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 2021

FINANCIAL HIGHLIGHTS

- During the Reporting Period, revenue amounted to RMB33,038.57 million, representing an increase of 57.8% as compared with RMB20,936.62 million for the corresponding period of 2020.

- During the Reporting Period, gross profit amounted to RMB6,838.11 million, representing an increase of 23.8% as compared with RMB5,523.79 million for the corresponding period of 2020.

- During the Reporting Period, profit and total comprehensive income amounted to RMB3,002.34 million, representing an increase of 27.5% as compared with RMB2,354.24 million for the corresponding period of 2020.

- During the Reporting Period, core net profit attributable to owners of the Company* amounted to RMB2,253.31 million, representing an increase of 11.2% as compared to RMB2,026.83 million for the corresponding period of 2020.

- During the Reporting Period, earnings per share attributable to owners of the Company amounted to RMB1.75, representing an increase of 6.7% as compared with RMB1.64 for the corresponding period of 2020.

- During the Reporting Period, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB82.59 billion, representing an increase of 71.3% as compared with RMB48.20 billion for the corresponding period of 2020.

- As at 30 June 2021, the total GFA of the Group's land reserves** reached 52.77 million square metres, comprising 339 property development projects, covering 62 cities, 103 of which were participated through joint ventures and associates.

* Core net profit attributable to owners of the Company represents profit attributable to owners of the Company excluding the post-tax profit or loss arising from changes in fair value of investment properties and the post-tax expenses arising from equity-settled share-based payment transactions.

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (for the corresponding period of 2020: Nil).

The board of directors (the "**Board**" or the "**Director(s)**") of Midea Real Estate Holding Limited (the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Reporting Period**"), with the comparative figures for the corresponding period of 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**33,038,573**	20,936,620
Cost of sales	*4*	**(26,200,467)**	(15,412,831)
Gross profit		**6,838,106**	5,523,789
Other income and gains — net	*5*	**376,941**	413,155
Selling and marketing expenses	*4*	**(1,390,032)**	(1,259,503)
Administrative expenses	*4*	**(1,650,154)**	(1,262,958)
Net impairment losses on financial assets		**(49,542)**	(20,850)
Operating profit		**4,125,319**	3,393,633
Finance income	*6*	**371,946**	160,183
Finance costs	*6*	**–**	(40,678)
Finance income — net	*6*	**371,946**	119,505
Share of results of joint ventures and associates		**(85,539)**	198,027
Profit before income tax		**4,411,726**	3,711,165
Income tax expenses	*7*	**(1,409,388)**	(1,356,930)
Profit for the period		**3,002,338**	2,354,235

	Note	Unaudited Six months ended 30 June **2021** *RMB'000*	2020 *RMB'000*
Profit attributable to:			
Owners of the Company		**2,154,935**	2,024,099
Non-controlling interests		**847,403**	330,136
Total comprehensive income for the period		**3,002,338**	2,354,235
Total comprehensive income attributable to:			
Owners of the Company		**2,154,935**	2,024,099
Non-controlling interests		**847,403**	330,136
		3,002,338	2,354,235
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	*8*	**1.75**	1.64

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2021** *RMB'000*	Audited 31 December 2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,213,921**	1,240,196
Investment properties		**2,617,778**	2,644,975
Right-of-use assets		**376,588**	387,217
Intangible assets		**149,826**	152,558
Properties under development		**88,665**	2,172,043
Investments in joint ventures		**13,319,142**	12,511,758
Investments in associates		**7,389,448**	6,824,011
Finance lease receivables		**47,683**	42,721
Deferred income tax assets		**3,985,870**	3,245,424
		29,188,921	29,220,903
Current assets			
Inventories		**57,359**	54,754
Contract assets and contract acquisition costs	*3(a)*	**1,432,228**	1,634,864
Properties under development		**148,794,591**	147,733,999
Completed properties held for sale		**17,081,619**	12,781,184
Trade and other receivables	*10*	**49,471,588**	54,467,913
Prepaid taxes		**10,717,683**	9,977,138
Financial assets at fair value through profit or loss	*11*	**1,009,880**	1,096,084
Restricted cash		**8,675,562**	8,140,220
Term deposits with initial terms over three months		**30,000**	52,310
Cash and cash equivalents		**23,358,212**	18,595,105
		260,628,722	254,533,571
Total assets		**289,817,643**	283,754,474

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	*12*	**6,026,594**	7,654,595
Other reserves		**2,858,596**	2,803,116
Retained earnings		**13,764,927**	11,609,992
		22,650,117	22,067,703
Non-controlling interests		**20,423,088**	18,151,685
Total equity		**43,073,205**	40,219,388
LIABILITIES			
Non-current liabilities			
Corporate bonds		**9,065,054**	9,286,080
Bank and other borrowings		**37,468,242**	37,099,339
Lease liabilities		**144,458**	176,113
Deferred income tax liabilities		**1,012,140**	1,088,402
		47,689,894	47,649,934
Current liabilities			
Contract liabilities	*3(b)*	**109,598,492**	104,037,720
Corporate bonds		**3,139,545**	6,758,152
Bank and other borrowings		**7,448,573**	5,496,685
Lease liabilities		**80,156**	62,956
Trade and other payables	*13*	**71,951,801**	73,116,412
Current income tax liabilities		**6,835,977**	6,413,227
		199,054,544	195,885,152
Total liabilities		**246,744,438**	243,535,086
Total equity and liabilities		**289,817,643**	283,754,474

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 2020 (the "**2020 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 the 2020 Financial Statements, except for the adoption of new and amendments to the HKFRS effective for the financial year beginning 1 January 2021.

(a) New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) New standards, amendments and interpretations 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 16	Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 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
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to IFRS Standards 2018 to 2020	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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	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

Based on management's preliminary assessment, none of the above new standard, amendments and interpretation is expected to have a significant impact on the Group's consolidated financial statements.

3 REVENUE AND SEGMENT INFORMATION

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

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

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

For the six months ended 30 June 2021 and 2020, the aggregate revenues, profits or losses or total assets of the business segments other than property development and sales accounted for less than 5% of the total revenues, profits or assets of the Group, therefore, the directors of the Company consider these business segments not reportable and the executive directors assess the Group's performance as a whole. Thus operating segment information is not presented.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Property development and sales	**32,480,410**	20,533,533
Property management services	**425,109**	346,445
Investment and operation of commercial properties		
— Property lease income	**69,354**	26,402
— Hotel operation	**3,807**	3,360
— Cultural-tourism project	**59,893**	26,880
	33,038,573	20,936,620

Represented by:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from property development and sales:		
Recognised at a point in time	**28,987,006**	15,860,755
Recognised over time	**3,493,404**	4,672,778
	32,480,410	20,533,533
Revenue from rendering of services:		
Recognised over time	**488,809**	376,685
Revenue from other sources:		
Property lease income	**69,354**	26,402
	33,038,573	20,936,620

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 30 June 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Contract assets related to property development and sales (i)	**659,939**	887,881
Contract acquisition costs (ii)	**772,289**	746,983
Total contract assets and contract acquisition costs	**1,432,228**	1,634,864

(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. The decrease in contract assets was mainly due to the decrease of the portion of revenue recognised over time.

(ii) Management expects the contract acquisition costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sales contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amount of amortisation were RMB305,301,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB151,983,000). 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 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Contract liabilities	**109,598,492**	104,037,720

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 period was mainly attributable to the increase in the Group's contracted sales.

As at 30 June 2021, RMB9,822,861,000 (31 December 2020: RMB9,308,048,000) of value-added-taxes on advances from customers relating to contracted sales were recognised in other taxes payable.

4 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of property development and sales — including construction cost, land cost, capitalised interest expenses	**25,671,159**	15,005,235
Employee benefit expenses	**1,115,903**	955,233
Marketing and advertising expenses	**725,995**	763,515
Write-downs of properties under development and completed properties held for sale	**369,809**	253,205
Amortisation of contract acquisition costs	**305,301**	151,983
Taxes and surcharges	**215,167**	155,227
Travelling and entertainment expenses	**63,572**	42,899
Office expenses	**24,690**	22,044
Depreciation and amortisation	**83,967**	104,412
Auditor's remuneration		
— Interim review services	**1,400**	1,400
Others	**663,690**	480,139
Total	**29,240,653**	17,935,292

5 OTHER INCOME AND GAINS — NET

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Management and consulting service income	**322,989**	185,437
Government subsidy income	**11,324**	40,929
Compensation income	**42,786**	38,809
	377,099	265,175
Other gains — net		
Realised and unrealised gains on financial assets at fair value through profit or loss	**19,674**	126,725
Gains/(losses) arising from changes in fair value of investment properties	**72**	(3,641)
Losses on disposal of subsidiaries	**(42,001)**	–
Loss on disposal of a joint venture	**–**	(5,812)
Losses on disposal of property, plant and equipment and investment properties	**(1,866)**	(114)
Net foreign exchange gains	**22,081**	16,833
Others	**1,882**	13,989
	(158)	147,980
Other income and gains — net	**376,941**	413,155

6 FINANCE INCOME — NET

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expenses		
— Bank and other borrowings	**(1,136,865)**	(1,264,210)
— Corporate bonds	**(300,563)**	(353,958)
— Lease liabilities	**(7,513)**	(6,276)
	(1,444,941)	(1,624,444)
Less:		
— Capitalised interest	**1,444,941**	1,624,444
	–	–
— Net foreign exchange losses on financing activities	**–**	(40,678)
	–	(40,678)
Finance income		
— Interest income	**322,043**	160,183
— Net foreign exchange gains on financing activities	**49,903**	–
	371,946	160,183
Finance income — net	**371,946**	119,505

7 INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Corporate income tax	**1,836,527**	1,323,494
— PRC land appreciation tax ("**LAT**")	**401,268**	648,664
	2,237,795	1,972,158
Deferred income tax		
— Corporate income tax	**(828,407)**	(615,228)
	1,409,388	1,356,930

Note:

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated weighted average effective annual tax rate used for the six months to 30 June 2021 is 32%, compared to 37% for the six months ended 30 June 2020. The effective tax rate was lower in 2021 primarily due to the decrease in LAT expense as a result of the drop in gross profit margin.

As at 30 June 2021, the retained earnings of the Group's PRC subsidiaries not yet remitted to their holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB14,143,972,000 (31 December 2020: RMB11,946,794,000). 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.

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding those ordinary shares held for restricted share award scheme.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)*:	**2,154,935**	2,024,099
Weighted average number of ordinary shares in issue *(thousands)*	**1,230,276**	1,230,567
Earnings per share — Basic *(RMB per share)*	**1.75**	1.64

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares arising from the restricted shares and the share options. The restricted shares and the share options granted are subject to certain performance conditions. Such performance conditions have not been met as of 30 June 2021, therefore, for the six months ended 30 June 2021, no dilutive shares arising from the restricted shares and the share options were included in the calculation of the diluted earnings per share and hence the diluted earnings per share was equal to the basic earnings per share.

9 DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Included in current assets:		
Trade receivables — net *(Note (a))*	**1,676,113**	1,321,642
Other receivables — net	**39,034,170**	48,702,799
Prepayments for land use rights	**7,831,103**	2,673,252
Advanced payments for redemption of corporate bonds	**–**	1,000,000
Other prepayments	**930,202**	770,220
	49,471,588	54,467,913

(a) Details of trade receivables are as follows:

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Trade receivables — related parties	**246,022**	242,118
Trade receivables — third parties	**1,474,411**	1,115,958
Less: allowance for impairment	**(44,320)**	(36,434)
Trade receivables — net	**1,676,113**	1,321,642

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

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Within 90 days	**987,534**	868,510
Over 90 days and within 180 days	**178,515**	116,560
Over 180 days and within 365 days	**356,152**	130,593
Over 365 days	**198,232**	242,413
	1,720,433	1,358,076

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 2021, a provision of RMB7,886,000 (six months ended 30 June 2020: provision of RMB2,832,000) were made against the gross amounts of trade receivables.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Investments in wealth management products *(a)*	**554,973**	813,690
Investments in asset management schemes *(a)*	**268,900**	201,100
Others	**186,007**	81,294
	1,009,880	1,096,084

(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 30 June 2021 were 0.57% to 4.1% (31 December 2020: 0.45%–6.4%).

12 SHARE CAPITAL AND PREMIUM

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares** *HKD'000*	**Equivalent nominal value of ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
Authorised						
Ordinary share of HKD1.00 each upon incorporation		1,000,000,000	1,000,000	–	–	–
Increase in authorised share capital		1,000,000,000	1,000,000	–	–	–
		2,000,000,000	2,000,000	–	–	–
Issued and fully paid						
At 31 December 2019 and 1 January 2020		1,230,567,000	1,230,567	1,041,309	8,424,680	9,465,989
Dividends payable to shareholders		–	–	–	(1,811,394)	(1,811,394)
At 31 December 2020 and 1 January 2021		1,230,567,000	1,230,567	1,041,309	6,613,286	7,654,595
Issue of new shares	*(a)*	3,795,000	3,795	3,134	–	3,134
Dividends payable to shareholders	*(b)*	–	–	–	(1,631,135)	(1,631,135)
At 30 June 2021		1,234,362,000	1,234,362	1,044,443	4,982,151	6,026,594

(a) On 22 April 2021, in recognition of the contributions by, and to attract, motivate and retain certain directors or proposed directors, management, key technician, officer, manager and employee of any member of the Group, the Company adopted the restricted share award scheme, according to which 3,795,000 ordinary shares of the Company were issued and allotted to MRE T Limited on 31 May 2021 for the purpose of the restricted share award scheme.

(b) On 24 March 2021, the Board of the Company recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2020 (2019: HK$1.60 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 4 June 2021.

13 TRADE AND OTHER PAYABLES

	As at 30 June 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Trade payables *(Note (a))*	**34,211,975**	34,913,221
— related parties	**75,815**	32,766
— third parties	**34,136,160**	34,880,455
Amounts due to related parties	**18,236,604**	19,027,429
Amounts due to non-controlling interests	**8,701,799**	9,692,822
Payable for outstanding acquisition considerations	**2,306,475**	2,133,530
Deposit payables	**1,061,903**	1,339,001
Accrued expenses	**860,032**	763,464
Salaries payable	**476,424**	1,082,101
Interests payable	**518,457**	557,513
Other taxes payable	**1,944,782**	1,856,259
Dividends payable to shareholders	**1,631,135**	–
Other payables	**2,002,215**	1,751,072
	71,951,801	73,116,412

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

	As at 30 June 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Within 90 days	**13,128,626**	18,523,384
Over 90 days and within 365 days	**19,240,179**	14,527,604
Over 365 days	**1,843,170**	1,862,233
	34,211,975	34,913,221

The Group's trade payables as at 30 June 2021 and 31 December 2020 are denominated in RMB.

BUSINESS REVIEW AND OUTLOOK

Interim Results

2021 is the first year of the "14th Five-Year Plan". With national reforms going through a tough phase and economic development under a new normal, the transformation and reform of the real estate industry is going deeper and deeper. Following such financial regulatory measures as the "Three Red Lines and Four Camps" and the management of real estate loan concentration, the "two-centralised land supply" policy was introduced and implemented to stabilise land prices, house prices and expectations and promote the stable and healthy development of the real estate market. In the face of the restructuring of the industry's competition landscape, real estate companies focus on seeking "management-driven results" and shift their development objectives from business expansion to enterprise value enhancement. In this context, there are higher requirements on the investment capabilities, product strength, operating efficiency, capital efficiency and industrial momentum of real estate companies.

During the Reporting Period, the Group's revenue amounted to RMB33,038.57 million, representing an increase of 57.8% as compared to the corresponding period of 2020. Gross profit amounted to RMB6,838.11 million, representing an increase of 23.8% as compared to the corresponding period of 2020. Core net profit of the Group amounted to RMB3,100.71 million, representing an increase of 31.6% as compared to the corresponding period of 2020. Core net profit attributable to owners of the Company amounted to RMB2,253.31 million, representing an increase of 11.2% as compared to the corresponding period of 2020. As at 30 June 2021, the gearing ratio was 58.2%, representing a decline of 21 percentage points as compared to the end of 2020.

BUSINESS REVIEW FOR THE FIRST HALF OF 2021

(I) Review of the Real Estate Industry

In the first half of 2021, the industry ushered in an era of full-blown regulation with high-frequency, high-density and high-coverage regulatory policies, featuring "mild growth and active existing projects".

The central government insists on the fundamental principle that "housing is not for speculation". The high-leverage and high-debt business model has become unsustainable, forcing real estate companies to control financial leverage, improve operation 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 access more high-quality resources and development opportunities.

The policy of centralised land supply opens up a new era in the land supply market, and imposes higher requirements on the development, operation and profit management of real estate companies. The policy further increases the financial pressure on real estate companies, and puts forward higher requirements on their financing and cash flow management capabilities. Real estate companies are developing capabilities in diversified land acquisition, as land bank is of increasing value to their core competitiveness.

In the first half of the year, the sales of the industry increased greatly with increasing divergence and marketing innovations. In the first half of 2021, national sales of new commercial housing remained resilient as new digitalised and online marketing channels such as live broadcast sales and new media communication emerged in a frenzy. From the passive sitting-salesman model to active mobile marketing, it has become a new marketing pattern for real estate companies to proactively reach out to customers.

The three-child policy gives rise to the demand for housing replacement, and the normalisation of COVID-19 demands for more supporting facilities. In May 2021, the central government issued the "three-child policy". "Three-child" family buyers put greater emphasis on the number of rooms and storage functions, and require safe and eco-friendly decoration materials. Under the normalisation of COVID-19, consumers have demands for residential products with greater emphasis on health, functionality and privacy.

(II) Sales Performance

Sales grew strongly. During the Reporting Period, the contracted sales of the Group, together with its joint ventures and associates, reached approximately RMB82.59 billion with a contracted sales GFA of approximately 6,866 thousand square metres. The contracted sales increased by 71.3% over the same period in 2020 to reach 55% of the annual target. The COVID-19 pandemic has not had any material adverse impact on the financial conditions and operating results of the Group.

The strategy of regional expansion showed results. Expansion in first and second tier cities achieved good results, as the contribution of key urban agglomerations increased. During the Reporting Period, sales in Zhejiang & Fujian Region amounted to RMB18.5 billion, representing an increase of 174% as compared to the corresponding period of last year, while sales in the Pearl River Delta Region amounted to RMB13.8 billion, twice as much as that of the first half of 2020. The top ten best-selling cities contributed over 50% of the total contracted sales, demonstrating that the strategy of regional expansion has achieved phased results. The strategy of regional expansion is conducive to the intensive management of resources and creation of a brand premium.

The urban upgrade strategy reached a higher level. As the city upgrade strategy achieved phased results, the average selling price increased by 9.3% over the same period in 2020 to RMB12,028 per square metre (6.0% higher than the average selling price in 2020). During the Reporting Period, the contracted sales in first and second tier cities accounted for 78.3% of the total contracted sales. In particular, first tier and strong second tier cities contributed 39.9% of the total contracted sales. Shanghai & Jiangsu Region, Zhejiang & Fujian Region and Pearl River Delta Region accounted for 69.2% of the total contracted sales.

(III) Business Development

The Group adheres to the strategy of coordinated development of “four major business segments”, i.e. residential property development, property management services, commercial operations, and industrial business.

Residential Property Development

During the Reporting Period, the percentages of the Group’s land bank and sales in first and second tier cities further increased to 56.2% and 78.3%, respectively. In particular, the base construction strategy has been advancing in an orderly manner in core cities, provincial capitals and cities connected to important rail transit. Based on the entire development cycle, the Group deepened the integration of investment and financing with operations in the aspects of business coordination, business indicators and management mechanisms; strengthened customer research, improved product positioning, innovation, adaptability, turnover and brand premium, built up competitiveness in smart, healthy and green products, and launched the top product series “Jingrui” to build benchmarking projects and gradually upgrade to a mid-to-high end developer brand.

Property Management Services

During the Reporting Period, based on community services, Mega Services made greater efforts to develop value-added services such as home decoration, home appliance sales, house leasing and home-delivery services as well as extended services including agent construction, developer services and advertising, and vigorously scaled up industrial park services. As at 30 June 2021, the Group had signed a total of 12 industrial park projects. Mega Services established the Urban Housekeeping Research Institute (城市管家研究院) with Infore Environment to specialise in creating smart and clean demonstration communities and providing urban space operation services.

Commercial Operations

As at 30 June 2021, the Group had developed and operated commercial GFA of over 3.5 million square metres. The operating indicators of its commercial projects in operation remained at a high level in the industry. Nine commercial projects were planned to open for business with a total commercial GFA of 421 thousand square metres. Among them, Foshan Midea Wanda Plaza, Guiyang Midea Wonderful Square, and Wuhan Midea Wonderful Square, which are located in high-value areas, will try to create new regional landmarks.

Industrial Business

During the Reporting Period, the contracted sales of the industrial business segment reached RMB1,085 million. It served over 200 customers, covering 30% of the top 100 real estate companies, and cooperated with over 300 partners.

(IV) Financial Performance

During the Reporting Period, the Group continuously capitalised on its advantages in low-cost financing, broadened financing channels, proactively reduced leverage and improved financial management efficiency, thus providing sufficient financial support for its sound development.

Deleveraging management was initiated prospectively to continuously optimise the debt structure. As at 30 June 2021, the total interest-bearing liabilities of the Group amounted to RMB57,121 million, a decrease of 2.6% from the end of the previous year (31 December 2020: RMB58,640 million). In May 2021, the Group successfully issued 2,096 million of commercial mortgage-backed securities (CMBS), with a low coupon rate of 4.5% and a term of 17 years (attached with a sell-back/repurchase option at the end of the third year).

Cash and credit facilities were abundant, and the net gearing ratio was declining. Against the backdrop of "Five Red Lines", the Group still had abundant cash and credit facilities, and made efforts to improve risk resistance capacity with a focus on operating cash flow. Meanwhile, the Group continued to improve its capital management capabilities and speed up sales and cash collection, so as to strength its self-sustaining ability. As at 30 June 2021, the Group's net gearing ratio was 58.2%, representing a decline of 21 percentage points from the end of 2020.

(V) Operational Measures

Going deep in key cities to increase the production capacity of single cities. During the Reporting Period, the Group used more than 90% of its land acquisition funds to acquire land in first and second tier cities, in an unswerving effort to implement the city upgrade strategy. Meanwhile, the Group exercised caution when expanding to new cities and had only entered Fuzhou. During the Reporting Period, the Group further optimised its investment strategy and made the best of the selected areas in the base cities to increase its market share.

Determining production by sales to deepen the concept of lean operations. The Group strategically formulated construction plans and supply timing based on market dynamics, and dynamically tracked and adjusted management actions on a building-by-building basis, thus achieving a dynamic balance of supply, sales and inventory.

Leveraging advantages to develop urban renewal projects. For urban renewal business, the Group focused on old factories and villages and leveraged its own industrial advantages to actively obtain project resources. In the first half of 2021, the Group added 10 urban renewal projects. In addition to its base camp in the Pearl River Delta, we have also accumulated experience and resources in cities such as Guiyang and Kunming for urban renewal projects.

Practicing lean operations and achieving great results in digitalisation. The Group upholds the manufacturing mindset and practices the concept of lean operations. With an aim for quality growth, the Group has incorporated the digital strategy into the full business process covering land acquisition, construction, financing, supply, sales, inventory, collection and recognisation, thus achieving a steady growth in business scale, profit and receivable collection and improving the intensive management quality and efficiency. With the full and deep implementation of a digital system, the Group's organisational management efficiency improved significantly.

BUSINESS PROSPECTS FOR THE SECOND HALF OF 2021

Market Outlook

China's economy is still in a critical phase with strategic opportunities, and its core growth driver will shift from "resources" to "value creation". In the future, the general rules for land supply in exuberant cities will be focusing on restriction on land premiums, control over housing prices and competition in quality. Looking forward, the authorities, from the central government to the relevant ministries and commissions to the local governments, will continue to improve the long-term mechanism for coordination of "people, housing, land and money" in order to build a safe boundary for the sound and healthy development of the industry.

In addition, the 14th Five-Year Plan and related policies have requirements and plans for the coordinated development of urban and rural areas, common prosperity, green development, digital China, urban renewal, public services, and business environment development in the future. In particular, the new urbanisation plan is focused on urban agglomeration construction where people, industries, capital and other production factors will continuously flow and gather. New opportunities brought about by urban renewal, rail transit projects, operation of high-quality assets, affordable rental housing, and comprehensive development of commercial, industrial and residential projects will constantly spring up. As such, enterprises need to form a business structure suitable to their own industrial gene and business layout, build up the competitiveness of such strategic structure, and seek new growth drivers, so as to achieve long-term development.

Development Strategy and Outlook

Given that the value center of China's real estate industry tends to shift from resources to assets, the Group will maintain sound operations and pursue safe business growth and reasonable profit creation for real estate development; consolidate the pattern of coordinated development of four major business segments in a shift from a "residential-focused" developer to a comprehensive operator integrating "commercial, industrial, and residential" projects; increase the operating business scale, revenue and asset value and enhance the anti-risk ability to facilitate cross-cycle development; explore new business areas and optimise and upgrade the original business model to meet customer needs, so as to enhance the recognition by consumers and the capital market.

Residential Property Development

The Group will continue to optimise its organisational structure and resource allocation, intensify business development in key urban agglomerations dominated by first and second tier cities, create a business landscape and product portfolios in line with its industrial DNA, and select appropriate regional markets to focus on; develop the right products and improve operations based on the needs of market segments, strengthen sales efforts on a project-by-project basis, and strike a balance among sales, collection and premium; uphold the long-term principle and maintain sound operations to continuously achieve financial health, debt reduction and profit growth.

Property Management Services

The Group will reconstruct the customer-oriented service value chain across the whole life cycle. As for consumption upgrading, we will improve the quality of services for individual customers, develop community value-added services, and explore new growth drivers from home-delivery services and healthcare services. We will formulate an operation and management mechanism and incentive model that fit the market and our long-term development, and improve the service and management efficiency and owners' living experience through high-tech, smart and digital technologies. As for industrial upgrading, we will extend services to business and government customers by building up reputation with landmark projects, scale up services for industrial parks, office buildings and public buildings, and explore more extensive integrated operations as an urban steward.

Commercial Operations

The Group will increase its commercial presence in high-value areas, improve asset allocation, and optimise the "Wonderful" brand assets covering commercial complexes, long-term rental apartments, community centres and TOD commercial properties. We will increase our market influence through landmark projects that have good cash flow and profitability and enjoy asset appreciation. As the state encourages the development of the rental housing market, we will replicate the operating model of our own long-term rental apartments to acquire more high-quality assets and offer asset-light services in selected areas.

Industrial Business

In respect of smart services, we will focus on smart home and smart community services to consolidate our core competitiveness, and gradually develop an ecosystem of "smart home, community, industrial park and building" services and even urban services. In respect of building industrialisation, we will follow the national strategy for carbon peaking and neutrality to strengthen green development and gradually promote the technology revolution of smart housing construction. In addition, we will build a platform for business solicitation and investment attraction based on big data, and devote ourselves to digital and intelligent asset-light operations of industrial parks.

The industry is going through restructuring and our corporate business value will be reshaped. Regarding the current regulatory policies optimistically, we believe that the overall development of the real estate industry will be sound and stable. Only by keeping up with the times, coming back to the nature of operations, and putting new ideas, new values and new approaches into action can we solve difficulties and risks, and create new significance for development.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the Reporting Period, the Group recorded a revenue of RMB33,038.57 million (the corresponding period of 2020: RMB20,936.62 million), representing an increase of 57.8% as compared to the corresponding period of last year. Operating profit amounted to RMB4,125.32 million (the corresponding period of 2020: RMB3,393.63 million), representing an increase of 21.6% as compared to the corresponding period of last year. Profit for the Reporting Period amounted to RMB3,002.34 million (the corresponding period of 2020: RMB2,354.24 million), representing an increase of 27.5% as compared to the corresponding period of last year. Core net profit for the Reporting Period increased by 31.6% to RMB3,100.71 million (the corresponding period of 2020: RMB2,356.97 million), and core net profit attributable to owners of the Company increased by 11.2% to RMB2,253.31 million. Profit attributable to owners of the Company reached RMB2,154.94 million (the corresponding period of 2020: RMB2,024.10 million), representing an increase of 6.5% as compared to the corresponding period of last year. Basic and diluted earnings per share reached RMB1.75 (the corresponding period of 2020: RMB1.64).

CONTRACTED SALES

During the Reporting Period, the Group and its joint ventures and associates recorded contracted sales of approximately RMB82.59 billion with a total contracted sales GFA of approximately 6,866 thousand square metres. Specifically, Shanghai & Jiangsu Region, Zhejiang & Fujian Region accounted for over 50% of the contracted sales, while the Pearl River Delta accounted for 16.7%. The top ten cities in terms of sales contribution accounted for over 50% of the contracted sales amount. The further increase in sales concentration reflects that the regional expansion strategy of the Group has achieved phased results.

LAND RESERVES

Newly-added Land Reserves

During the Reporting Period, the Group maintained a prudent and restrained attitude and used 40% of the sales proceeds for land acquisition, investing over 90% of resources in first and second tier cities. The total gross floor area ("**GFA**") of the newly acquired land reserves* reached 3.18 million square metres.

Land Reserves

As at 30 June 2021, the Group had a total of 339 property development projects and 103 of them were participated through joint ventures and associates, covering 62 cities across China, and had a total GFA of land reserves of 52.77 million square metres.

FINANCIAL REVIEW

Revenue

Property Development and Sales

During the Reporting Period, the Group's recognised revenue from property development and sales increased by 58.2% to RMB32,480.41 million from RMB20,533.53 million in the corresponding period of 2020, primarily due to the dual increase in the total GFA recognized and sales unit price. Total GFA recognised amounted to 3.5082 million square metres, representing an increase of 48.1% from 2.3683 million square metres in the corresponding period of 2020.

Property Management Services

During the Reporting Period, the Group's revenue derived from property management services increased by 22.7% to RMB425.11 million from RMB346.45 million in the corresponding period of 2020, primarily due to an increase in the GFA of the property under contract management.

Investment and Operation of Commercial Properties

During the Reporting Period, the Group's revenue from investment and operation of commercial properties increased by 134.9% to RMB133.05 million from RMB56.64 million in the corresponding period of 2020, primarily due to that the effective control of the pandemic in China led to the gradual and stable recovery and further development of property leasing business and cultural tourism projects.

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

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from the property development activities, the provision of property management services and other businesses. During the Reporting Period, the Group's cost of sales increased by 70.0% to RMB26,200.47 million from RMB15,412.83 million in the corresponding period of 2020, primarily due to the increase in recognised total GFA of 48.1% to 3.5082 million square metres from the corresponding period of 2020.

Gross Profit

During the Reporting Period, the Group's gross profit increased by 23.8% to RMB6,838.11 million from RMB5,523.79 million in the corresponding period of 2020. The increase in gross profit was primarily driven by the increase in sales revenue.

Other Income and Gains — Net

During the Reporting Period, the Group's other income and gains — net decreased by 8.8% to RMB376.94 million from RMB413.16 million in the corresponding period of 2020. The Group's net other income and gains primarily consists of management and consulting service income, compensation income, net foreign exchange gains, gains on financial assets at fair value through profit or loss, government grants income, losses/gains on disposal of subsidiaries, etc.

Selling and Marketing Expenses

During the Reporting Period, the Group's selling and marketing expenses increased by 10.4% to RMB1,390.03 million from RMB1,259.50 million in the corresponding period of 2020, primarily due to the continued sales expansion of the Group, which led to corresponding increase in the marketing expense.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses increased by 30.7% to RMB1,650.15 million from RMB1,262.96 million in the corresponding period of 2020, primarily due to the increase in staff costs caused by the continuing expansion of the Group's property development business, and impairment provision for those property development projects subject to impairment risks.

Finance Income — Net

The Group's net finance income primarily consists of interest expenses for bank loans, other borrowings, interest expense of issued domestic corporate bonds (net of capitalised interest relating to properties under construction), 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 Reporting Period, the Group's net finance income recorded a net gain of RMB371.95 million as compared with RMB119.51 million in the corresponding period of 2020, representing an increase of 211.2%, primarily due to a significant increase in interest income from RMB160.18 million in the corresponding period of 2020 to RMB371.95 million during the Reporting Period.

Profit Attributable to Owners of the Company

During the Reporting Period, profit attributable to owners of the Company increased by 6.5% to RMB2,154.94 million from RMB2,024.10 million in the corresponding period of 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB32,063.77 million as at 30 June 2021 (31 December 2020: RMB26,787.64 million), including RMB23,358.21 million in cash and cash equivalents (31 December 2020: RMB18,595.11 million), RMB30.00 million in term deposits with initial terms over three months (31 December 2020: RMB52.31 million) and RMB8,675.56 million in restricted cash (31 December 2020: RMB8,140.22 million). Several property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 30 June 2021, the Group's pre-sale fund under supervision was RMB8,675.56 million. As at 30 June 2021, the Group's unused credit facilities from banks were RMB89,930.31 million.

Borrowings and Gearing Ratio

As at 30 June 2021, the Group's total borrowings amounted to RMB57,121.41 million. Bank and other borrowings, and corporate bonds were RMB44,916.82 million and RMB12,204.60 million, respectively. As at 30 June 2021, the gearing ratio was 58.2% (31 December 2020: 79.2%). 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 over three months and restricted cash.

Borrowing Cost

During the Reporting Period, the total borrowing costs of the Group amounted to RMB1,444.94 million, representing a decrease of RMB179.50 million from RMB1,624.44 million for the corresponding period of 2020, mainly due to an increase in the proportion of low-cut financing during the Reporting Period which resulted in the decreasing borrowing cost. As at 30 June 2021, the weighted average effective interest rate of the Group's total borrowings further decreased to 4.92%, and the weighted average effective interest rate of new borrowings was 4.74%.

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 2021, the value of the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB93,540.60 million (31 December 2020: RMB80,416.62 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 30 June 2021, the value of the Group's guarantee for the loans of joint ventures and associates amounted to RMB13,347.89 million (31 December 2020: RMB11,917.46 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.

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

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

CHANGES SINCE 31 DECEMBER 2020

Save as disclosed in this announcement, there were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the Group's annual report for the year ended 31 December 2020.

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 30 June 2021, an analysis of the utilisation of IPO proceeds of the Company is as follows:

	Original allocation of IPO proceeds (including the exercise of the over-allotment option) *RMB million*	**Utilised IPO proceeds as at 30 June 2021** *RMB million*	**Unutilised IPO proceeds as at 30 June 2021** *RMB million*	**Expected timeline for the use of unutilised IPO proceeds**
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	1,878.98	71.83 (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	2,715.04	71.83	

Notes:

1. According to the Company's prospectus dated 28 September 2018, the Group 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 Group had attempted to utilise the IPO proceeds basically 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.

   During the six months ended 30 June 2021, RMB660.73 million were used for certain projects in Xuzhou and Quanzhou. It is also expected that the remaining IPO proceeds of RMB71.83 million will be used for expanding our land reserves in Jiangsu Province by the end of 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 30 June 2021, the Group had employed 14,436 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.

In addition, the Group has granted certain share options and award shares for the purpose of providing incentives to eligible participants of the Group. For details, please refer to the sections headed "Share Option Scheme" and "Share Award Scheme" below.

SHARE OPTION SCHEME

A share option scheme was approved and adopted by the shareholders of the Company at the Company's annual general meeting held on 29 May 2020, which is valid and effective for a period of 10 years commencing on the adoption date and ending 28 May 2030 (the "**Share Option Scheme**"). Subject to the terms and conditions of the Share Option Scheme, the Board may in its absolute discretion specify such conditions as it thinks fit when making such an offer to an eligible participant. The exercise period shall not be more than 10 years from the date upon which any particular share options are granted in any event.

During the six months ended 30 June 2021, the Company had granted a total of 66,660,000 share options to 193 eligible participants with a fair value of approximately RMB170.47 million on the date of grant which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs.

SHARE AWARD SCHEME

A restricted share award scheme managed by an independent trustee was approved and adopted by the Board on 22 April 2021, which is valid and effective for a period of 10 years commencing on the adoption date and ending 21 April 2031 (the "**Share Award Scheme**"). The Board may, from time to time, at its absolute discretion, select any eligible persons to participate in the Share Award Scheme as selected participants, subject to the terms and conditions set out in the Share Award Scheme.

During the six months ended 30 June 2021, the Company had granted a total of 5,225,000 award shares to 31 selected participants at nil consideration.

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 2021.

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 six months ended 30 June 2021.

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 2021.

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 corporate 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 2021, 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. The Group had engaged an external internal control consultant to perform evaluation on top ten risks annually so as to identify, review and mitigate potential risks that may affect the Group's operation management. 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 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 2021, including the accounting principles and practices 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 2021 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 for the six months ended 30 June 2021 (for the corresponding period of 2020: 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 2021 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, 25 August 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Hao Hengle, Mr. Wang Quanhui, 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.