Midea | 美的置业

美的置業控股有限公司
MIDEA REAL ESTATE HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3990

2019
INTERIM REPORT

Company Profile

Midea Real Estate Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") (stock code: 3990) is a pioneer of smart life and a leading complex developer and operator of "Property + Industrial" in China. Inheriting from deep manufacturing root and technological genes and focusing on smart and healthy residential development, the Group has formed its business system covering diversified areas with growth potential such as life service, Smart Home, commercial operation, building industrialisation and industry and city integration. So far, our property development projects have been evenly distributed in five core economic regions including the Pearl River Delta Economic Region ("**Pearl River Delta**"), the Yangtze River Delta Economic Region ("**Yangtze River Delta**"), the Midstream of Yangtze River Economic Region ("**Midstream of Yangtze River**"), the North China Region ("**North China**") and the Southwest Economic Region ("**Southwest**"), covering 54 cities in 15 provinces and 2 municipalities. As at 30 June 2019, the Group had a total land reserves gross floor area ("**GFA**") of approximately 52.51 million square metres. The Group possesses strong overall competitiveness and is becoming an integrated service provider during the integration development process among industry, city and habitation. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 October 2018. Looking forward, the Group will continue to leverage on its strong brand goodwill, nationwide balanced network and deep penetration capacity, differentiated product niche for Smart Home solutions, whole industry chain advantages of building industrialisation, capacity to acquire funds through diversified channels at competitive cost, scale operation and efficient implementation, improving and integrating various business activities of the Group's "Property + Industrial" strategy, and continuing to enhance its overall strength and leading position in the industry.

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Financial Overview

OVERVIEW OF RESULTS

	For the Six Months Ended 30 June		
	2019	2018	Change
Revenue (RMB million)	**14,194.9**	10,637.4	33%
Gross profit (RMB million)	**5,093.3**	3,779.6	35%
Gross margin	**35.9%**	35.5%	0.4%
Net profit (RMB million)	**1,888.8**	1,481.8	27%
Net profit margin	**13.3%**	13.9%	-0.6%
Profit attributable to owners of the Company (RMB million)	**1,769.4**	1,473.2	20%
Basic earnings per share (RMB)	**1.49**	1.47	1%

OVERVIEW OF BALANCE SHEET

	As at 30 June 2019	As at 31 December 2018	Change
Total assets (RMB million)	**213,735.5**	177,319.1	21%
Total cash and bank deposits (RMB million)	**27,826.5**	26,533.1	5%
Short-term borrowings (RMB million)	**11,492.4**	16,601.2	-31%
Long-term borrowings (RMB million)	**42,692.8**	32,908.1	30%
Total equity (RMB million)	**27,569.1**	23,584.4	17%
Total liabilities/total assets	**87.1%**	86.7%	0.4%
Gearing ratio	**95.6%**	97.4%	-1.8%

Dear Shareholders,

I am pleased to present to you the interim report of the Group for the six months ended 30 June 2019 (the "**Reporting Period**").

INTERIM RESULTS

During the Reporting Period, the Group upheld the philosophy of sound operation to seek high-quality growth with a focus on investing heavily in cities with high growth potential, and achieved great results. As we continued to optimise our footprint in cities, deepen the construction of a Smart Home ecosystem, and build up product strength, we enjoyed rising overall strength, better cost advantage in financing and increasing market recognition.

During the Reporting Period, our revenue was RMB14,194.85 million, and our gross profit was RMB5,093.34 million, representing an increase of 33% and 35%, respectively, as compared with the corresponding period of 2018. Our core net profit* during the Reporting Period was RMB1,889.37 million, representing an increase of 28% as compared with the corresponding period of 2018. Our overall revenue and profit saw robust and rapid growth.

BUSINESS REVIEW FOR THE FIRST HALF OF 2019

(I) Review of the Real Estate Industry

Slow down of economic growth. In the first half of 2019, while major economies witnessed slower growth, China's overall economic growth remained stable. Yet, the real estate industry, under tight regulation, was facing downward pressure in an uncertain macro environment featuring headwinds such as the global economic slowdown and Sino-US trade friction.

Emphasis on "Stability" in government policies. In the first half of 2019, the Chinese government reiterated the emphasis on "housing is not for speculation and housing regulations should vary by cities" and reinforced cities' responsibility in achieving the goal of "stabilising land prices, housing prices and public expectations", with a view to ensuring the stable and healthy development of the real estate market.

Real estate companies need to strengthen endogenous growth drivers. In the first half of 2019, the real estate sales was growing at a slower rate as compared to the corresponding period of 2018, while the overall sales was still rising. The real estate market has bid farewell to the era dominated by growth in scale and embraces a new competition pattern that emphasises more on the fine management capability of real estate companies. To gain a favorable position in the competitive landscape, they first need to improve their quality and efficiency, and create stronger endogenous growth drivers.

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

(II) Sales Performance

Sales grew steadily. During the Reporting Period, the contracted sales of the Group and its joint ventures and associates reached approximately RMB47,200 million, representing an increase of approximately 17% as compared to the corresponding period of 2018, with a contracted sales GFA of approximately 4.526 million square metres, representing an increase of approximately 14% as compared to the corresponding period of 2018. Benefiting from the tier upgrade of certain cities where we operate, the Group's contracted average selling price ("**ASP**") reached RMB10,428.6 per square metre, representing an increase of approximately 2% as compared to the corresponding period of 2018.

Industry ranking was rising. Benefiting from the sales increase, the Group's industry ranking was rising steadily. According to data released by CRIC Research Centre, the Group ranked 32nd on the contracted sales list in the first half of 2019, and entered the "Top 30 Listed Chinese Real Estate Companies in 2019" list prepared by Guandian Index Research Institute and the "Overall Top 30 Listed Chinese Real Estate Companies in 2019" list prepared by China Real Estate Association during the first year after listing on the Main Board of the Stock Exchange.

The harvest season for investments in key cities has arrived. As the integration of the Yangtze River Delta has become a national strategy and the benefits of the Guangdong-Hong Kong-Macao Greater Bay Area are realising, the Group has started to reap dividends from its forward-looking business development. During the Reporting Period, the Group achieved RMB16,335 million in contracted sales in the Yangtze River Delta with an increase of 26% as compared to the corresponding period of 2018, which is noticeably higher than the Group's overall growth of sales.

(III) Investments

As of now, the Group has had strategical presence in five core economic regions, namely, the Pearl River Delta, Yangtze River Delta, Midstream of Yangtze River, North China and Southwest. As at 30 June 2019, the Group had a total land reserves GFA of approximately 52.51 million square metres and a property portfolio of 210 large projects and participated in 39 projects through joint ventures and associates, covering 54 cities in 15 provinces and 2 municipalities.

Investing heavily in high-potential cities to optimise business presence in cities and land reserves structure. During the Reporting Period, the Group entered tier-one and new tier-one cities such as Shanghai, Hangzhou, Tianjin and Wuhan, in a bid to lean towards higher-tier cities. The Group also expanded presence in certain regional central cities such as Chongqing, Foshan and Suzhou to optimise its land reserves structure. Meanwhile, the Group continued to selectively acquire premium plots in core areas in cities where it already has had deep presence, including Handan, Xuzhou and Zhuzhou. By doing so, we further reduced management costs while achieving economies of scale and brand effect.

Enhancing land acquisition capacity in non-public markets to acquire quality land reserves at low cost. During the Reporting Period, the Group had stepped up its efforts in land acquisitions through merger and joint project development. For example, the plots in Shanghai, Wuhan, Tianjin and Hangzhou were all acquired in cooperation with well-known developers. In addition, the Group had set up an Industrial and City Integration and Urban Renewal Centre to increase investments in industrial and city integration and renovation of old neighbourhoods. During the Reporting Period, we successfully acquired the project for renovation of Shunde Jinlun Factory in Foshan with relatively low land cost. We expect to acquire more urban renewal projects in the Guangdong-Hong Kong-Macao Greater Bay Area this year.

(IV) Operation Measures

In the new era, it has become difficult for enterprises to gain competitive advantages based on the traditional extensive development model. Inheriting the manufacturing genes of "Midea", the Group adheres to fine management and pursues high-quality growth throughout business processes, achieving growth in scale and profit.

Optimising and upgrading business strategies. The Group has set up three major functional divisions for decentralised management; delegated management rights to front-line units and improved the operational flexibility of regional companies based on market changes; and built a "big operation" system, which integrates business functions spanning the whole process of property development to improve intensive management and work efficiency.

Improving product strength. Focusing on its core business, the Group had promoted the new "Craftsmanship" construction system across the country to improve engineering and housing quality while enhancing the service level of its customer service and property management teams.

Developing a clearer industry chain development strategy. During the Reporting Period, the Group had set up the Industrial Development Business Division to promote building industrialisation and intelligent industrialisation in a coordinated manner; completed a prefabricated construction plant in Xuzhou which commenced operation; established the Smart Life Research Institute to develop intelligent systems and products; and invested in Shenzhen ORVIBO Technologies Co., Ltd., a Smart Home tech firm in China, to increase its business presence in the Smart Home industry chain and empower its principal business.

(V) Financing

Prominent cost advantage in financing. While the financing costs in the real estate industry kept rising, the Group managed to maintain its low-cost financing advantage. During the Reporting Period, the weighted average effective interest rate of its total borrowings was 5.95%, of which, the weighted average effective interest rate of its new borrowings was 5.84%, which is lower than the industry average. Leveraging on its strong financing capacity, the Group continuously diversifies its financing channels to replenish low-cost funds for sustainable development, so that its financing is less susceptible to relevant regulations.

Increased credit rating. On 26 April 2019, by virtue of the ongoing improvement of its overall operations, Midea Real Estate Group Limited, a major subsidiary of the Group, was rated AAA with a stable outlook by the credit rating committee of China Chengxin Securities Rating Co., Ltd.

Optimised debt structure. As at 30 June 2019, the Group's proportion of low-cost bank loans and bonds increased from 62% to 81%, the proportion of higher-cost trust financing decreased from 24% to 8%, and the proportion of interest-bearing liabilities due within one year decreased from 34% to 21%, respectively, as compared to the beginning of 2019, indicating an optimised debt structure.

Ample financial resources. As at the end of the Reporting Period, the Group had total cash and bank deposits of RMB27,826.49 million, unused credit facilities from banks of RMB62,086.00 million, approved but unused issuance amount of domestic corporate bonds of RMB3,144.00 million. The gearing ratio was 95.6%, representing a decline of approximately 2 percentage points as compared to the end of 2018.

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2019

Market Outlook

We expect that in the second half of 2019, regulations on the real estate market will prioritise "stability", and "city-specific policies" and "category-specific regulations" will be gradually implemented. Meanwhile, the "Matthew effect" will become more pronounced and lead to greater industry concentration.

In terms of market performance, we reckon that cities will increasingly diverge and the rotation of spotlight on different cities will continue unabated. Five core economic regions including the Yangtze River Delta, Pearl River Delta, Midstream of Yangtze River, North China and Southwest, which all have good economic and industrial fundamentals and a net inflow of population, will show strong development potential. As to real estate companies, seizing the development opportunities in promising regions and cities will increase their chance of living through cyclical changes and help them build strength for future sustainable growth.

Development Strategy and Outlook

The real estate industry is undergoing profound changes. In the second half of 2019, the Group will firmly advance transformation and upgrade itself with profit-oriented and quality-oriented approaches. We will shift our focus from growth in scale to balancing both scale and profit growth, and improve operating effectiveness and efficiency in various aspects such as investment, financing, management, collection of funds, brand strength and product strength, so as to move towards a stable and high-quality growth model and develop the "inner power" to resist risks and live through cyclical changes.

Upgrade business presence and focus on key high-value areas. In line with China's urbanisation strategy, we will focus on extending footprint in national urban agglomerations and metropolitan areas, and increase investments in tier-one and tier-two cities and regional central cities, especially in cities with industrial bases, transportation advantages, and population inflows. By focusing on areas with high investment value, we aim to achieve higher quality growth with higher product premiums.

Upgrade products and services by building houses in the way of manufacturing. Inheriting the manufacturing genes of "Midea", we regard product and service quality, having a strong business foundation and adopting customer-centric approaches to upgrade products and services, as the cornerstone of our existence. Specifically, we widely use and promote the "Craftsmanship" construction system to enhance product quality, and constantly improve our customer service and property management services for service upgrading.

Improve efficiency and return to the essence of business management. We will improve collaboration and efficiency in the real estate development process through product standardisation, process refinement and professional team building. Meanwhile, we will speed up the digital transformation and apply information technology throughout the whole life cycle of real estate development to improve management efficiency. We will improve capital use efficiency and capital turnover through more professional financial management, so as to accelerate the cycle of real estate development, sales and investment recovery and ensure the stable operation of the Company.

Seek coordinated development of "one body and two wings" with industrialisation. We will follow through the strategy of "one body and two wings" by making our principal business — real estate development and services stronger and venturing into building industrialisation and intelligent industrialisation to empower our principal business with these capabilities. To achieve this end, we will invest in building a Smart Home ecosystem to provide customers with better one-stop smart life solutions and provide more professional Smart Home products and services for the industry, while promoting prefabricated construction and modular bathroom business to create synergies with the real estate business.

ACKNOWLEDGEMENT

On behalf of the board of directors of the Company (the "**Board**" or 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.

2019 marks the second year of the Company's public listing on the Stock Exchange. The Group will pursue high-quality growth and create endogenous growth drivers to repay the trust of investors with great results.

Chairman, Executive Director and President
Hao Hengle

19 August 2019
Hong Kong

Management Discussion and Analysis

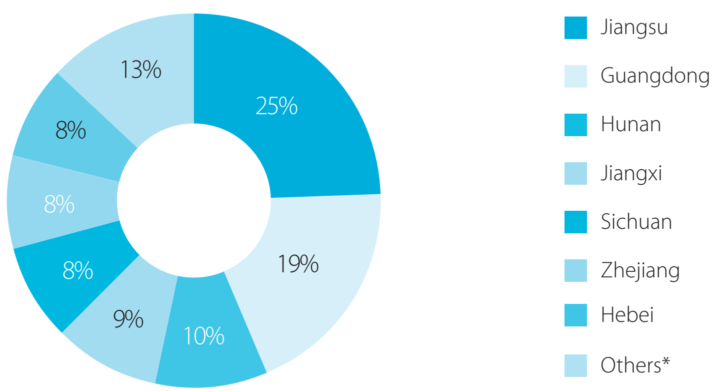
OVERALL PERFORMANCE

During the Reporting Period, the Group recorded revenue of RMB14,194.85 million (the corresponding period of 2018: RMB10,637.37 million), representing an increase of 33%. Operating profit amounted to RMB3,265.69 million (the corresponding period of 2018: RMB2,549.69 million), representing an increase of 28%. Profit for the Reporting Period amounted to RMB1,888.76 million (the corresponding period of 2018: RMB1,481.85 million), representing an increase of 27%. Core net profit for the Reporting Period increased by 28% to RMB1,889.37 million (the corresponding period of 2018: RMB1,480.48 million). Profit attributable to owners of the Company reached RMB1,769.38 million (the corresponding period of 2018: RMB1,473.20 million), representing an increase of 20%. Basic and diluted earnings per share reached RMB1.49 (the corresponding period of 2018: RMB1.47).

CONTRACTED SALES

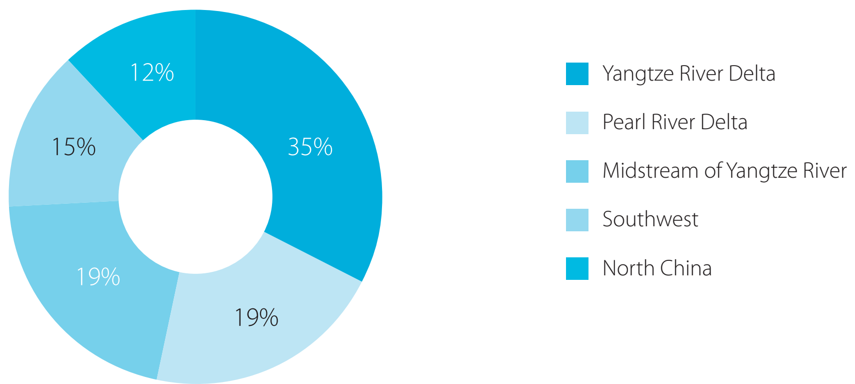
During the Reporting Period, the Group and its joint ventures and associates combined recorded contracted sales of approximately RMB47,200 million and contracted sales GFA of approximately 4.526 million square metres. Specifically, the Pearl River Delta, the Yangtze River Delta and other regions accounted for 19%, 35% and 46% of the Group's contracted sales respectively, reflecting the strong operating capabilities of the Group which is rooted in the Guangdong-Hong Kong-Macao Greater Bay Area and focuses on the most economically prosperous and dynamic areas in China — the Pearl River Delta and the Yangtze River Delta, while building presence in the Midstream of Yangtze River, North China and Southwest regions, which have growth potential and sustained population inflow.

DISTRIBUTION MAP OF CONTRACTED SALES BY PROVINCE



* Others: Anhui, Yunnan, Guangxi Zhuang Autonomous Region, Henan, Guizhou and Liaoning

DISTRIBUTION MAP OF CONTRACTED SALES BY REGION



LAND RESERVES

Overview of Newly-added Land Reserves

During the Reporting Period, the Group strategically replenished its land reserves according to market conditions. We continued to expand towards the central cities and key tier-one and tier-two cities. Newly-added total land reserves GFA reached 9.66 million square metres, and newly-developed markets included Tianjin, Hangzhou, Wuhan, Hengyang, Taizhou and Huizhou, etc.

List of Newly-added Land Reserves:

Region	City	Project name	Interest attributable to the Group **	Land reserves (sq.m)
Pearl River Delta	Foshan	Foshan Shunde Midea Yueran Square (佛山順德美的悅然廣場)	56%	379,772.20
		Chancheng Midea Times (禪城美的時光)	100%	95,569.49
		Gaoming Midea Guanlan Mansion (高明美的觀瀾府)	100%	48,558.95
	Huizhou	Midea-CIFI Landscape Residence (美的旭輝江山公館)	100%	119,616.00
	Jiangmen	Jiangmen Midea Begonia Residence (江門美的海棠公館)	100%	85,569.00
		Jiangmen Midea Yueshan Mansion (江門美的樾山府)	100%	110,440.58
	Maoming	Maoming Midea Central Park (茂名美的中央廣場)	100%	492,621.00
		Jinke-Midea Jimei Garden (金科美的集美花園)	50%	243,621.27

Region	City	Project name	Interest attributable to the Group **	Land reserves (sq.m)
Yangtze River Delta	Hangzhou	Yuhang Jiuqiao Project (余杭九喬項目)	50%	164,727.20
		Lin'an Jinbei Project (臨安錦北項目)	100%	158,808.00
	Suzhou	Changshu Midea Lanyue Villas (常熟美的瀾悦雅築)	51%	210,692.37
	Ningbo	Yinzhou Qianhu Road Project (鄞州錢湖路項目)	100%	84,481.30
	Hefei	Hefei Midea-Jinke Commandery* (合肥美的金科郡)*	50%	149,665.07
		Fuyang Midea Grand Garden (阜陽美的公園天下)	100%	321,000.00
	Xuzhou	Xuzhou Midea East Lake Joy Mansion (徐州美的東湖悦府)	34%	208,956.31
		Xuzhou Midea Tianyue City (徐州美的天悦城)	100%	910,885.49
		Xuzhou Parasol Residence* (徐州梧桐公館)*	25%	72,549.49
	Changzhou	Changzhou Midea-Jinke Grand Garden (常州美的金科公園天下)	100%	223,796.58
		Changzhou Dingtang River Project (常州丁塘河項目)	100%	283,448.00
	Yangzhou	Yangzhou Midea VIP Mansion (揚州美的國賓府)	60%	106,001.46
	Taizhou	Taizhou Huahong Midea Future City (台州華鴻美的未來城)	50%	263,466.84
		Luqiao Nanguan Project (路橋南官項目)	100%	75,064.00
	Zhenjiang	Zhenjiang Midea Yuelan Mountain (鎮江美的悦嵐山)	100%	122,900.00
		Parcel G1905 (Zhenjiang Nanxu Road Project) (G1905地塊(鎮江南徐大道項目))	100%	73,000.00
	Quanzhou	Quanzhou Midea Grand Garden (泉州美的公園天下)	100%	105,323.43
		Nan'an Midea Smart City (南安美的智慧城)	86%	329,815.20

Region	City	Project name	Interest attributable to the Group **	Land reserves (sq.m)
Midstream of Yangtze River	Changsha	Changsha CIFI-Midea Dongyue City (長沙旭輝美的東樾城)	50%	130,945.00
	Wuhan	Wuhan Midea Royal Orchid Byland (武漢美的君蘭半島)	100%	611,340.00
		Wuhan Midea-Agile Cloud Villas (武漢美的雅居樂雲築)	100%	383,087.03
	Hengyang	Hengyang Midea-Jinke Tanyue (衡陽美的金科檀樾)	100%	423,306.51
		Hengyang Midea Yunxi Mansion (衡陽美的雲熙府)	100%	116,696.00
		Hengyang Midea Egret Bay (衡陽美的白鷺灣)	70%	260,906.34
	Zhuzhou	Zhuzhou Midea Bay (株洲美的灣)	99%	215,646.47
		Zhuzhou Midea Platinum Joy Mansion (株洲美的鉑悅府)	100%	191,488.41
	Ganzhou	Ganzhou Aikang Grand Garden* (贛州愛康公園天下)*	51%	179,640.18
	Chenzhou	Chenzhou Midea Renda Platinum Joy Mansion (郴州美的仁大鉑悅府)	51%	399,861.89

Region	City	Project name	Interest attributable to the Group **	Land reserves (sq.m)
North China	Shenyang	Shenyang Shenhe Wande Parcel (瀋陽市沈河區萬德地塊)	100%	190,985.60
		Shenyang Huanggu Tianyi-1 Parcel (瀋陽市皇姑區田義-1地塊)	100%	113,561.82
		Shenyang Dadong Ceramics City North-1 Parcel (瀋陽市大東區陶瓷城北-1地塊)	100%	70,289.47
	Tianjin	Tianjin Midea-CIFI Grand Joy Mansion* (天津美的旭輝翰悦府)*	49%	170,705.84
	Handan	Handan Midea Roland Valley (Qinyuan)* (邯鄲美的羅蘭溪谷(沁園))*	25%	24,945.13
		Handan Midea Riverside Mansion (邯鄲美的悦江府)	67%	12,245.70
Southwest	Chongqing	Chongqing Jinke-Midea Yunlu* (重慶金科美的雲麓)*	49%	67,052.42
	Nanning	Nanning Midea Riverside Mansion (南寧美的悦江府)	100%	47,367.50
	Zunyi	Zunyi Midea Yunxi Mansion Phase 2 (遵義美的雲熙府二期)	70%	230,308.00
		Zunyi Midea Riverside Mansion (遵義美的悦江府)	90%	374,819.00

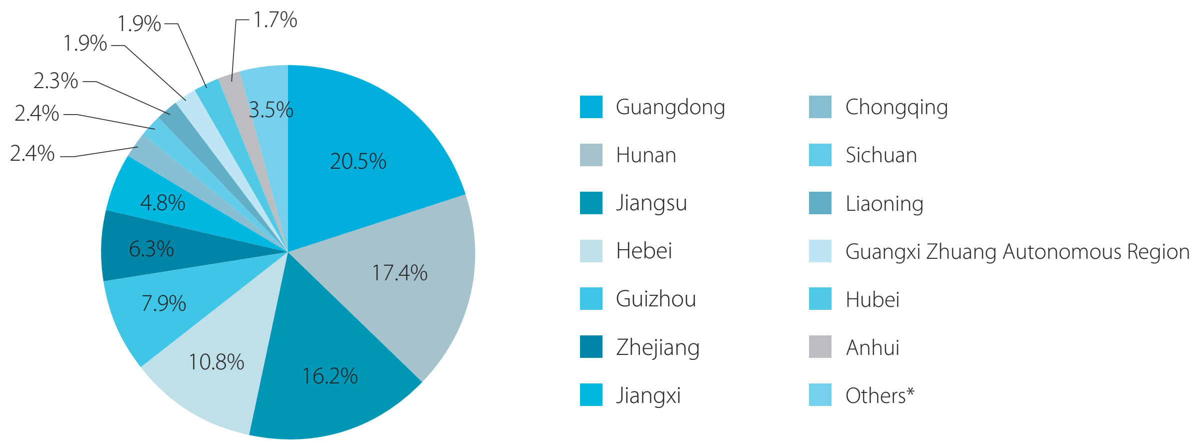
* Properties held by our joint ventures/associates of which the land reserves GFA has been discounted in proportion to ownership percentage.

** "Interest attributable to the Group" refers to the equity interest held by the Group in each project company as at 30 June 2019, and the ownership structures of some projects may be further adjusted according to the cooperation agreements in the future.

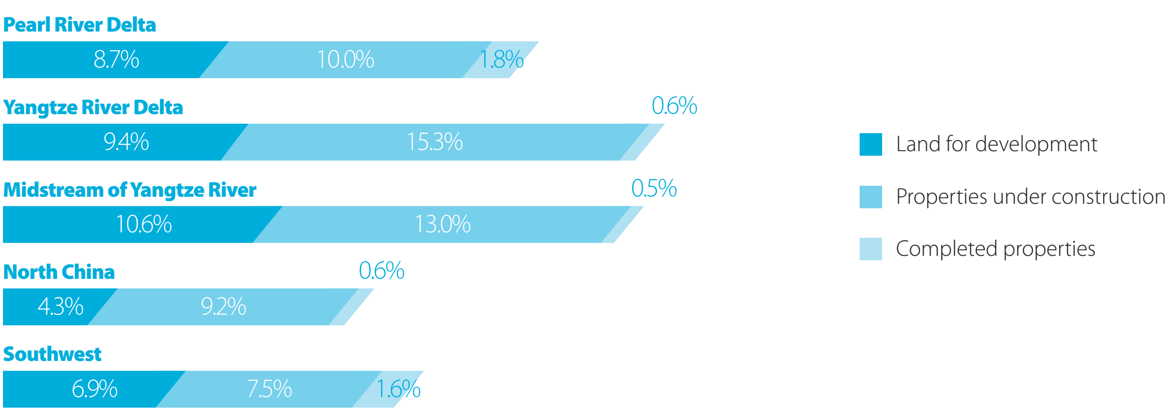
Land Reserves

As at 30 June 2019, the Group had a total of 210 property development projects and participated in 39 projects through joint ventures and associates, covering 54 cities in 15 provinces and 2 municipalities in China and representing a total land reserves GFA of approximately 52.51 million square metres. The average land price was approximately RMB2,677 per square metre, a cost advantage that enables the Group to have better profitability and anti-cyclical-risk ability in the long run.

DISTRIBUTION MAP OF LAND RESERVES BY PROVINCE



MAPPING ACCORDING TO PROJECT STATUS BY REGION



* Others: Yunnan, Fujian, Henan and Tianjin

LAND RESERVES BY CITY (AS AT 30 JUNE 2019)

Properties developed by our subsidiaries

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)	% of Total Land Reserves
Pearl River Delta	Foshan	33	767,903	3,320,702	2,021,349	6,109,954	11.7%
	Shenzhen	1	636	–	–	636	0.0%
	Zhongshan	3	80,787	175,365	–	256,151	0.5%
	Guangzhou	1	–	81,246	60,387	141,633	0.3%
	Huizhou	1	–	–	119,616	119,616	0.2%
	Zhaoqing	5	55,897	544,824	92,371	693,092	1.3%
	Jiangmen	4	11,748	179,481	196,010	387,239	0.7%
	Heyuan	2	–	338,423	363,611	702,034	1.3%
	Yangjiang	2	–	225,785	963,119	1,188,904	2.3%
	Maoming	2	–	–	736,242	736,242	1.4%
	Sub-total	**54**	**916,970**	**4,865,826**	**4,552,705**	**10,335,501**	**19.7%**
Yangtze River Delta	Zhenjiang	5	1,570	838,942	367,516	1,208,028	2.3%
	Xuzhou	13	103,117	1,632,144	1,726,082	3,461,344	6.6%
	Wuxi	4	22,665	570,519	268,370	861,554	1.6%
	Nanjing	1	–	107,614	–	107,614	0.2%
	Yangzhou	3	6,690	648,457	106,001	761,149	1.5%
	Changzhou	7	–	598,778	507,245	1,106,022	2.1%
	Taizhou	1	–	168,404	–	168,404	0.3%
	Suzhou	3	–	539,314	104,780	644,094	1.2%
	Ningbo	10	133,284	1,109,134	484,855	1,727,272	3.3%
	Jinhua	3	–	602,862	–	602,862	1.1%
	Zhoushan	2	–	264,787	–	264,787	0.5%
	Taizhou	2	–	263,467	75,064	338,531	0.7%
	Hangzhou	2	–	–	323,535	323,535	0.6%
	Hefei	3	–	396,825	321,000	717,825	1.4%
	Quanzhou	2	–	–	576,033	576,033	1.1%
	Sub-total	**61**	**267,326**	**7,741,246**	**4,860,481**	**12,869,053**	**24.5%**

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)	% of Total Land Reserves
Midstream of Yangtze River	Nanchang	3	21,530	556,813	53,541	631,883	1.2%
	Jiujiang	2	–	478,028	–	478,028	0.9%
	Shangrao	3	–	677,206	–	677,206	1.3%
	Ganzhou	1	–	129,706	253,885	383,592	0.7%
	Zhuzhou	10	211,206	1,242,317	798,228	2,251,750	4.3%
	Changsha	6	–	1,090,553	620,320	1,710,873	3.3%
	Xiangtan	3	–	515,587	966,717	1,482,304	2.8%
	Yueyang	3	–	730,921	304,765	1,035,686	2.0%
	Chenzhou	2	–	590,718	358,486	949,204	1.8%
	Changde	1	–	147,509	140,093	287,602	0.6%
	Hengyang	3	–	88,633	712,275	800,909	1.5%
	Wuhan	2	–	–	994,427	994,427	1.9%
	Sub-total	**39**	**232,735**	**6,247,991**	**5,202,738**	**11,683,464**	**22.3%**
North China	Handan	14	109,263	2,624,563	932,290	3,666,115	7.0%
	Xingtai	6	–	544,151	464,669	1,008,820	1.9%
	Shijiazhuang	1	–	88,372	–	88,372	0.2%
	Kaifeng	1	–	183,304	–	183,304	0.3%
	Zhengzhou	1	–	206,449	7,122	213,571	0.4%
	Shenyang	7	130,570	684,513	401,077	1,216,160	2.3%
	Sub-total	**30**	**239,833**	**4,331,353**	**1,805,157**	**6,376,343**	**12.1%**
Southwest	Nanning	2	–	119,978	47,368	167,346	0.3%
	Wuzhou	1	–	303,688	498,529	802,218	1.5%
	Chengdu	3	–	481,149	203,693	684,842	1.3%
	Chongqing	3	32,362	410,657	375,179	818,197	1.6%
	Meishan	2	–	112,123	94,449	206,572	0.4%
	Leshan	1	–	126,685	188,125	314,810	0.6%
	Guiyang	6	391,563	1,047,999	884,960	2,324,522	4.4%
	Kunming	1	127,432	378,050	41,834	547,316	1.0%
	Dali	1	–	–	148,557	148,557	0.3%
	Zunyi	6	236,864	682,327	798,101	1,717,292	3.3%
	Sub-total	**26**	**788,220**	**3,662,657**	**3,280,796**	**7,731,672**	**14.7%**
	Total	**210**	**2,445,084**	**26,849,073**	**19,701,877**	**48,996,033**	**93.3%**

Properties held by our joint ventures/associates

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)	% of Total Land Reserves
Pearl River Delta	Foshan	3	13,282	255,938	–	269,221	0.5%
	Zhaoqing	1	–	74,694	–	74,694	0.2%
	Jiangmen	1	–	70,057	–	70,057	0.1%
	Sub-total	**5**	**13,282**	**400,689**	**–**	**413,971**	**0.8%**
Yangtze River Delta	Xuzhou	2	11,054	11,578	60,971	83,603	0.2%
	Wuxi	1	22,495	–	–	22,495	0.0%
	Nanjing	2	–	75,154	–	75,154	0.1%
	Suzhou	2	11,514	15,884	–	27,398	0.1%
	Jinhua	1	–	71,527	–	71,527	0.1%
	Hefei	1	–	149,665	–	149,665	0.3%
	Sub-total	**9**	**45,063**	**323,808**	**60,971**	**429,842**	**0.8%**
Midstream of Yangtze River	Nanchang	2	9,530	101,317	–	110,847	0.2%
	Jiujiang	1	–	111,137	–	111,137	0.2%
	Ganzhou	1	–	–	179,640	179,640	0.3%
	Yueyang	1	–	–	129,247	129,247	0.3%
	Changde	1	–	136,376	–	136,376	0.3%
	Changsha	2	–	209,290	48,395	257,685	0.5%
	Sub-total	**8**	**9,530**	**558,121**	**357,281**	**924,932**	**1.8%**

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)	% of Total Land Reserves
	Handan	6	67,801	481,271	300,577	849,650	1.6%
North China	Xingtai	1	–	40,970	–	40,970	0.1%
	Tianjin	1	–	–	170,706	170,706	0.3%
	Sub-total	**8**	**67,801**	**522,241**	**471,283**	**1,061,325**	**2.0%**
	Chengdu	1	–	29,637	–	29,637	0.1%
	Chongqing	5	56,868	201,707	176,810	435,384	0.8%
Southwest	Dali	1	–	–	67,504	67,504	0.1%
	Zunyi	1	–	–	107,839	107,839	0.2%
	Nanning	1	–	44,865	–	44,865	0.1%
	Sub-total	**9**	**56,868**	**276,209**	**352,153**	**685,229**	**1.3%**
	Total	**39**	**192,544**	**2,081,067**	**1,241,689**	**3,515,299**	**6.7%**
	Total Land Reserves	**249**	**2,637,628**	**28,930,140**	**20,943,565**	**52,511,333**	**100%**

PROPERTIES DISTRIBUTION MAP

5
Economic Regions

54
Cities

249
Projects*

* Including 39 properties that are involved through joint ventures and associates.


7
Liaoning
(1,216,160 square metres)
1
Tianjin
(170,706 square metres)
28
Hebei
(5,653,927 square metres)
2
Henan
(396,875 square metres)
44
Jiangsu
(8,526,859 square metres)
4
Anhui
(867,490 square metres)
2
Hubei
(994,427 square metres)
7
Sichuan
(1,235,861 square metres)
8
Chongqing
(1,253,581 square metres)
20
Zhejiang
(3,328,514 square metres)
32
Hunan
(9,041,636 square metres)
13
Jiangxi
(2,572,333 square metres)
13
Guizhou
(4,149,653 square metres)
2
Fujian
(576,033 square metres)
3
Yunnan
(763,377 square metres)
4
Guangxi Zhuang Autonomous Region
(1,014,429 square metres)
59
Guangdong
(10,749,472 square metres)

INDUSTRIAL BUSINESS DEVELOPMENT

Prefabricated Construction

In the first half of 2019, the Group steadily developed the prefabricated construction market. Our first prefabricated construction plant in Xuzhou Industrial Park completed the first phase of construction in early 2019 and has started trial production and operation in May, and delivered the first batch of products to customers. As of the end of June 2019, we had signed 3 sales contracts with a total contract amount of approximately RMB17.4 million, pursuant to which we shall deliver approximately 6,300 cubic metres of precast concrete prefabricated component products. We also actively promote cooperation with colleges, and have signed strategic cooperation framework agreements with China University of Mining and Technology and Hunan Nonferrous Metals Vocational and Technical College with an aim to leverage our complementary strengths and achieve win-win results in production and research. In June 2019, the off-campus internship base and postgraduate industry-university-research base of China University of Mining and Technology were established in Xuzhou.

Smart Home

In the first half of 2019, the Group continued to consolidate the image and strength of its Smart Home brand. As of 30 June 2019, our Smart Home business had landed in 48 cities. We delivered 11 projects (representing approximately 4,000 units). It is expected that the number of units delivered in 2019 will reach 20,000. In addition, we have reached cooperation agreements with 9 real estate developers to provide them with smart life solutions. Our subsidiary Foshan Shunde Meijia Intelligent Technology Management Services Co., Ltd. has been accredited as a "High-tech Enterprise" and "First Class Qualification for Specialist Contractor of Electronic and Intelligent Engineering".

The Group further invested in the value chain of Smart Home industry by investing in Shenzhen ORVIBO Technology Co., Ltd., whereby both parties will share market resources to achieve synergy. This move will help enriching the categories and application scenarios of the Group's existing Smart Home products. We have entered into a strategic cooperation framework agreement with Zhejiang Dahua Technology Co., Ltd. (a smart security system provider) and a cooperation agreement with Whaley Technologies Co., Ltd. (a television manufacturer) to accelerate our development in the field of intelligent industrialisation.

INVESTMENT AND OPERATION OF COMMERCIAL PROPERTIES

While enhancing our capabilities in operating commercial properties and improving our commercial brand system, we have launched three product lines — urban complexes, community neighbourhood commerce and long-term rental apartments to meet the needs of different cities and customers. We have elaborately built many benchmark projects such as Foshan Midea Yueran Square, Guiyang Midea Yueran Square, Zhenjiang Midea Yueran Square, Shunde Future City and Handan Midea Yueran Square. These smart commercial complexes have vigorous vitality and make the cities more charming.

As two representative works of the "Yueran Series", Foshan Midea Yueran Square and Zhenjiang Midea Yueran Centre will open for business in 2019. By virtue of their forward-looking planning and strong strength in investment attraction, the two projects have been well received and recognised by the market. In particular, Foshan Midea Yueran Square won the "Award for Promoting the Development of China's Urban Shopping Centres" and the "2019 Potential Star Award".

PROPERTY MANAGEMENT

The Group continued to practice the service concept of "Caring Everywhere" and focus on property management services. We kept up with the application of new technologies such as the Internet, the Internet of Things and big data and constantly researched new service models in the industry to address the needs and pain points of property owners based on the nature of services. To this end, we upgraded the service centre to a Cloud Home with online services, organised community socialising activities such as physical aesthetics and flower arranging training, and used shared services to improve the community service system. As of 30 June 2019, we organised approximately 250 community cultural activities of various kinds to create a better life in the community.

FINANCIAL REVIEW

Revenue

Property Development and Sales

During the Reporting Period, the Group's recognised revenue from property development and sales increased by 34% to RMB13,884.15 million from RMB10,396.45 million in the corresponding period of 2018, primarily due to increase in ASP and the total GFA recognised. Total GFA recognised amounted to 1.5500 million square metres, representing an increase of 18% from 1.3112 million square metres in the corresponding period of 2018. Recognised ASP increased by 13% to RMB8,958 per square metre for the Reporting Period from RMB7,929 per square metre in the corresponding period of 2018.

Property Management Services

During the Reporting Period, the Group's revenue derived from property management services increased by 36% to RMB214.47 million from RMB157.99 million in the corresponding period of 2018, primarily due to an increase in the GFA under management.

Investment and Operation of Commercial Properties

During the Reporting Period, the Group's revenue from investment and operation of commercial properties increased by 16% to RMB96.23 million from RMB82.93 million in the corresponding period of 2018, primarily driven by the further development of our cultural tourism projects.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from the property development activities, the provision of property management services and other businesses. During the Reporting Period, the Group's cost of sales increased by 33% to RMB9,101.51 million from RMB6,857.75 million in the corresponding period of 2018, primarily due to the fact that the recognised GFA increased by 18% to 1.5500 million square metres from the corresponding period of 2018.

Gross Profit

During the Reporting Period, the Group's gross profit increased by 35% to RMB5,093.34 million from RMB3,779.62 million in the corresponding period of 2018. The increase in gross profit was primarily driven by the increase in sales revenue. During the Reporting Period, the Group's gross profit margin increased by 0.4 percentage points to 35.9% from 35.5% in the corresponding period of 2018.

Other Income and Gains — Net

During the Reporting Period, the Group's other income and gains — net increased by 18% to RMB270.81 million from RMB230.09 million in the corresponding period of 2018. Other income and gains primarily consist of gains on financial assets at fair value through profit or loss, management and consulting service income, etc.

Selling and Marketing Expenses

During the Reporting Period, the Group's selling and marketing expenses increased by 34% to RMB1,045.47 million from RMB779.57 million in the corresponding period of 2018, primarily due to the increase of related selling and marketing expenses along with the Group's further growth in sales of properties.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses increased by 52% to RMB1,030.66 million from RMB678.46 million in the corresponding period of 2018, primarily due to the increase in staff costs and management fees caused by the continuing expansion of the Group's property development business.

Finance Income — Net

The Group's net finance income primarily consists 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 qualified assets (assets that require a substantial period of time to get ready for their intended use or sale) are capitalised into the cost of those assets, until such assets are substantially ready for their intended use or sale.

During the Reporting Period, the Group's net finance income recorded a net income of RMB82.07 million as compared to RMB140.76 million in the corresponding period of 2018, representing a decrease of 42%. It is primarily because the Group strengthened liquidity management and activation and further improved capital precipitation and the corresponding interest income from precipitated capital decreased significantly as compared with the corresponding period of 2018.

Profit Attributable to Owners of the Company

During the Reporting Period, profit attributable to owners of the Company increased by 20% to RMB1,769.38 million from RMB1,473.20 million in the corresponding period of 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB27,826.49 million as at 30 June 2019 (31 December 2018: RMB26,533.14 million), including RMB19,224.02 million in cash and cash equivalents (31 December 2018: RMB15,439.15 million), RMB336.23 million in term deposits with initial terms of over three months (31 December 2018: RMB3,065.87 million) and RMB8,266.25 million in restricted cash (31 December 2018: RMB8,028.12 million). Several property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 30 June 2019, the Group's unused credit facilities from banks were RMB62,086.00 million, and approved but unused issuance amount of domestic corporate bonds was RMB3,144.00 million.

Borrowings

As at 30 June 2019, the Group's total borrowings amounted to RMB54,185.21 million. Bank and other borrowings, and corporate bonds were RMB46,698.43 million and RMB7,486.77 million, respectively. As at 30 June 2019, the gearing ratio was 95.6% (31 December 2018: 97.4%). The gearing ratio is calculated based on net borrowings divided by total equity. Net borrowings were calculated as total amount of borrowings less cash and cash equivalents, term deposits with initial terms of over three months and restricted cash.

Borrowing Cost

During the Reporting Period, the total borrowing costs of the Group amounted to RMB1,688.10 million, representing an increase of RMB514.15 million from RMB1,173.95 million in the corresponding period of 2018, mainly due to the increase in the principal of borrowings during the Reporting Period. The Group's weighted average effective interest rate of total borrowings during the Reporting Period was 5.95%, of which, the weighted average effective interest rate of its new financing was 5.84%.

Contingent Liabilities And Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees were issued from the date of grant of the relevant mortgage loans, and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 30 June 2019, the value of the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB46,197.38 million (31 December 2018: RMB42,105.14 million).

In addition, the Group also provides guarantees for borrowings of certain joint ventures and associates. As at 30 June 2019, the value of the Group's guarantee for the loans of joint ventures and associates amounted to RMB4,777.57 million (31 December 2018: RMB2,947.42 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 ("**HKD**") and United States dollars ("**USD**"). The Group is subject to certain foreign exchange risks arising from future commercial transactions and recognised assets and liabilities which are denominated in HKD and USD.

LEGAL CONTINGENCIES

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

HUMAN RESOURCES

As at 30 June 2019, the Group had employed approximately 13,474 full-time employees, most of whom were based in the PRC. Employee's remuneration includes salaries, bonuses and other cash subsidies. The remuneration and bonuses of the employees are determined based on the Group's remuneration and welfare policies, the performance of the employees, the profitability of the Group and market level. The Group will also provide employees with comprehensive welfare plans and career development opportunities, including social insurances, housing provident funds, commercial insurance as well as internal and external training opportunities.

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

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

CHANGES SINCE 31 DECEMBER 2018

Save as disclosed in this report, there were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the Group's annual report for the year ended 31 December 2018.

SUBSEQUENT EVENTS

On 4 July 2019, Midea Real Estate Group Limited ("**Midea Real Estate Group**"), a wholly-owned subsidiary of the Company, publicly issued domestic corporate bonds with a total par value of RMB1,700,000,000 to qualified investors in China at a coupon rate of 5.2% per annum and for a term of four years (maturity in July 2023) ("**Public Issuance of Domestic Corporate Bonds to Qualified Investors in 2019 (Third Tranche)**"). Midea Real Estate Group has the option to adjust the coupon rate at the end of the second year, while investors have a put option to sell back the bonds at the time. For further details on the Public Issuance of Domestic Corporate Bonds to Qualified Investors in 2019 (Third Tranche), please refer to the relevant announcements of the Company dated 2 July, 3 July, 5 July and 16 July of 2019.

On 5 August 2019, Midea Real Estate Group publicly issued domestic corporate bonds with a total par value of RMB1,300,000,000 to qualified investors in China at a coupon rate of 5.7% per annum and for a term of five years (maturity in August 2024) ("**Public Issuance of Domestic Corporate Bonds to Qualified Investors in 2019 (Fourth Tranche)**"). Midea Real Estate Group has the option to adjust the coupon rate at the end of the third year, while investors have a put option to sell back the bonds at the time. For further details on the Public Issuance of Domestic Corporate Bonds to Qualified Investors in 2019 (Fourth Tranche), please refer to the relevant announcements of the Company dated 1 August 2019, 2 August 2019, 6 August and 14 August of 2019.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

As at 30 June 2019, an analysis of the utilisation of IPO proceeds of the Company is as follows:

	Original allocation of IPO proceeds (including the exercise of the over-allotment option) RMB million	**Utilised IPO proceeds as at 30 June 2019** RMB million	**Unutilised IPO proceeds as at 30 June 2019** RMB million
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	345.55	1,605.26
Land acquisition and construction for potential prefabricated construction projects	418.03	171.54	246.49
Research and development of Smart Home solutions	139.34	–	139.34
General working capital	278.69	272.16	6.53
Total	2,786.87	789.25	1,997.62

The Company intends to apply the remaining proceeds in the manner set out in the prospectus dated 28 September 2018. Nonetheless, the Board will constantly evaluate the Group's business objectives and may change or modify the plans against changing market conditions as necessary.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the 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 during the six months ended 30 June 2019, except for certain deviations as specified under the paragraph headed "Chairman and President" below.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the Model Code throughout the six months ended 30 June 2019.

THE BOARD

Board Composition

During the six months ended 30 June 2019 and up to the date of this interim report, the Board comprised of nine Directors:

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

Non-executive Directors
Mr. He Jianfeng
Mr. Zhao Jun

Independent non-executive Directors
Mr. Tan Jinsong
Mr. O'Yang Wiley
Mr. Lu Qi

During the six months ended 30 June 2019, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board) including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The Directors have no financial, business, family or other material or relevant relationships with each other.

CHAIRMAN AND PRESIDENT

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 six months ended 30 June 2019, Mr. Hao Hengle performed his duties as the chairman and president of the Company. As such, the Company has deviated from code provision A.2.1 of the CG Code. Given Mr. Hao 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.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at 30 June 2019, the Audit Committee comprised three members including two independent non-executive Directors, Mr. Tan Jinsong (chairman of the Audit Committee) and Mr. O'Yang Wiley, and one non-executive Director, Mr. Zhao Jun. Mr. Tan Jinsong is the independent non-executive Director who possesses the appropriate professional qualifications and accounting and financial management expertise. None of the members of the Audit Committee is a former partner of the auditor of the Company.

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019, including the accounting principles and policies adopted by the Group. In addition, PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

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

Save as otherwise set out below, there is no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the Company's last published annual report.

Mr. O'Yang Wiley is our independent non-executive Director. He was appointed as an independent non-executive director of D&G Technology Holding Company Limited (Stock Exchange: 1301) and AB Builders Group Limited (Stock Exchange: 1615), which are both listed on the Stock Exchange, since May 2019 and June 2019 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the six months ended 30 June 2019 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.

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 six months ended 30 June 2019.

EQUITY-LINKED AGREEMENTS

During the six months ended 30 June 2019, 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 30 June 2019.

DISCLOSURE OF INTERESTS

Directors' Interests

Save as disclosed below, as at 30 June 2019, none of the Directors and chief executives 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 30 June 2019.

Save as disclosed above, at no time during the six months ended 30 June 2019 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.

DISCLOSURE OF INTERESTS (Continued)

Substantial Shareholders' Interests

Save as disclosed below, as at 30 June 2019, the Directors and chief executives of the Company were not aware of any other persons (other than Directors or chief executives 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 5)
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:

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

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

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

4. 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.

5. The percentage has been compiled on the basis of 1,190,567,000 shares of the Company in issue as at 30 June 2019.

CONTINUING DISCLOSURE OBLIGATIONS UNDER RULE 13.21 OF THE LISTING RULES

Loan Agreement with Covenants Relating to Specific Performance Obligation of the Controlling Shareholder under Rule 13.18 of the Listing Rules

On 21 June 2019, Midea Construction (Hong Kong) Limited (the "**Borrower**"), an indirectly wholly-owned subsidiary of the Company (as borrower), the Company (as listing guarantor) and five of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement (the "**Facility Agreement**") with certain financial institutions (as lenders) (collectively, the "**Lenders**"), Bank of China (Hong Kong) Limited ("**BOCHK**") (as mandated lead arranger, bookrunner and agent) and certain banks (as lead arrangers) for a syndicated term loan facility at an initial aggregate amount of HKD2.5 billion, with a greenshoe option of an aggregate amount of up to HKD3.0 billion or its USD equivalent (inclusive of the said initial amount) (the "**Loan(s)**"). The final repayment date of the Loan(s) shall be the date falling 36 months after the first utilisation date. The purpose of the Loan(s) is primarily to refinance the existing financial indebtedness and for the general working capital requirements of the Company and its subsidiaries.

Pursuant to the Facility Agreement, if (i) Ms. Lu Deyan and/or Mr. He Xiangjian (taking into account their combined shareholdings) jointly do not or cease to, remain as the single largest shareholder of the Company or to maintain (directly or indirectly) not less than 51% of all beneficial shareholding interests in the issued share capital and management control of the Company; and/or (ii) Mr. He Xiangjian, Ms. Lu Deyan and Midea Development Holding (BVI) Limited collectively cease to, maintain the power to the exercise of 30% or more of the voting rights at general meetings of the Company, or cease to be the controlling shareholders of the Company as such term is used under the Listing Rules, it would constitute an event of default upon which BOCHK (as agent) may, and if so directed by the majority lenders, by notice to the Borrower, (a) without prejudice to the participation of any Lenders in any Loan(s) then outstanding, cancel all or any part of the amount of the loan committed by the Lenders and reduce them to zero; and/or (b) declare that all or part of the Loan(s), together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that all or part of the Loan(s) be payable on demand, whereupon they shall immediately become payable on demand by the BOCHK (as agent) on the instructions of the majority lenders.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2019 (for the corresponding period of 2018: Nil).

Report on Review of Interim Financial Information

羅兵咸永道

TO THE BOARD OF DIRECTORS OF MIDEA REAL ESTATE HOLDING LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 66, which comprises the interim condensed consolidated balance sheet of Midea Real Estate Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 August 2019

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2019 RMB'000	 2018 RMB'000
Revenue	7	**14,194,850**	10,637,371
Cost of sales	8	**(9,101,508)**	(6,857,748)
Gross profit		**5,093,342**	3,779,623
Other income and gains — net	9	**270,813**	230,087
Selling and marketing expenses	8	**(1,045,473)**	(779,572)
Administrative expenses	8	**(1,030,663)**	(678,457)
Net impairment losses on financial assets		**(22,331)**	(1,988)
Operating profit		**3,265,688**	2,549,693
Finance income	10	**92,688**	140,759
Finance costs	10	**(10,615)**	–
Finance income — net	10	**82,073**	140,759
Share of results of joint ventures and associates	14	**90,013**	(29,260)
Profit before income tax		**3,437,774**	2,661,192
Income tax expenses	11	**(1,549,015)**	(1,179,346)
Profit for the period		**1,888,759**	1,481,846
Profit attributable to:			
Owners of the Company		**1,769,384**	1,473,198
Non-controlling interests		**119,375**	8,648
Total comprehensive income for the period		**1,888,759**	1,481,846
Total comprehensive income attributable to:			
Owners of the Company		**1,769,384**	1,473,198
Non-controlling interests		**119,375**	8,648
		1,888,759	1,481,846
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	12	**1.49**	1.47

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

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,031,465**	836,712
Land use rights	4	**–**	456,274
Investment properties	4,15	**748,537**	690,660
Right-of-use assets	4	**616,450**	–
Intangible assets		**33,409**	35,084
Properties under development	16	**3,583,319**	5,685,753
Investments in joint ventures	14(a)	**1,725,992**	1,023,571
Investments in associates	14(b)	**2,005,416**	841,896
Finance lease receivables		**27,375**	–
Deferred income tax assets		**1,471,607**	918,603
		11,243,570	10,488,553
Current assets			
Inventories		**30,235**	8,327
Contract assets and contract acquisition costs	7(a)	**1,871,526**	1,429,912
Properties under development	16	**131,437,041**	103,913,613
Completed properties held for sale		**3,813,044**	4,384,344
Trade and other receivables	17	**25,544,020**	19,545,931
Prepaid taxes		**11,673,506**	9,758,793
Financial assets at fair value through profit or loss	18	**296,108**	1,256,498
Restricted cash	19	**8,266,248**	8,028,121
Term deposits with initial terms of over three months	19	**336,228**	3,065,866
Cash and cash equivalents	19	**19,224,016**	15,439,152
		202,491,972	166,830,557
Total assets		**213,735,542**	177,319,110
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	20	**8,787,079**	8,787,079
Other reserves	21	**1,286,042**	1,293,695
Retained earnings	21	**6,563,466**	6,076,085
		16,636,587	16,156,859
Non-controlling interests		**10,932,557**	7,427,577
Total equity		**27,569,144**	23,584,436

	Note	**Unaudited 30 June 2019 RMB'000**	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	22	**6,048,126**	2,434,318
Bank and other borrowings	23	**36,644,648**	30,473,817
Lease liabilities	4	**188,846**	–
Deferred income tax liabilities		**1,417,231**	1,560,795
		44,298,851	34,468,930
Current liabilities			
Contract liabilities	7(b)	**74,541,405**	55,929,397
Corporate bonds	22	**1,438,648**	3,499,268
Bank and other borrowings	23	**10,053,783**	13,101,903
Lease liabilities	4	**57,011**	–
Trade and other payables	24	**52,081,789**	43,502,042
Current income tax liabilities		**3,694,911**	3,233,134
		141,867,547	119,265,744
Total liabilities		**186,166,398**	153,734,674
Total equity and liabilities		**213,735,542**	177,319,110

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

Approved by the Board of Directors on 19 August 2019 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited					
	Attributable to owners of the Company					
	Share capital and premium RMB'000	**Other reserves** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 January 2018	6,000,209	868,870	3,314,600	10,183,679	1,981,101	12,164,780
Comprehensive Income						
Profit for the period	–	–	1,473,198	1,473,198	8,648	1,481,846
Total comprehensive income for the period ended 30 June 2018	–	–	1,473,198	1,473,198	8,648	1,481,846
Total transactions with owners, recognised directly in equity						
Dividends paid to non-controlling interests	–	–	–	–	(3,244)	(3,244)
Non-controlling interests arising from business combination	–	–	–	–	336,662	336,662
Acquisition of subsidiaries which do not contain a business	–	–	–	–	288,200	288,200
Capital injections from non-controlling interests	–	–	–	–	524,100	524,100
Additional investment in a subsidiary	–	1,314	–	1,314	10,881	12,195
Stock dividends paid by a subsidiary	–	15,360	(15,360)	–	–	–
Total transactions with owners	–	16,674	(15,360)	1,314	1,156,599	1,157,913
Balance at 30 June 2018	6,000,209	885,544	4,772,438	11,658,191	3,146,348	14,804,539
Balance at 1 January 2019	**8,787,079**	**1,293,695**	**6,076,085**	**16,156,859**	**7,427,577**	**23,584,436**
Comprehensive Income						
Profit for the period	**–**	**–**	**1,769,384**	**1,769,384**	**119,375**	**1,888,759**
Total comprehensive income for the period ended 30 June 2019	**–**	**–**	**1,769,384**	**1,769,384**	**119,375**	**1,888,759**
Total transactions with owners, recognised directly in equity						
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(378,966)**	**(378,966)**
Dividends paid to shareholders	**–**	**–**	**(1,282,003)**	**(1,282,003)**	**–**	**(1,282,003)**
Acquisition of subsidiaries which do not contain a business	**–**	**–**	**–**	**–**	**425,527**	**425,527**
Capital injections from non-controlling interests	**–**	**–**	**–**	**–**	**3,337,497**	**3,337,497**
Additional investment in subsidiaries	**–**	**(7,653)**	**–**	**(7,653)**	**1,547**	**(6,106)**
Total transactions with owners	**–**	**(7,653)**	**(1,282,003)**	**(1,289,656)**	**3,385,605**	**2,095,949**
Balance at 30 June 2019	**8,787,079**	**1,286,042**	**6,563,466**	**16,636,587**	**10,932,557**	**27,569,144**

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

Interim Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Cash used in operations	**(3,744,220)**	(5,601,202)
Income tax paid	**(2,831,469)**	(1,335,545)
Interest paid	**(1,690,517)**	(1,302,916)
Net cash used in operating activities	**(8,266,206)**	(8,239,663)
Cash flows from investing activities		
Payments for acquisition of subsidiaries, net of cash acquired	**(374,324)**	262,068
Net cash outflow of disposal of subsidiaries	**(527,040)**	(9,074)
Purchases of property, plant and equipment	**(159,069)**	(45,585)
Purchases of right-of-use for land	**(33,681)**	–
Purchases of intangible assets	**(12,521)**	–
Investments in joint ventures	**(198,622)**	(344,630)
Investments in associates	**(1,188,812)**	(371,740)
Advances from joint ventures and associates	**3,462,541**	1,883,892
Proceeds from disposal of property, plant and equipment, investment properties and intangible assets	**24,200**	7,430
Decrease in term deposits with initial terms of over three months	**2,729,638**	120,922
Payments for financial assets at fair value through profit or loss	**(12,791,127)**	(14,813,000)
Proceeds from disposal of financial assets at fair value through profit or loss	**13,807,914**	15,200,224
Interest received	**92,688**	113,990
Net cash generated from investing activities	**4,831,785**	2,004,497
Cash flows from financing activities		
Capital injections from non-controlling interests	**3,337,497**	524,100
Payments for acquisition of additional interests in subsidiaries	**(2,066)**	–
Proceeds from bank and other borrowings	**21,145,062**	15,133,086
Repayments of bank and other borrowings	**(17,457,967)**	(11,933,910)
Principal elements of lease payments	**(46,000)**	–
Prepayment for listing related expense	**–**	(6,809)
Proceeds from corporate bonds	**5,049,422**	1,438,060
Repayment of corporate bonds	**(3,499,268)**	–
Repayment of advances from related parties controlled by the Ultimate Controlling Parties	**(29,998)**	(1,331,796)
Dividends paid to non-controlling interests	**–**	(3,244)
Dividends paid to shareholders	**(1,282,003)**	–
Net cash generated from financing activities	**7,214,679**	3,819,487
Net increase/(decrease) in cash and cash equivalents	**3,780,258**	(2,415,679)
Cash and cash equivalents at the beginning of the period	**15,439,152**	19,917,383
Exchange gains on cash and cash equivalents	**4,606**	38,538
Cash and cash equivalents at end of the period	**19,224,016**	17,540,242

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

1 GENERAL INFORMATION

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

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

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

This interim financial information for the six months ended 30 June 2019 ("Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated, and was approved by the Board of Directors of the Company for issue on 19 August 2019.

2 BASIS OF PRESENTATION AND PREPARATION

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2018 ("2018 Financial Statements"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Stock Exchange of Hong Kong Limited, and any public announcements made by the Company during the interim reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of 2018 Financial Statements, except for the adoption of new and amendments to the HKFRS effective for the financial year beginning 1 January 2019.

(a) New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 Leases.

The impact of the adoption of the new leasing standard and the new accounting policies are disclosed in note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

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

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 4(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

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

	RMB'000
Discounted using the lessee's incremental borrowing rate at the date of initial application	291,857
Lease liability recognised as at 1 January 2019	291,857
Of which are:	
Current lease liabilities	82,257
Non-current lease liabilities	209,600
	291,857
Lease liability recognised as at 30 June 2019	
Of which are:	
Current lease liabilities	**57,011**
Non-current lease liabilities	**188,846**
	245,857

4 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

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

The recognised right-of-use assets relate to the following types of assets:

	As at 30 June 2019 RMB'000	As at 1 January 2019 RMB'000
Right-of-use for land	**460,407**	456,274
Properties	**147,910**	196,779
Motor vehicles	**3,720**	4,690
Others	**4,413**	4,529
Total right-of-use assets	**616,450**	662,272

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

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

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

(i) Impact on earnings per share

The impact on the earnings per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16 was immaterial.

4 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

(ii) Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

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

(b) The Group's leasing activities and how these are accounted for

(i) The Group as the lessee

The Group leases various land, offices, factory building, printers and cars. Rental contracts are typically made for fixed periods of 3 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Leases of land were classified as land use rights.

From 1 January 2019, leases of property, plant and equipment are recognised as a right-of-use asset or investment properties and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, leases of land are reclassified as right-of-use for land. The Group applies the fair value model in HKAS 40 Investment Property to its investment property, and also apply that fair value model to right-of-use assets that meet the definition of investment property in HKAS 40. Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are consistent with presentation of interest payments.

4 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

(i) The Group as the lessee (Continued)

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

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

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

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

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

(ii) The Group as the lessor

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

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

4 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

(ii) The Group as the lessor (Continued)

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

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

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

(iii) Sublease

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

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

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

5 ESTIMATES

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

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Financial Statements.

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the 2018 Financial Statements, and should be read in conjunction with the 2018 Financial Statements.

There have been no significant changes in the risk management policies since 31 December 2018.

6.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings, lease liabilities 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 30 June 2019 (Unaudited)					
Corporate bonds	**1,924,500**	**2,372,180**	**4,297,180**	**–**	**8,593,860**
Bank and other borrowings	**12,344,950**	**16,871,600**	**21,294,157**	**1,680,509**	**52,191,216**
Lease liabilities	**70,582**	**49,159**	**83,945**	**69,304**	**272,990**
Trade and other payables (excluding salaries payable and other taxes payable)	**47,476,119**	**–**	**–**	**–**	**47,476,119**
Financial guarantees	**46,789,577**	**1,438,415**	**2,675,450**	**71,500**	**50,974,942**
	108,605,728	**20,731,354**	**28,350,732**	**1,821,313**	**159,509,127**

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

6.2 Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2018 (Audited)					
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 guarantees	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

6.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2019 and 31 December 2018, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
At 30 June 2019 (Unaudited)				
Financial assets at fair value through profit or loss	**–**	**296,108**	**–**	**296,108**
At 31 December 2018 (Audited)				
Financial assets at fair value through profit or loss	–	1,256,498	–	1,256,498

(i) There were no transfers among level 1, 2 and 3 during the period.

(ii) There were no changes in valuation techniques during the period.

7 REVENUE AND SEGMENT INFORMATION

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

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

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

For the six months ended 30 June 2019 and 2018, the aggregate revenues, profits or losses or total assets of the business segments other than property development and sales accounted for less than 5% of the total revenues, profits or assets of the Group, therefore, the directors of the Company consider these business segments not reportable and the executive directors assess the Group's performance as a whole. Thus operating segment information is not presented.

Revenue of the Group for the six months ended 30 June 2019 and 2018 is analysed as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Property development and sales	**13,884,154**	10,396,446
Property management services	**214,469**	157,992
Investment and operation of commercial properties		
— Property lease income	**27,079**	26,249
— Hotel operation	**5,049**	6,549
— Cultural-tourism project	**64,099**	50,135
	14,194,850	10,637,371

7 REVENUE AND SEGMENT INFORMATION (Continued)

Represented by:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from property development and sales:		
Recognised at a point in time	**8,684,677**	5,457,869
Recognised over time	**5,199,477**	4,938,577
	13,884,154	10,396,446
Revenue from rendering of services:		
Recognised over time	**283,617**	214,676
Revenue from other sources:		
Property lease income	**27,079**	26,249
	14,194,850	10,637,371

Nearly 100% of the Group's revenue is 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 purchasers, none of whom contributed 10% or more of the Group's revenue.

(a) Details of contract assets and contract acquisition costs

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Contract assets related to property development and sales (i)	**1,382,630**	1,016,658
Contract acquisition costs (ii)	**488,896**	413,254
Total contract assets and contract acquisition costs	**1,871,526**	1,429,912

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

(ii) Management expects to recover the contract acquisition costs, primarily sale commissions and stamp duty paid/ payable, as a result of obtaining the property sale contracts. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amount of amortisation for the six months ended 30 June 2019 were RMB108,517,000 (six months ended 30 June 2018: RMB67,381,000). There was no impairment loss in relation to the costs capitalised.

7 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Contract liabilities

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Contract liabilities	**74,541,405**	55,929,397

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales.

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Property development and sales	**9,519,625**	6,440,563

(c) Unsatisfied contracts related to property development and sales

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Expected to be recognised within one year	**42,439,158**	35,440,245
Expected to be recognised after one year	**41,722,193**	27,279,003
	84,161,351	62,719,248

(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.

8 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of property development and sales — including construction cost, land cost, capitalised interest expenses	**8,867,691**	6,496,055
Employee benefit expenses	**943,622**	997,595
Marketing and advertising expenses	**419,547**	193,020
Amortisation of contract acquisition costs	**108,517**	67,381
Taxes and surcharges	**121,529**	132,124
Depreciation and amortisation	**94,103**	22,840
Property management fees	**38,240**	6,509
Auditor's remuneration	**1,400**	4,850
— Audit services in relation to the listing	**–**	4,850
— Interim review services	**1,400**	–
Travelling and entertainment expenses	**71,735**	45,074
Office expenses	**77,807**	56,708
Others	**433,453**	293,621
Total	**11,177,644**	8,315,777

9 OTHER INCOME AND GAINS — NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Management and consulting service income	**77,946**	7,791
Government subsidy income	**4,245**	3,086
Compensation income (note (a))	**126,094**	120,402
	208,285	131,279
Other gains — net		
Realised and unrealised gains on financial assets at fair value through profit or loss	**56,397**	89,041
(Losses)/gains arising from changes in fair value of and transfer to investment properties	**(813)**	1,821
Gains on disposal of subsidiaries	**–**	3,657
Gains/(losses) on disposal of property, plant and equipment, investment properties and intangible assets	**155**	(534)
Net foreign exchange (losses)/gains	**(7,940)**	22,847
Others	**14,729**	(18,024)
	62,528	98,808
Other income and gains — net	**270,813**	230,087

(a) It represented the compensation income from third parties who failed to fulfil their obligations under cooperative agreement entered into with the Group for joint property development.

10 FINANCE INCOME — NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expenses		
— Bank and other borrowings	**(1,407,884)**	(1,077,854)
— Corporate bonds	**(272,566)**	(96,099)
— Lease liabilities	**(7,647)**	–
	(1,688,097)	(1,173,953)
Less:		
— Capitalised interest	**1,688,097**	1,173,953
	–	–
— Net foreign exchange losses on financing activities	**(10,615)**	–
	(10,615)	–
Finance income		
— Interest income	**92,688**	113,990
— Net foreign exchange gains on financing activities	**–**	26,769
	92,688	140,759
Finance income — net	**82,073**	140,759

11 INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
— Corporate income tax	**1,214,511**	515,867
— PRC land appreciation tax ("LAT")	**948,954**	649,616
	2,163,465	1,165,483
Deferred income tax		
— Corporate income tax	**(614,450)**	13,863
	1,549,015	1,179,346

11 INCOME TAX EXPENSES (Continued)

Note:

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2018:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.

(b) PRC corporate income tax has been provided at corporate income tax rate of 25%.

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

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

As at 30 June 2019, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB5,859,046,000 (31 December 2018: RMB5,074,541,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimations of demand for overseas funding.

12 EARNINGS PER SHARE

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (RMB'000):	**1,769,384**	1,473,198
Weighted average number of ordinary shares in issue (thousands)	**1,190,567**	1,000,000
Earnings per share — Basic (RMB per share)	**1.49**	1.47

The Company had no dilutive potential shares in issue during the six months ended 30 June 2019 and 2018, thus the diluted earnings per share equalled the basic earnings per share.

13 DIVIDENDS

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

14(a) INVESTMENTS IN JOINT VENTURES

The movement of investments in joint ventures are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At January 1	**1,023,571**	743,704
Transfer from investments in subsidiaries (note 27)	**388,494**	10,000
Other additions	**198,622**	344,630
Share of results	**115,305**	(25,070)
At June 30	**1,725,992**	1,073,264

As at 30 June 2019 and 31 December 2018, there were no significant commitments and contingencies relating to the Group's interests in the joint ventures, while certain borrowings of the joint ventures were guaranteed by the Group (note 25).

14(b) INVESTMENTS IN ASSOCIATES

The movement of investments in associates are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At January 1	**841,896**	239,739
Additions	**1,188,812**	371,740
Share of results	**(25,292)**	(4,190)
At June 30	**2,005,416**	607,289

As at 30 June 2019 and 31 December 2018, there were no significant contingencies relating to the Group's interests in the associates, while certain borrowings of the associates were guaranteed by the Group (note 25).

15 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

	Property, plant and equipment RMB'000	Investment properties RMB'000
Six months ended 30 June 2018 (Unaudited)		
Opening net book amount at 1 January 2018	435,882	709,844
Acquisition of subsidiaries	37,350	–
Other additions	45,585	–
Transfer from investment properties	22,490	–
Transfer from properties under development	210,461	–
Fair value changes	–	1,821
Disposal of a subsidiary	(676)	–
Other disposals	(7,964)	(22,490)
Depreciation	(24,292)	–
Closing net book amount at 30 June 2018	718,836	689,175
Six months ended 30 June 2019 (Unaudited)		
Opening net book amount at 31 December 2018	**836,712**	**690,660**
Adjustment for accounting policy changes (note 4)	**–**	**58,690**
Opening net book amount at 1 January 2019	**836,712**	**749,350**
Transfer from properties under development	**94,882**	**–**
Other additions	**167,418**	**–**
Fair value changes	**–**	**(813)**
Disposal of subsidiaries	**(665)**	**–**
Other disposals	**(24,045)**	**–**
Depreciation	**(42,837)**	**–**
Closing net book amount at 30 June 2019	**1,031,465**	**748,537**

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2019 and 31 December 2018, the Group had only level 3 investment properties.

16 PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Properties under development expected to be completed:		
— Within normal operating cycle included under current assets	**131,437,041**	103,913,613
— Beyond normal operating cycle included under non-current assets	**3,583,319**	5,685,753
	135,020,360	109,599,366
Properties under development comprise:		
— Construction costs	**29,465,889**	21,466,813
— Land use rights	**100,735,456**	84,662,941
— Capitalised interest expenses	**5,135,805**	3,792,370
	135,337,150	109,922,124
Less: provision of impairment	**(316,790)**	(322,758)
	135,020,360	109,599,366

Properties under development were all located in the PRC.

The amounts of RMB93,666,441,000 as at 30 June 2019 (31 December 2018: RMB81,962,780,000) under normal operating cycle classified as current assets were expected to be completed and delivered beyond one year.

The capitalisation rates of general borrowings were 5.86% per annum for the six months ended 30 June 2019 (six months ended 30 June 2018: 5.31% per annum).

As at 30 June 2019, properties under development with net book value of RMB37,398,960,000 (31 December 2018: RMB36,097,726,000) were pledged as collateral for the Group's bank and other borrowings.

17 TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Included in current assets:		
Trade receivables — net (note (a))	**742,680**	1,295,905
Other receivables — net (note (b))	**14,379,672**	12,574,571
Prepayments for land use rights (note (c))	**9,319,459**	5,210,675
Other prepayments	**1,102,209**	464,780
	25,544,020	19,545,931

As at 30 June 2019 and 31 December 2018, the fair value of trade and other receivables approximated their carrying amounts.

17 TRADE AND OTHER RECEIVABLES (Continued)

(a) Details of trade receivables are as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables — related parties (note 26(b))	**82,472**	5,867
Trade receivables — third parties	**713,627**	1,334,174
Less: allowance for impairment	**(53,419)**	(44,136)
Trade receivables — net	**742,680**	1,295,905

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within 90 days	**291,915**	1,138,953
Over 90 days and within 180 days	**29,399**	97,946
Over 180 days and within 365 days	**375,858**	13,318
Over 365 days	**98,927**	89,824
	796,099	1,340,041

The Group's trade receivables are 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 six months ended 30 June 2019, a provision of RMB9,283,000 (six months ended 30 June 2018: RMB9,118,000) were made against the gross amount of trade receivables.

17 TRADE AND OTHER RECEIVABLES (Continued)

(b) Details of other receivables are as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Amounts due from related parties (note 26(b))	**3,263,184**	4,995,043
Amounts due from non-controlling interests (note (i))	**4,417,685**	2,229,237
Deposits and others from third parties (note (ii))	**6,766,529**	5,404,969
	14,447,398	12,629,249
Less: allowance for impairment	**(67,726)**	(54,678)
Other receivables — net	**14,379,672**	12,574,571

(i) Amounts due from non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.

(ii) Other receivables from third parties mainly represented deposits and various payments on behalf of and advances made to construction and design vendors.

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Wealth management products	**105,000**	405,000
Investments in asset management schemes	**191,108**	851,498
	296,108	1,256,498

(a) Investments in wealth management products and asset management schemes mainly represented investments in certain financial instruments issued by commercial banks and other financial institutions which had no guaranteed returns. The fair values of these investments were determined based on the statements provided by the counter parties.

(b) The ranges of return rates of these products as at 30 June 2019 were 1.67 % to 4.20 % (31 December 2018: 0.30% — 4.86%).

19 CASH AND CASH EQUIVALENTS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Cash at bank and in hand	**27,490,264**	21,091,796
Bank deposits	**336,228**	5,441,343
	27,826,492	26,533,139
Less: restricted cash	**(8,266,248)**	(8,028,121)
term deposits with initial terms of over three months	**(336,228)**	(3,065,866)
	19,224,016	15,439,152

Cash and deposits are denominated in the following currencies:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Denominated in RMB	**26,796,339**	23,702,342
Denominated in United States Dollar ("USD")	**360,381**	2,289,050
Denominated in Hong Kong Dollar ("HKD")	**669,772**	541,747
	27,826,492	26,533,139

The conversion of RMB denominated balances into other currencies and the remittance of bank balances and cash out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
			HKD'000	RMB'000	RMB'000	RMB'000
Authorised						
Ordinary share of HKD1.00 each upon incorporation		1,000,000,000	1,000,000	–	–	–
Increase in authorised share capital		1,000,000,000	1,000,000	–	–	–
		2,000,000,000	2,000,000	–	–	–
Issued and fully paid						
At 31 December 2017 and 1 January 2018		1,000,000,000	1,000,000	837,342	5,162,867	6,000,209
Issue of shares in connection with the Listing	(a)	190,567,000	190,567	168,024	2,688,385	2,856,409
Share issuance cost	(b)	–	–	–	(69,539)	(69,539)
At 31 December 2018 and 30 June 2019		1,190,567,000	1,190,567	1,005,366	7,781,713	8,787,079

(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 included share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing. Incremental costs that were 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.

21 OTHER RESERVES AND RETAINED EARNINGS

	Merger reserve RMB'000	Statutory reserves RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	196,687	642,536	29,647	868,870	3,314,600	4,183,470
Profit for the period	–	–	–	–	1,473,198	1,473,198
Changes in ownership interests in subsidiaries without change of control	–	–	1,314	1,314	–	1,314
Stock dividends paid by subsidiary	–	–	15,360	15,360	(15,360)	–
Balance at 30 June 2018 (unaudited)	196,687	642,536	46,321	885,544	4,772,438	5,657,982
Balance at 1 January 2019	**173,000**	**1,075,688**	**45,007**	**1,293,695**	**6,076,085**	**7,369,780**
Profit for the period	**–**	**–**	**–**	**–**	**1,769,384**	**1,769,384**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**(1,282,003)**	**(1,282,003)**
Additional investment in subsidiaries	**–**	**–**	**(7,653)**	**(7,653)**	**–**	**(7,653)**
Balance at 30 June 2019 (unaudited)	**173,000**	**1,075,688**	**37,354**	**1,286,042**	**6,563,466**	**7,849,508**

22 CORPORATE BONDS

Corporate bonds as at 30 June 2019 and 31 December 2018 were as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
As at 1 January	**5,933,586**	3,495,481
Additions	**5,049,422**	2,433,060
Interests charges	**272,566**	260,028
Interests paid	**(269,532)**	(254,983)
Repayment upon maturity	**(3,499,268)**	–
Ending balance	**7,486,774**	5,933,586
Analysed as		
— Current portion	**1,438,648**	3,499,268
— Non-current portion	**6,048,126**	2,434,318
	7,486,774	5,933,586

23 BANK AND OTHER BORROWINGS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Bank borrowings	**36,421,947**	24,785,827
Other loans	**10,276,484**	18,789,893
	46,698,431	43,575,720
Included in non-current liabilities:		
— Secured/guaranteed	**32,509,903**	22,701,745
— Unsecured	**9,366,007**	11,388,262
Less: current portion of non-current liabilities	**(5,231,262)**	(3,616,190)
	36,644,648	30,473,817
Included in current liabilities:		
— Secured/guaranteed	**3,647,996**	6,857,074
— Unsecured	**1,174,525**	2,628,639
— Current portion of non-current liabilities	**5,231,262**	3,616,190
	10,053,783	13,101,903
Total	**46,698,431**	43,575,720

As at 31 December 2018 and 30 June 2019, all of the Group's borrowings were denominated in following currencies:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
RMB	**43,811,787**	41,185,635
HKD	**2,096,054**	1,600,817
USD	**790,590**	789,268
	46,698,431	43,575,720

The Group's bank and other borrowings as at 30 June 2019 of RMB19,625,906,000 (31 December 2018: RMB23,145,368,000) were secured by certain buildings, right-of-use for land (31 December 2018: land use rights), properties under development and completed properties held for sale of the Group with total carrying values of RMB37,469,496,000 (31 December 2018: RMB39,355,263,000).

The Group's bank and other borrowings of RMB4,174,622,000, as at 30 June 2019 (31 December 2018: RMB4,170,451,000) were guaranteed by its related parties (note 26(a)), and RMB4,295,787,000 (31 December 2018: RMB2,243,000,000) were guaranteed by third parties.

The annual weighted average effective interest rate of bank and other borrowings is 5.90% per annum for the six months ended 30 June 2019 (year ended 31 December 2018: 5.95% per annum).

24 TRADE AND OTHER PAYABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade payables (note (a))	**20,968,870**	15,793,819
— related parties (note 26(b))	**29,139**	3,907
— third parties	**20,939,731**	15,789,912
Amounts due to related parties (note 26(b))	**6,827,378**	5,075,321
Amounts due to non-controlling interests (note (b))	**13,965,063**	11,811,009
Outstanding acquisition considerations payable	**777,555**	1,401,975
Deposit payables	**1,898,163**	2,543,391
Accrued expenses	**573,597**	452,246
Salaries payable	**441,747**	742,918
Interests payable	**241,054**	246,508
Other taxes payable	**4,163,923**	3,716,571
Other payables (note (c))	**2,224,439**	1,718,284
	52,081,789	43,502,042

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within 90 days	**13,575,132**	10,780,781
Over 90 days and within 365 days	**6,465,882**	4,304,598
Over 365 days	**927,856**	708,440
	20,968,870	15,793,819

The Group's trade and other payables as at 30 June 2019 and 31 December 2018 are denominated in RMB.

(b) Amounts due to non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.

(c) Other payables mainly represented payable to third-party authorities on behalf of property purchasers, which are interest-free, unsecured and repayable on demand.

25 GUARANTEES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	**46,197,377**	42,105,140
Guarantees to joint ventures and associates in respect of borrowings (note (b))	**4,777,565**	2,947,421
	50,974,942	45,052,561

(a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal titles and take possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

(b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

(c) The directors of the Company have assessed that the fair values of guarantees provided to the purchasers and joint ventures and associates as at initial recognition and 30 June 2019 and 31 December 2018 were insignificant.

26 RELATED PARTY TRANSACTIONS

The ultimate holding company of the Company is Midea Development (BVI), and the Ultimate Controlling Parties of the Company are Mr. He and Ms. Lu.

(a) Transactions with related parties

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Ultimate Controlling Parties		
Receiving guarantee in respect of borrowings	**–**	1,328,531
(ii) Entities controlled by the Ultimate Controlling Parties		
Rendering of property management services	**3,347**	3,207
Rendering of brand management services	**1,289**	1,452
Purchase of home appliances and Smart Home technology products	**27,719**	8,664
Purchase of information technology support services	**1,069**	900
Interest expenses on loan from related parties	**14,844**	87,870
Receiving guarantee in respect of borrowings and corporate bonds	**4,174,622**	14,146,814
Licensing fees	**–**	4,300
Rental expenses	**–**	356
Lease payments	**362**	–
Interest expenses on lease liabilities	**16**	–
(iii) Entities controlled by certain directors		
Management and consulting service income	**–**	959
Rental expenses	**–**	2,091
Lease payments	**3,715**	–
Interest expenses on lease liabilities	**93**	–
(iv) Joint ventures		
Management and consulting service income	**29,006**	6,923
Providing guarantee in respect of borrowings	**2,590,474**	2,021,188
Selling of materials, equipment and other service	**–**	327
Rendering of property management services	**10,615**	–
(v) Associates		
Rendering of brand management services	**6,640**	14,836
Providing guarantee in respect of borrowings	**2,187,091**	553,000
Rendering of property management services	**3,281**	–
(vi) Directors and/or their close family members		
Sales of properties	**9,750**	403

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

26 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
(i) Joint ventures		
Amounts due from related parties	**1,895,152**	3,711,974
Amounts due to related parties	**4,504,018**	3,074,195
(ii) Associates		
Amount due from related parties	**1,387,507**	1,281,140
Amount due to related parties	**2,322,413**	2,000,150
(iii) Entities controlled by the Ultimate Controlling Parties		
Amounts due from related parties	**62,598**	7,397
Amounts due to related parties	**30,086**	4,883
Lease liabilities	**398**	–
(iv) Entities controlled by certain directors and/or their close family members		
Amounts due from related parties	**399**	399
Lease liabilities	**2,094**	–
(v) Analysis on amounts due from related parties:		
Trade	**82,472**	5,867
Non-trade	**3,263,184**	4,995,043
(vi) Analysis on amounts due to related parties:		
Trade	**29,139**	3,907
Non-trade	**6,827,378**	5,075,321

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

(c) Loans from related parties

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Beginning of the period	**–**	2,855,600
Loans advanced	**1,003,356**	363,260
Loans repayments	**(1,003,356)**	(1,221,200)
End of the period	**–**	1,997,660

During the six months ended 30 June 2019 and 2018, loans from related parties carried variable interest rates ranging 5.10% to 8.10% per annum, and the terms of the loans were between 2 months to 24 months.

26 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key management compensation		
— Salaries and other employee benefits	**11,382**	10,070
— Pension costs	**86**	17
— Fees	**263**	192
	11,731	10,279

27 DISPOSAL OF SUBSIDIARIES

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

	Six months ended 30 June 2019 RMB'000 (Unaudited)
Disposal consideration	
— Fair value of investments in joint ventures	**388,494**
Cash and cash equivalents	**(527,040)**
Restricted cash	**(96,419)**
Properties under development and completed properties held for sale	**(1,567,258)**
Trade and other receivables	**(523,044)**
Trade and other payables	**510,794**
Bank and other borrowings	**575,100**
Contract liabilities	**793,013**
Deferred income tax liabilities	**(53,549)**
Others	**120,943**
Total net assets disposed of	**(767,460)**
Non-controlling interest disposed of	**378,966**
Gains on disposal	**–**
Cash proceeds from disposal, net of cash disposed of	
— Cash and cash equivalents of the subsidiaries disposed of	**(527,040)**
Net cash inflow on disposal	**(527,040)**

28 SUBSEQUENT EVENTS

On 4 July 2019, Midea Real Estate Group Limited ("Midea Real Estate Group"), a wholly-owned subsidiary of the Company, publicly issued domestic corporate bonds with a total par value of RMB1,700,000,000 to qualified investors in China at a coupon rate of 5.2% per annum and for a term of four years (maturity in July 2023) ("Public Issuance of Domestic Corporate Bonds to Qualified Investors in 2019 (Third Tranche)"). Midea Real Estate Group has the option to adjust the coupon rate at the end of the second year, while investors have a put option to sell back the bonds at the time. For further details on the Public Issuance of Domestic Corporate Bonds to Qualified Investors in 2019 (Third Tranche), please refer to the relevant announcements of the Company dated 2 July, 3 July, 5 July and 16 July of 2019.

On 5 August 2019, Midea Real Estate Group publicly issued domestic corporate bonds with a total par value of RMB1,300,000,000 to qualified investors in China at a coupon rate of 5.7% per annum and for a term of five years (maturity in August 2024) ("Public Issuance of Domestic Corporate Bonds to Qualified Investors in 2019 (Fourth Tranche)"). Midea Real Estate Group has the option to adjust the coupon rate at the end of the third year, while investors have a put option to sell back the bonds at the time. For further details on the Public Issuance of Domestic Corporate Bonds to Qualified Investors in 2019 (Fourth Tranche), please refer to the relevant announcements of the Company dated 1 August 2019, 2 August 2019, 6 August and 14 August of 2019.

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. He Jianfeng
Mr. Zhao Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Hao Hengle
Mr. Zeng Chaoming

JOINT COMPANY SECRETARIES

Mr. Zeng Chaoming
Ms. Chan Bo Shan

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE MAINLAND CHINA

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

PLACE OF BUSINESS IN HONG KONG, CHINA

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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISER

Haitong International Capital Limited

LEGAL ADVISER

Hogan Lovells

PRINCIPAL BANKS IN THE MAINLAND CHINA
(IN PINYIN ORDER)

Guangdong Shunde Rural Commercial Bank Company Limited
China Guangfa Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
China Everbright Bank Company Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
China Minsheng Banking Corp., Ltd.
Agricultural Bank of China Limited
Bank of China Limited
China Merchants Bank Co., Ltd.

PRINCIPAL BANKS IN HONG KONG, CHINA
(IN ALPHABETICAL ORDER)

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Company Limited, Hong Kong Branch
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
LUSO International Banking Ltd.
The Bank of East Asia, Limited

STOCK CODE

3990

EMAIL OF INVESTOR RELATIONS

investor@midea.com

COMPANY'S WEBSITE

http://www.mideadc.com

Midea | 美的置业

www.mideadc.com