,134
		7,228,708	5,989,825
Total assets		14,268,777	10,173,485
EQUITY			
Share capital and premium		8,787,079	6,000,209
Other reserves	(a)	4,183,465	4,183,465
Retained earnings/(accumulated losses)	(a)	1,292,599	(11,249)
Total equity		14,263,143	10,172,425
LIABILITIES			
Current liabilities			
Trade and other payables		5,634	–
Amount due to a subsidiary		–	1,060
Total liabilities		5,634	1,060
Total equity and liabilities		14,268,777	10,173,485

The balance sheets of the Company was approved by the Board of Directors on 28 March 2019 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

40. Balance sheet and reserve movement of the Company (Continued)

(a) Other reserves and accumulated losses

	Other reserves	(Accumulated losses) /retained earnings
	RMB'000	RMB'000
At November 29, 2017 (date of incorporation)		
Deemed contribution (note)	4,183,465	–
Losses for the year	–	(11,249)
At 31 December 2017	4,183,465	(11,249)
At 1 January 2018	4,183,465	(11,249)
Profit for the year	–	1,303,848
At 31 December 2018	4,183,465	1,292,599

Note: Deemed contribution represented the excess of the aggregate net asset values of the subsidiaries acquired by the Company over the nominal consideration paid pursuant to the Reorganisation as described in Note 1.2.

41. Benefits and interests of directors

(a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group during the year are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries and other benefits	17,570	15,899
Pension costs	120	108
Fees	373	294
	18,063	16,301

41. Benefits and interests of directors (Continued)**(a) Directors' emoluments (Continued)****(i) For the year ended 31 December 2018**

Name of Directors	Fees	Salaries and	Contribution	Total
	RMB'000	other benefits	to retirement	
		RMB'000	scheme	RMB'000
			RMB'000	RMB'000
Executive Directors:				
Mr. Hao Hengle	96	8,184	30	8,310
Mr. Yao Wei	80	4,227	30	4,337
Mr. Lin Ge	80	2,543	30	2,653
Ms. Lin Dongna	–	2,616	30	2,646
Independent non-executive Directors:				
Mr. Tan Jinsong	39	–	–	39
Mr. O'Yang Wiley	39	–	–	39
Mr. Lu Qi	39	–	–	39
	373	17,570	120	18,063

(ii) For the year ended 31 December 2017

Name of Directors	Fees	Salaries and	Contribution	Total
	RMB'000	other benefits	to retirement	
		RMB'000	scheme	RMB'000
			RMB'000	RMB'000
Executive Directors:				
Mr. Hao Hengle	–	7,192	27	7,219
Mr. Yao Wei	224	3,913	27	4,164
Mr. Lin Ge	70	2,333	27	2,430
Ms. Lin Dongna	–	2,461	27	2,488
	294	15,899	108	16,301

No Director has waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

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 2018 and 2017 as they are not entitled to any emoluments under their letters of appointment.

Mr. He Jianfeng was appointed as a non-executive Director on 15 May 2018.

Mr. Tan Jinsong, Mr. O'Yang Wiley and Mr. Lu Qi were appointed as independent non-executive Directors on 15 May 2018 with effect from 11 October 2018.

41. Benefits and interests of directors (Continued)

(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 didn't pay to any third party for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour 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 favour 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 36, 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.

42. Subsequent events

In January and February 2019, Midea Real Estate Group issued three corporate bonds in an aggregate principal amounts of RMB5,060,000,000. These corporate bonds carry a coupon interest rate of 7.00%, 5.30% and 6.50% per annum with maturity dates of 3 January 2022, 28 January 2022 and 28 February 2022 respectively. Midea Real Estate Group has the option to adjust the coupon rate at the end of the second year, and investors have the option to sell their bonds back.

Financial Summary

Consolidated Assets, Equity and Liabilities

	2018 RMB'000	As at 31 December		
		2017 RMB'000	2016 RMB'000	2015 RMB'000
Assets				
Non-current assets	10,488,553	6,581,822	4,632,604	2,077,808
Current assets	166,830,557	106,397,077	53,255,807	32,667,364
Total assets	177,319,110	112,978,899	57,888,411	34,745,172
Equity and liabilities				
Total equity	23,584,436	12,164,780	3,094,419	1,409,797
Non-current liabilities	34,468,930	30,128,494	18,330,101	6,271,076
Current liabilities	119,265,744	70,685,625	36,463,891	27,064,299
Total liabilities	153,734,674	100,814,119	54,793,992	33,335,375
Total equity and liabilities	177,319,110	112,978,899	57,888,411	34,745,172

Consolidated Statement of Comprehensive Income

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	30,119,811	17,716,924	11,992,340	8,312,707
Cost of sales	(20,265,888)	(12,819,864)	(9,263,426)	(6,524,565)
Gross profit	9,853,923	4,897,060	2,728,914	1,788,142
Other income and gains — net	691,508	334,702	235,224	76,060
Gains arising from changes in fair value of and transfer to investment properties	3,306	18,801	33,039	10,424
Selling and marketing expenses	(1,533,913)	(807,877)	(586,257)	(376,245)
Administrative expenses	(2,285,191)	(776,262)	(444,275)	(405,726)
Net impairment losses on financial assets	(34,297)	(29,090)	(15,620)	(3,514)
Operating profit	6,695,336	3,637,334	1,951,025	1,089,141
Finance income/(costs) — net	55,225	(31,329)	(221,503)	(264,637)
Share of results of joint ventures and associates	(93,374)	2,118	(4,492)	(321)
Profit before income tax	6,657,187	3,608,123	1,725,030	824,183
Income tax expenses	(3,370,318)	(1,714,554)	(731,719)	(440,679)
Profit for the year	3,286,869	1,893,569	993,311	383,504
Profit attributable to:				
Owners of the Company	3,209,997	1,912,442	1,007,387	391,076
Non-controlling interests	76,872	(18,873)	(14,076)	(7,572)
	3,286,869	1,893,569	993,311	383,504
Earnings per share (expressed in RMB per share)				
Basic and diluted earnings per share	3.08	2.54	1.34	0.52
Gross profit margin	32.7%	27.6%	22.8%	21.5%
Net profit margin	10.9%	10.7%	8.3%	4.6%

Corporate Information

Executive Directors

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

Non-executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent Non-executive Directors

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

Audit Committee

Mr. Tan Jinsong (Chairman)
Mr. Zhao Jun
Mr. O'Yang Wiley

Remuneration Committee

Mr. O'Yang Wiley (Chairman)
Mr. Hao Hengle
Mr. Zhao Jun
Mr. Tan Jinsong
Mr. Lu Qi

Nomination Committee

Mr. Hao Hengle (Chairman)
Mr. Tan Jinsong
Mr. Lu Qi

Authorised Representatives

Mr. Hao Hengle
Mr. Zeng Chaoming

Joint Company Secretaries

Mr. Zeng Chaoming
Ms. Chan Bo Shan

Principal Place of Business and Head Office in the PRC

20/F, Yingfeng Tower
8 Yixing Road, Beijiao Town
Shunde District, Foshan City
Guangdong Province, the PRC

Place of Business in Hong Kong

Suites 3906–10, 39/F, Tower 6, The Gateway
Harbour City, No. 9 Canton Road
Tsim Sha Tsui, Kowloon, Hong Kong

Registered Office

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008, Cayman Islands

Cayman Islands Principal Share Registrar and Transfer Office

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Auditor

PricewaterhouseCoopers

Compliance Adviser

Haitong International Capital Limited

Legal Adviser

Hogan Lovells

Principal Banks

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of China Limited
China Construction Bank Corporation
China Everbright Bank Company Limited
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
Guangdong Shunde Rural Commercial Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Ltd.

Stock Code

3990

Email of Investor Relations

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Company's Website

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www.mideadc.com

