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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3990)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2019, revenue amounted to RMB41,138.57 million, representing an increase of 37% as compared with RMB30,119.81 million for the year of 2018.
- For the year ended 31 December 2019, gross profit amounted to RMB13,007.48 million, representing an increase of 32% as compared with RMB9,853.92 million for the year of 2018.
- For the year ended 31 December 2019, profit and total comprehensive income for the year amounted to RMB4,326.61million, representing an increase of 32% as compared with RMB3,286.87 million for the year of 2018.
- For the year ended 31 December 2019, core net profit* amounted to RMB4,177.77 million, representing an increase of 27% as compared with RMB3,284.39 million for the year of 2018.
- For the year ended 31 December 2019, earnings per share attributable to owners of the Company amounted to RMB3.61, representing an increase of 17% as compared with RMB3.08 for the year of 2018.
- For the year ended 31 December 2019, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB101.23 billion, representing an increase of 28.1% as compared with RMB79.0 billion for the year of 2018.
- As at 31 December 2019, the total GFA of the Group's land reserves reached 52.63 million square metres, comprising 278 property development projects, covering 59 cities in 18 provincial-level administrative divisions across China, 61 of which were participated through joint ventures and associates.

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

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2019 (2018: HK$1.2253 per share).

The board of directors (the "**Board**" or the "**Director(s)**") of Midea Real Estate Holding Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019, with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**41,138,570**	30,119,811
Cost of sales	*4*	**(28,131,087)**	(20,265,888)
Gross profit		**13,007,483**	9,853,923
Other income and gains — net	*5*	**1,137,243**	694,814
Selling and marketing expenses	*4*	**(2,540,686)**	(1,533,913)
Administrative expenses	*4*	**(3,695,200)**	(2,285,191)
Net impairment losses on financial assets		**(5,578)**	(34,297)
Operating profit		**7,903,262**	6,695,336
Finance income	*6*	**206,040**	183,097
Finance costs	*6*	**(53,956)**	(127,872)
Finance income — net	*6*	**152,084**	55,225
Share of results of joint ventures and associates		**325,362**	(93,374)
Profit before income tax		**8,380,708**	6,657,187
Income tax expenses	*7*	**(4,054,099)**	(3,370,318)
Profit for the year		**4,326,609**	3,286,869

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Owners of the Company		**4,305,164**	3,209,997
Non-controlling interests		**21,445**	76,872
Total comprehensive income for the year		**4,326,609**	3,286,869
Total comprehensive income attributable to:			
Owners of the Company		**4,305,164**	3,209,997
Non-controlling interests		**21,445**	76,872
		4,326,609	3,286,869
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	*8*	**3.61**	3.08

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,199,369**	836,712
Investment properties		**1,737,291**	690,660
Land use rights	*2*	**–**	456,274
Right-of-use assets	*2*	**529,632**	–
Intangible assets		**146,719**	35,084
Properties under development		**2,670,275**	5,685,753
Investments in joint ventures		**6,074,679**	1,023,571
Investments in associates		**4,685,994**	841,896
Finance lease receivables	*2*	**26,421**	–
Deferred income tax assets		**2,333,448**	918,603
		19,403,828	10,488,553
Current assets			
Inventories		**49,270**	8,327
Contract assets and contract acquisition costs	*3(a)*	**1,496,830**	1,429,912
Properties under development		**142,697,242**	103,913,613
Completed properties held for sale		**8,767,493**	4,384,344
Trade and other receivables	*10*	**36,205,754**	19,545,931
Prepaid taxes		**12,244,457**	9,758,793
Financial assets at fair value through profit or loss	*11*	**1,913,355**	1,256,498
Restricted cash		**7,697,191**	8,028,121
Term deposits with initial terms of over three months		**141,159**	3,065,866
Cash and cash equivalents		**19,097,265**	15,439,152
		230,310,016	166,830,557
Total assets		**249,713,844**	177,319,110

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	*12*	**9,465,989**	8,787,079
Other reserves		**1,875,120**	1,293,695
Retained earnings		**8,308,530**	6,076,085
		19,649,639	16,156,859
Non-controlling interests		**11,488,654**	7,427,577
Total equity		**31,138,293**	23,584,436
LIABILITIES			
Non-current liabilities			
Corporate bonds		**8,049,059**	2,434,318
Bank and other borrowings		**37,466,454**	30,473,817
Lease liabilities	*2*	**199,662**	–
Deferred income tax liabilities		**1,548,454**	1,560,795
		47,263,629	34,468,930
Current liabilities			
Contract liabilities	*3(b)*	**84,891,715**	55,929,397
Corporate bonds		**2,437,720**	3,499,268
Bank and other borrowings		**6,698,484**	13,101,903
Lease liabilities	*2*	**49,830**	–
Trade and other payables	*13*	**71,823,898**	43,502,042
Current income tax liabilities		**5,410,275**	3,233,134
		171,311,922	119,265,744
Total liabilities		**218,575,551**	153,734,674
Total equity and liabilities		**249,713,844**	177,319,110

NOTES

1. BASIS OF PREPARATION

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

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

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

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact of the adoption of HKFRS 16 is disclosed in note 2. Except for HKFRS 16, other new and amended standards listed above do not have a material impact on or are not relevant to the Group.

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

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.

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%.

Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

	RMB'000
Discounted using the lessee's incremental borrowing rate of at the date of initial application	291,857
Lease liability recognised as at 1 January 2019	291,857
Of which are:	
Current lease liabilities	82,257
Non-current lease liabilities	209,600
	291,857
Lease liability recognised as at 31 December 2019	
Of which are:	
Current lease liabilities	49,830
Non-current lease liabilities	199,662
	249,492

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 31 December 2019	As at 1 January 2019
	RMB'000	*RMB'000*
Right-of-use for land (reclassified from the financial statement line item "land use rights")	**397,598**	456,274
Properties	**118,257**	196,779
Motor vehicles	**9,244**	4,690
Others	**4,533**	4,529
Total right-of-use assets	**529,632**	662,272

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

Represented by:

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

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

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

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

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

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

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

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

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

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

4. EXPENSES BY NATURE

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of property development and sales — including construction cost, land cost, capitalised interest expenses	**27,114,948**	19,504,341
Employee benefit expenses	**2,313,818**	1,762,404
Marketing and advertising expenses	**1,493,447**	750,922
Write-downs of properties under development and completed properties held for sale	**1,288,388**	362,605
Amortisation of contract acquisition costs *(note 3(a))*	**302,669**	213,846
Bank charges	**221,014**	192,576
Taxes and surcharges	**378,793**	322,340
Travelling and entertainment expenses	**192,935**	139,581
Office expenses	**158,569**	134,871
Professional service fees	**91,870**	111,083
— Listing related expenses (excluding audit fees)	**–**	49,719
— Others	**91,870**	61,364
Depreciation and amortisation	**208,160**	67,790
Rental expenses	**–**	56,767
Auditor's remuneration	**8,125**	12,977
— Annual audit services	**7,100**	4,900
— Audit services in relation to the Listing	**–**	8,077
— Non-audit services	**1,025**	–
Property management fees	**9,084**	6,772
Others	**585,153**	446,117
Total	**34,366,973**	24,084,992

5. OTHER INCOME AND GAINS — NET

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

6. FINANCE INCOME — NET

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

7. INCOME TAX EXPENSES

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

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

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

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

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

8. EARNINGS PER SHARE

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

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

9. DIVIDENDS

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

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Included in current assets:		
Trade receivables — net *(note (a))*	**1,203,717**	1,295,905
Other receivables — net	**30,431,785**	12,574,571
Prepayments for land use rights	**3,744,866**	5,210,675
Other prepayments	**825,386**	464,780
	36,205,754	19,545,931

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

(a) Details of trade receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables — related parties	**144,646**	5,867
Trade receivables — third parties	**1,092,990**	1,334,174
Less: allowance for impairment	**(33,919)**	(44,136)
Trade receivables — net	**1,203,717**	1,295,905

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**924,707**	1,138,953
Over 90 days and within 180 days	**47,711**	97,946
Over 180 days and within 365 days	**15,641**	13,318
Over 365 days	**249,577**	89,824
	1,237,636	1,340,041

The Group's trade receivables were denominated in RMB.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the year ended 31 December 2019, reversal of RMB10,217,000 (2018: additional provision of RMB36,098,000) were made against the gross amounts of trade receivables.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Investments in wealth management products *(note(a))*	**992,700**	405,000
Investments in asset management schemes *(note(a))*	**786,475**	851,498
Investments in listed equity investment *(note(b))*	**61,304**	–
Others	**72,876**	–
	1,913,355	1,256,498

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

The ranges of expected return rates of these products as at 31 December 2019 were 0.30%–5.22% (2018: 0.30%–4.86%).

(b) This represented the Group's 1.61% equity interest in Changsha Broad Homes Industrial Group Co., Ltd.（長沙遠大住宅工業集團股份有限公司）, which is mainly engaged in prefabricated housing industry and is listed on the Stock Exchange of Hong Kong Limited. The fair value of the investment at 31 December 2019 represented the quoted market price.

12. SHARE CAPITAL AND PREMIUM

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares** *HKD'000*	**Equivalent nominal value of ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
Authorised						
Ordinary share of HKD1.00 each upon incorporation		1,000,000,000	1,000,000	–	–	–
Increase in authorised share capital		1,000,000,000	1,000,000	–	–	–
		2,000,000,000	2,000,000	–	–	–
Issued and fully paid						
At 31 December 2017 and 1 January 2018		1,000,000,000	1,000,000	837,342	5,162,867	6,000,209
Issue of shares in connection with the Listing		190,567,000	190,567	168,024	2,688,385	2,856,409
Share issuance cost		–	–	–	(69,539)	(69,539)
At 31 December 2018 and 1 January 2019		1,190,567,000	1,190,567	1,005,366	7,781,713	8,787,079
Placing of shares	*(a)*	40,000,000	40,000	35,943	642,967	678,910
		1,230,567,000	1,230,567	1,041,309	8,424,680	9,465,989

(a) On 13 December 2019 and 18 December 2019, the Company issued 40,000,000 shares by way of placing at a subscription price of HKD19.10 per share and raised net proceeds of approximately HKD755,537,000 (approximately RMB678,910,000).

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables *(note (a))*	**32,477,765**	15,793,819
— related parties	**22,793**	3,907
— third parties	**32,454,972**	15,789,912
Amounts due to related parties	**10,554,551**	5,075,321
Amounts due to non-controlling interests	**17,196,319**	11,811,009
Outstanding acquisition considerations payable	**1,867,489**	1,401,975
Deposit payables	**1,624,857**	2,543,391
Accrued expenses	**592,301**	452,246
Salaries payable	**1,114,310**	742,918
Interest payable	**713,068**	246,508
Other taxes payable	**4,396,479**	3,716,571
Other payables	**1,286,759**	1,718,284
	71,823,898	43,502,042

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**25,668,865**	10,780,781
Over 90 days and within 365 days	**6,033,564**	4,304,598
Over 365 days	**775,336**	708,440
	32,477,765	15,793,819

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW FOR 2019

Annual Results

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

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

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

(I) Review of the Real Estate Industry

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

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

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

(II) Sales Performance

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

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

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

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

(III) Business Layout

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

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

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

(IV) Financial Performance

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

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

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

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

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

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

(V) Operation Measures

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

Operating Quality

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

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

Product Quality

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

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

Organisational Quality

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

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

BUSINESS OUTLOOK FOR 2020

Market Outlook

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

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

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

Development Strategy and Outlook

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

Land Reserves

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

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

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

FINANCIAL REVIEW

Revenue

Property Development and Sales

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

Property Management Services

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

Investment and Operation of Commercial Properties

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

Cost of Sales

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

Gross Profit

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

Other Income and Gains-Net

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Finance Income — Net

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

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

Profit Attributable to Owners of the Company

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

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

Borrowings

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

Borrowing Cost

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

Contingent Liabilities and Guarantees

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

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

Commitments

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

Interest Rate Risk

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

Currency Risk

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

Placing and Subscription

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

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

Legal Contingencies

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

SUBSEQUENT EVENTS

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

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

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

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

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

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

	Original allocation of IPO proceeds (including the exercise of the over-allotment option)	**Utilised IPO proceeds as at 31 December 2019**	**Unutilised IPO proceeds as at 31 December 2019**
	RMB million	*RMB million*	*RMB million*
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	749.09	1,201.72
Land acquisition and construction for prefabricated construction projects	418.03	337.20	80.83
Research and development of Smart Home solutions	139.34	–	139.34
General working capital	278.69	278.69	–
Total	2,786.87	1,354.98	1,421.89

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

HUMAN RESOURCES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the Model Code during the year ended 31 December 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2019.

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

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

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

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

The Company established its audit committee ("**Audit Committee**") on 12 September 2018 with the responsibility to assist the Board in providing an independent review of the financial statements, risk management and internal control systems. The Audit Committee comprises 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 possessing the appropriate professional accounting and related financial management expertise.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2019. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group, the risk management and internal control systems, and the financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2019 as set out in this annual results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 29 May 2020. The notice of the AGM will be published on the Company's website at http://www.mideadc.com and the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk, and despatched to the shareholders of the Company in due course.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at http://www.mideadc.com and the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk. The 2019 annual report will be despatched to the shareholders of the Company and available on the aforesaid websites in due course.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Hao Hengle, Mr. Yao Wei, Mr. Lin Ge and Ms. Lin Dongna; the non-executive Directors of the Company are Mr. He Jianfeng and Mr. Zhao Jun; and the independent non-executive Directors of the Company are Mr. Tan Jinsong, Mr. O'Yang Wiley and Mr. Lu Qi.