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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- During the Reporting Period, revenue amounted to RMB14,194.85 million, representing an increase of 33% as compared with RMB10,637.37 million of the corresponding period of 2018.
- During the Reporting Period, gross profit amounted to RMB5,093.34 million, representing an increase of 35% as compared with RMB3,779.62 million of the corresponding period of 2018.
- During the Reporting Period, profit and total comprehensive income amounted to RMB1,888.76 million, representing an increase of 27% as compared with RMB1,481.85 million of the corresponding period of 2018.
- During the Reporting Period, core net profit* amounted to RMB1,889.37 million, representing an increase of 28% as compared with RMB1,480.48 million of the corresponding period of 2018.
- During the Reporting Period, earnings per share attributable to owners of the Company amounted to RMB1.49, representing an increase of 1% as compared with RMB1.47 of the corresponding period of 2018.
- During the Reporting Period, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB47,200 million, representing an increase of approximately 17% as compared with RMB40,400 million of the corresponding period of 2018.
- As at 30 June 2019, the Group had 210 projects and the Group also participated in 39 projects through joint ventures and associates, covering 54 cities in 15 provinces and 2 municipalities, whose land reserves GFA totalled approximately 52.51 million square metres and average cost was approximately RMB2,677 per square metre.

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

INTERIM DIVIDEND

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

The board of directors (the "**Board**" or the "**Director(s)**") of Midea Real Estate Holding Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"), with the comparative figures for 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**14,194,850**	10,637,371
Cost of sales	*5*	**(9,101,508)**	(6,857,748)
Gross profit		**5,093,342**	3,779,623
Other income and gains — net	*6*	**270,813**	230,087
Selling and marketing expenses	*5*	**(1,045,473)**	(779,572)
Administrative expenses	*5*	**(1,030,663)**	(678,457)
Net impairment losses on financial assets		**(22,331)**	(1,988)
Operating profit		**3,265,688**	2,549,693
Finance income	*7*	**92,688**	140,759
Finance costs	*7*	**(10,615)**	–
Finance income — net	*7*	**82,073**	140,759
Share of results of joint ventures and associates		**90,013**	(29,260)
Profit before income tax		**3,437,774**	2,661,192
Income tax expenses	*8*	**(1,549,015)**	(1,179,346)
Profit for the period		**1,888,759**	1,481,846
Profit attributable to:			
Owners of the Company		**1,769,384**	1,473,198
Non-controlling interests		**119,375**	8,648
Total comprehensive income for the period		**1,888,759**	1,481,846
Total comprehensive income attributable to:			
Owners of the Company		**1,769,384**	1,473,198
Non-controlling interests		**119,375**	8,648
		1,888,759	1,481,846
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	*9*	**1.49**	1.47

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2019** *RMB'000*	Audited 31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,031,465**	836,712
Land use rights	*3*	**–**	456,274
Investment properties	*3*	**748,537**	690,660
Right-of-use assets	*3*	**616,450**	–
Intangible assets		**33,409**	35,084
Properties under development		**3,583,319**	5,685,753
Investments in joint ventures		**1,725,992**	1,023,571
Investments in associates		**2,005,416**	841,896
Finance lease receivables	*3*	**27,375**	–
Deferred income tax assets		**1,471,607**	918,603
		11,243,570	10,488,553
Current assets			
Inventories		**30,235**	8,327
Contract assets and contract acquisition costs	*4(a)*	**1,871,526**	1,429,912
Properties under development		**131,437,041**	103,913,613
Completed properties held for sale		**3,813,044**	4,384,344
Trade and other receivables	*11*	**25,544,020**	19,545,931
Prepaid taxes		**11,673,506**	9,758,793
Financial assets at fair value through profit or loss	*12*	**296,108**	1,256,498
Restricted cash		**8,266,248**	8,028,121
Term deposits with initial terms of over three months		**336,228**	3,065,866
Cash and cash equivalents		**19,224,016**	15,439,152
		202,491,972	166,830,557
Total assets		**213,735,542**	177,319,110

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	*13*	**8,787,079**	8,787,079
Other reserves		**1,286,042**	1,293,695
Retained earnings		**6,563,466**	6,076,085
		16,636,587	16,156,859
Non-controlling interests		**10,932,557**	7,427,577
Total equity		**27,569,144**	23,584,436
LIABILITIES			
Non-current liabilities			
Corporate bonds		**6,048,126**	2,434,318
Bank and other borrowings		**36,644,648**	30,473,817
Lease liabilities	*3*	**188,846**	–
Deferred income tax liabilities		**1,417,231**	1,560,795
		44,298,851	34,468,930
Current liabilities			
Contract liabilities	*4(b)*	**74,541,405**	55,929,397
Corporate bonds		**1,438,648**	3,499,268
Bank and other borrowings		**10,053,783**	13,101,903
Lease liabilities	*3*	**57,011**	–
Trade and other payables	*14*	**52,081,789**	43,502,042
Current income tax liabilities		**3,694,911**	3,233,134
		141,867,547	119,265,744
Total liabilities		**186,166,398**	153,734,674
Total equity and liabilities		**213,735,542**	177,319,110

NOTES

1 BASIS OF PRESENTATION AND PREPARATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) New and amended standard adopted by the Group

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

The impact of the adoption of the new leasing standard and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

This notes explains the impact of the adoption of HKFRS 16 leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 3(b) below.

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

(a) Adjustments recognised on adoption of HKFRS 16

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

	RMB'000
Discounted using the lessee's incremental borrowing rate 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 30 June 2019	
Of which are:	
Current lease liabilities	57,011
Non-current lease liabilities	188,846
	245,857

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

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

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

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

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

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

(i) Impact on earnings per share

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

(ii) Practical expedients applied

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

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

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

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

(i) The Group as the lessee

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

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

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

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

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

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

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

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

(ii) The Group as the lessor

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

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

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

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

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

(iii) Sublease

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

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

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

4 REVENUE AND SEGMENT INFORMATION

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

Represented by:

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

Nearly 100% of the Group's revenue is attributable to the PRC market and over 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

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

(a) Details of contract assets and contract acquisition costs

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

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

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

(b) Contract liabilities

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

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

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

5 EXPENSES BY NATURE

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

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

6 OTHER INCOME AND GAINS — NET

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

7 FINANCE INCOME — NET

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

8 INCOME TAX EXPENSES

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

Note:

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

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

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

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

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

9 EARNINGS PER SHARE

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

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

10 DIVIDENDS

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

11 TRADE AND OTHER RECEIVABLES

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

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

(a) Details of trade receivables are as follows:

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

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

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

The Group's trade receivables are denominated in RMB.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the six months ended 30 June 2019, a provision of RMB9,283,000 (six months ended 30 June 2018: RMB9,118,000) were made against the gross amount of trade receivables.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

13 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	*(a)*	190,567,000	190,567	168,024	2,688,385	2,856,409
Share issuance cost	*(b)*	–	–	–	(69,539)	(69,539)
At 31 December 2018 and 30 June 2019		1,190,567,000	1,190,567	1,005,366	7,781,713	8,787,079

(a) On 11 October 2018, the Company issued 180,000,000 ordinary shares of HKD1.00 each at HKD17.00 per share in connection with the Listing, and raised net proceeds of approximately HKD3,060,000,000 (approximately RMB2,698,002,000). In addition, on 2 November 2018, the over-allotment option in connection with the global offering of the Company's shares was partially exercised by the joint global coordinators and as a result, additional 10,567,000 ordinary shares of HKD1.00 each were issued at HKD17.00 per share and raised net proceeds of HKD179,639,000 (approximately RMB158,407,000). The respective paid up capital amount was approximately RMB168,024,000 and share premium arising from the issuance was approximately RMB2,688,385,000.

(b) Share issuance costs mainly included share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing. Incremental costs that were directly attributable to the issue of the new shares amounting RMB69,539,000 was treated as a deduction against the share premium arising from the issuance.

14 TRADE AND OTHER PAYABLES

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

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

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

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

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW FOR THE FIRST HALF OF 2019

Interim Results

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

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

(I) Review of the Real Estate Industry

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

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

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

(II) Sales Performance

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

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

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

(III) Investments

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

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

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

(IV) Operation Measures

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

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

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

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

(V) Financing

Prominent cost advantage in financing. While the financing costs in the real estate industry kept rising, the Group managed to maintain its low-cost financing advantage. During the Reporting Period, the weighted average effective interest rate of its total borrowings was 5.95%, of which, the weighted average effective interest rate of its new borrowings was 5.84%, representing a decline of 17 basis points as compared to the year ended 31 December 2018 and lower than the industry average. Leveraging on its strong financing capacity, the Group continuously diversifies its financing channels to replenish low-cost funds for sustainable development, so its financing is less susceptible to relevant regulations.

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

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

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

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2019

Market Outlook

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

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

Development Strategy and Outlook

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

Contracted Sales

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

Land Reserves

As at 30 June 2019, the Group had a total of 210 property development projects and participated in 39 projects through joint ventures and associates, covering 54 cities in 15 provinces and 2 municipalities in China and representing a total land reserves GFA of approximately 52.51 million square metres. The average land price was approximately RMB2,677 per square metre, a cost advantage that enables the Group to have better profitability and anti-cyclical-risk ability in the long run. Newly-added total land reserves GFA reached 9.66 million square metres, and newly-developed markets included Tianjin, Hangzhou, Wuhan, Hengyang, Taizhou and Huizhou, etc.

FINANCIAL REVIEW

Revenue

Property Development and Sales

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

Property Management Services

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

Investment and Operation of Commercial Properties

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

Cost of Sales

The Group's cost of sales primarily represents the costs we incur directly for the property development activities, the provision of property management services and other businesses. During the Reporting Period, the Group's cost of sales increased by 33% to RMB9,101.51 million from RMB6,857.75 million in the corresponding period of 2018, primarily due to the fact that the recognised GFA increased by 18% to 1.55 million square metres from the corresponding period of 2018.

Gross Profit

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

Other Income and Gains — Net

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Finance Income — Net

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

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

Profit Attributable to Owners of the Company

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

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

Borrowings

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

Borrowing Cost

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

Contingent Liabilities And Guarantees

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

In addition, the Group also provides guarantees for borrowings of certain cooperative enterprises and associated companies. As at 30 June 2019, the value of the Group's guarantee for the loans of joint ventures and associates amounted to RMB4,777.57 million (31 December 2018: RMB2,947.42 million).

Interest Rate Risk

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

Currency Risk

The Group's businesses are mainly conducted in RMB and most of its assets are denominated in RMB. Non-RMB assets and liabilities are mainly bank deposits and borrowings denominated in Hong Kong dollars 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.

SUBSEQUENT EVENTS

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

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

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

As at 30 June 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 30 June 2019**	**Unutilised IPO proceeds as at 30 June 2019**
	RMB million	*RMB million*	*RMB million*
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	345.55	1,605.26
Land acquisition and construction for prefabricated construction projects	418.03	171.54	246.49
Research and development of Smart Home solutions	139.34	–	139.34
General working capital	278.69	272.16	6.53
Total	2,786.87	789.25	1,997.62

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

EMPLOYEES AND REMUNERATION POLICY

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

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 six months ended 30 June 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 six months ended 30 June 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 six months ended 30 June 2019.

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

According to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2019, Mr. Hao Hengle performed his duties as the chairman and president of the Company. As such, the Company has deviated from code provision A.2.1 of the CG Code. Given Mr. Hao Hengle has considerable knowledge and experience in the PRC real estate industry and the business operations of the Group, the Board believes that vesting both roles of chairman and president in Mr. Hao Hengle facilitates the execution of the Group's business strategies and implementation of the Group's long-term business goals, thereby maximising the effectiveness of the Group's operations.

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

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

INTERIM DIVIDEND

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

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND INTERIM 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 interim 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, 19 August 2019

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.