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 2020

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2020, revenue amounted to RMB52,483.61 million, representing an increase of 27.6% as compared with RMB41,138.57 million for the year of 2019.

- For the year ended 31 December 2020, gross profit amounted to RMB11,657.99 million, and gross profit margin was 22.2%.

- For the year ended 31 December 2020, profit and total comprehensive income for the year amounted to RMB4,825.50 million, representing an increase of 11.5% as compared with RMB4,326.61 million for the year of 2019.

- For the year ended 31 December 2020, core net profit* amounted to RMB4,804.69 million, representing an increase of 15.0% as compared with RMB4,177.77 million for the year of 2019.

- For the year ended 31 December 2020, profit attributable to owners of the Company amounted to RMB4,326.48 million, representing an increase of 0.5% as compared with RMB4,305.16 million for the year of 2019.

- For the year ended 31 December 2020, earnings per share attributable to owners of the Company amounted to RMB3.52, representing a decrease of 2.5% as compared with RMB3.61 for the year of 2019.

- For the year ended 31 December 2020, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB126.16 billion, representing an increase of 24.6% as compared with RMB101.23 billion for the year of 2019.

- As at 31 December 2020, the total GFA of the Group's land reserves reached 53.98 million square metres, comprising 321 property development projects, covering 63 cities, 89 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 AND DISTRIBUTION ARRANGEMENT

Balance sheet management is becoming more important to real estate companies. In order to reduce the impact of huge amount of final dividend on the balance sheet for the following interim period and to balance the return of the shareholders of the Company, the Company intends to adjust the dividend distribution arrangement starting from 2021 by paying out dividend in two tranches, i.e. a final dividend to be declared at the annual results announcement and an interim dividend to be declared at the interim results announcement, and will strive to maintain a competitive aggregated dividend payout amount continuously.

As a result of the above arrangement, the Board has recommended the payment of a final dividend of HK$0.80 per share for the year ended 31 December 2020 (2019: HK$1.60 per share). In order to maintain the competitiveness of the dividend return, the Board intends to declare an interim dividend in 2021, which when aggregated with the current final dividend, will amount to HK$1.60 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 14 July 2021 to the shareholders whose names appear on the register of members of the Company on 23 June 2021.

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 2020, with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*2*	**52,483,611**	41,138,570
Cost of sales	*3*	**(40,825,617)**	(28,131,087)
Gross profit		**11,657,994**	13,007,483
Other income and gains — net	*4*	**654,743**	1,137,243
Selling and marketing expenses	*3*	**(2,194,349)**	(2,540,686)
Administrative expenses	*3*	**(3,518,260)**	(3,695,200)
Net impairment losses on financial assets		**(68,407)**	(5,578)
Operating profit		**6,531,721**	7,903,262
Finance income	*5*	**687,591**	206,040
Finance costs	*5*	**–**	(53,956)
Finance income — net	*5*	**687,591**	152,084
Share of results of joint ventures and associates		**351,042**	325,362
Profit before income tax		**7,570,354**	8,380,708
Income tax expenses	*6*	**(2,744,856)**	(4,054,099)
Profit for the year		**4,825,498**	4,326,609

	Note	Year ended 31 December 2020 *RMB'000*	2019 *RMB'000*
Profit attributable to:			
Owners of the Company		**4,326,482**	4,305,164
Non-controlling interests		**499,016**	21,445
Total comprehensive income for the year		**4,825,498**	4,326,609
Total comprehensive income attributable to:			
Owners of the Company		**4,326,482**	4,305,164
Non-controlling interests		**499,016**	21,445
		4,825,498	4,326,609
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	*7*	**3.52**	3.61

CONSOLIDATED BALANCE SHEET

	Note	**As at 31 December** **2020** ***RMB'000***	2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,240,196**	1,199,369
Investment properties		**2,644,975**	1,737,291
Right-of-use assets		**387,217**	529,632
Intangible assets		**152,558**	146,719
Properties under development		**2,172,043**	2,670,275
Investments in joint ventures		**12,511,758**	6,074,679
Investments in associates		**6,824,011**	4,685,994
Finance lease receivables		**42,721**	26,421
Deferred income tax assets		**3,245,424**	2,333,448
		29,220,903	19,403,828
Current assets			
Inventories		**54,754**	49,270
Contract assets and contract acquisition costs	*2(a)*	**1,634,864**	1,496,830
Properties under development		**147,733,999**	142,697,242
Completed properties held for sale		**12,781,184**	8,767,493
Trade and other receivables	*9*	**54,467,913**	36,205,754
Prepaid taxes		**9,977,138**	12,244,457
Financial assets at fair value through profit or loss	*10*	**1,096,084**	1,913,355
Restricted cash		**8,140,220**	7,697,191
Term deposits with initial terms over three months		**52,310**	141,159
Cash and cash equivalents		**18,595,105**	19,097,265
		254,533,571	230,310,016
Total assets		**283,754,474**	249,713,844

	Note	As at 31 December **2020** ***RMB'000***	2019 *RMB'000*
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	*11*	**7,654,595**	9,465,989
Other reserves		**2,803,116**	1,875,120
Retained earnings		**11,609,992**	8,308,530
		22,067,703	19,649,639
Non-controlling interests		**18,151,685**	11,488,654
Total equity		**40,219,388**	31,138,293
LIABILITIES			
Non-current liabilities			
Corporate bonds		**9,286,080**	8,049,059
Bank and other borrowings		**37,099,339**	37,466,454
Lease liabilities		**176,113**	199,662
Deferred income tax liabilities		**1,088,402**	1,548,454
		47,649,934	47,263,629
Current liabilities			
Contract liabilities	*2(b)*	**104,037,720**	84,891,715
Corporate bonds		**6,758,152**	2,437,720
Bank and other borrowings		**5,496,685**	6,698,484
Lease liabilities		**62,956**	49,830
Trade and other payables	*12*	**73,116,412**	71,823,898
Current income tax liabilities		**6,413,227**	5,410,275
		195,885,152	171,311,922
Total liabilities		**243,535,086**	218,575,551
Total equity and liabilities		**283,754,474**	249,713,844

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 2020:

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

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

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

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

		Effective for the financial year beginning on or after
Amendment to HKFRS 16	Covid-19 — related rent concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment- proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

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

2. REVENUE AND SEGMENT INFORMATION

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

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

Represented by:

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

Over 95% of the Group's revenue is attributable to the 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	
	2020	2019
	RMB'000	*RMB'000*
Contract assets related to property development and sales (i)	**887,881**	972,568
Contract acquisition costs (ii)	**746,983**	524,262
Total contract assets and contract acquisition costs	**1,634,864**	1,496,830

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

(ii) Management expects the contract acquisition costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amounts of amortisation were RMB411,963,000 for the year ended 31 December 2020 (2019: RMB302,669,000). There was no impairment loss in relation to the costs capitalised.

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Contract liabilities	**104,037,720**	84,891,715

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

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

3. EXPENSES BY NATURE

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

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

4. OTHER INCOME AND GAINS — NET

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

5. FINANCE INCOME — NET

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

6. INCOME TAX EXPENSES

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

(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 from 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.

7. EARNINGS PER SHARE

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

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

8. DIVIDENDS

The board of directors has recommended the payment of a final dividend of HK$0.80 per share for the year ended 31 December 2020 (2019: HK$1.60 per share). Subject to the approval of the shareholders of the Company at the annual general meeting, the proposed final dividend will be paid on or about 14 July 2021 to the shareholders whose names appear on the register of members of the Company on 23 June 2021.

9. TRADE AND OTHER RECEIVABLES

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

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

(a) Details of trade receivables are as follows:

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

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

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

The Group's trade receivables were denominated in RMB.

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

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Investments in wealth management products *(note(a))*	**813,690**	992,700
Investments in asset management schemes *(note(a))*	**201,100**	786,475
Investments in listed equity investment *(note(b))*	**–**	61,304
Others	**81,294**	72,876
	1,096,084	1,913,355

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

The ranges of expected return rates of these products as at 31 December 2020 were 0.45%–6.4% (2019: 0.30%–5.22%).

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

11. 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 2018 and 1 January 2019		1,190,567,000	1,190,567	1,005,366	7,781,713	8,787,079
Placing of shares		40,000,000	40,000	35,943	642,967	678,910
At 31 December 2019 and 1 January 2020		1,230,567,000	1,230,567	1,041,309	8,424,680	9,465,989
Dividends	*(a)*	–	–	–	(1,811,394)	(1,811,394)
		1,230,567,000	1,230,567	1,041,309	6,613,286	7,654,595

(a) On 30 March 2020, the board of directors of the Company recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2019 (2018: HK$1.2253 per share) out of the share premium account of the Company, which was approved by the shareholders of the Company at the annual general meeting held on 29 May 2020 and paid on 10 July 2020.

12. TRADE AND OTHER PAYABLES

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

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**18,523,384**	25,668,865
Over 90 days and within 365 days	**14,527,604**	6,033,564
Over 365 days	**1,862,233**	775,336
	34,913,221	32,477,765

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW FOR 2020

Annual Results

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

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

(I) Review of the Real Estate Industry

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

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

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

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

(II) Sales Performance

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

Enhancement of urban capacity and product power boosted a significant increase in the average selling price. During the year, the Group's contracted sales in the Yangtze River Delta Economic Zone amounted to approximately RMB58.71 billion, representing a year-on-year increase of approximately 61.7%, and contracted sales in the Pearl River Delta Economic Zone amounted to approximately RMB22.72 billion, representing a year-on-year increase of approximately 21.5%. The contracted sales in the Yangtze River Delta and the Pearl River Delta accounted for more than 60% of the Group's total sales.

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

(III) Financial Performance

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

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

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

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

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

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

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

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

(IV) Operation Measures

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

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

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

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

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

BUSINESS OUTLOOK FOR 2021

Market Outlook

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

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

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

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

Development Strategy and Outlook

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

Residential property development

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

Mega services

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

Commercial operations

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

Industry

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

Land Reserves

During the year, the Group continued to expand towards the central cities and key tier-one and tier-two cities and consistently implemented its strategy of deeply penetrating regional markets and expanding to potential upper-tier cities.

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

During the year, the Group placed more focus on the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area as well as the core metropolitan areas and city clusters in China. The total GFA of the newly acquired land reserves* amounted to approximately 9.44 million square metres, with newly covered cities including Wenzhou, Luoyang, Shaoxing and Zhuhai.

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

FINANCIAL REVIEW

Revenue

Property Development and Sales

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

Property Management Services

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

Investment and Operation of Commercial Properties

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

Cost of Sales

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

Gross Profit

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

Other Income and Gains — Net

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Finance Income — Net

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

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

Profit Attributable to Owners of the Company

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB26,787.64 million as at 31 December 2020 (31 December 2019: RMB26,935.62 million), including RMB18,595.11 million in cash and cash equivalents (31 December 2019: RMB19,097.27 million), RMB52.31 million in term deposits with initial terms of over three months (31 December 2019: RMB141.16 million) and RMB8,140.22 million in restricted cash (31 December 2019: RMB7,697.19 million). Several property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 31 December 2020, the Group's unused credit facilities from banks were RMB87,734 million.

Borrowings

As at 31 December 2020, the Group's total borrowings amounted to RMB58,640.25 million. Bank and other borrowings, and corporate bonds were RMB42,596.02 million and RMB16,044.23 million, respectively. As at 31 December 2020, the gearing ratio was 79% (31 December 2019: 89%). The gearing ratio is calculated based on net borrowings divided by total equity. Net borrowings were calculated as total amount of borrowings less cash and cash equivalents, term deposits with initial terms of over three months and restricted cash.

Borrowing Costs

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

Contingent Liabilities and Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees were issued from the date of grant of the relevant mortgage loans, and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 31 December 2020, the value of the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB80,416.62 million (31 December 2019: RMB62,687.03 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 31 December 2020, the value of the Group's guarantee for the loans of joint ventures and associates amounted to RMB11,917.46 million (31 December 2019: RMB6,991.18 million).

Commitments

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

Interest Rate Risk

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

Currency Risk

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

Legal Contingencies

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

SUBSEQUENT EVENTS

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

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

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

As at 31 December 2020, an analysis of the utilisation of IPO proceeds of the Company is as follows:

	Original allocation of IPO proceeds (including the exercise of the over-allotment option) *RMB million*	**Utilised IPO proceeds as at 31 December 2020** *RMB million*	**Unutilised IPO proceeds as at 31 December 2020** *RMB million*	**Expected timeline for the use of unutilised IPO proceeds**
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	1,218.25	732.56 *(Note 1)*	By the end of 2021
Land acquisition and construction for prefabricated construction projects	418.03	418.03	–	–
Research and development of Smart Home solutions	139.34	139.34	–	–
General working capital	278.69	278.69	–	–
Total	2,786.87	2,054.31	732.56	

Note:

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

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

HUMAN RESOURCES

As at 31 December 2020, the Group had employed approximately 15,252 full time employees, most of whom were based in the PRC. Employee's remuneration includes salaries, bonuses and other cash subsidies. The remuneration and bonuses of the employees are determined based on the Group's remuneration and welfare policies, the performance of the employees, the profitability of the Group and market level. The Group will also provide employees with comprehensive welfare plans and career development opportunities, including social insurances, housing provident funds, commercial insurance as well as internal and external training opportunities.

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 2020.

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 2020.

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 2020.

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

According to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2020, Mr. Hao Hengle performed his duties as the chairman and president of the Company. As such, the Company has deviated from code provision A.2.1 of the CG Code. Given Mr. Hao has considerable experience in the PRC real estate industry and the business operations of the Group, and is familiar with Midea's operations and management core values, the Board believes that vesting both roles of chairman and president in Mr. Hao facilitates the execution of the Group's long-term strategic aims and achieving its operations and business objectives, thereby maximising the effectiveness of the Group's operations.

The Board believes that this structure is in the best interest of the Company, and that this situation will not impair the balance of power and authority between the Board and the management of the Company because the Board comprises nine experienced and high-calibre individuals with demonstrated integrity, of which three are independent non-executive Directors, and they will take the lead where potential conflicts of interests of other Directors arise.

Further, major decisions of the Board are collectively made by way of majority voting. Therefore, major decisions must be made in consultation with members of the Board and appropriate committees. Senior management and/or external professional consultants are also invited to attend Board and committee meetings from time to time to provide adequate, accurate, clear, complete and reliable information to members of the Board for consideration in a timely manner.

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

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 2020. 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 2020 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 4 June 2021. 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 AND DISTRIBUTION ARRANGEMENT

Balance sheet management is becoming more important to real estate companies. In order to reduce the impact of huge amount of final dividend on the balance sheet for the following interim period and to balance the return of the shareholders of the Company, the Company intends to adjust the dividend distribution arrangement starting from 2021 by paying out dividend in two tranches, i.e. a final dividend to be declared at the annual results announcement and an interim dividend to be declared at the interim results announcement, and will strive to maintain a competitive aggregated dividend payout amount continuously.

As a result of the above arrangement, the Board has recommended the payment of a final dividend of HK$0.80 per share for the year ended 31 December 2020 (2019: HK$1.60 per share). In order to maintain the competitiveness of the dividend return, the Board intends to declare an interim dividend in 2021, which when aggregated with the current final dividend, will amount to HK$1.60 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 14 July 2021 to the shareholders whose names appear on the register of members of the Company on 23 June 2021.

CLOSURE OF REGISTER OF MEMBERS

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

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

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 2020 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, 24 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Hao Hengle, Mr. Xu Chuanfu, Mr. Yao Wei and Mr. Lin Ge; 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.