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 2022

FINANCIAL HIGHLIGHTS

- During the Reporting Period, revenue amounted to RMB31,662.90 million, representing a decrease of 4.2% as compared with RMB33,038.57 million for the corresponding period of 2021.
- During the Reporting Period, gross profit amounted to RMB5,668.62 million, representing a decrease of 17.1% as compared with RMB6,838.11 million for the corresponding period of 2021.
- During the Reporting Period, profit and total comprehensive income amounted to RMB2,608.37 million, representing a decrease of 13.1% as compared with RMB3,002.34 million for the corresponding period of 2021.
- During the Reporting Period, core net profit* amounted to RMB2,735.50 million, representing a decrease of 11.8% as compared with RMB3,100.71 million for the corresponding period of 2021.
- During the Reporting Period, core net profit attributable to owners of the Company** amounted to RMB1,655.68 million, representing a decrease of 26.5% as compared with RMB2,253.31 million for the corresponding period of 2021.
- During the Reporting Period, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB40.03 billion.
- As at 30 June 2022, the weighted average effective interest rate of the Group's total borrowings further decreased by 22 basis points to 4.60%.

* Core net profit represents profit 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.

** 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (for the corresponding period of 2021: 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 2022 (the "**Reporting Period**"), with the comparative figures for the corresponding period of 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**31,662,904**	33,038,573
Cost of sales	*4*	**(25,994,289)**	(26,200,467)
Gross profit		**5,668,615**	6,838,106
Other income and gains — net	*5*	**252,338**	376,941
Selling and marketing expenses	*4*	**(973,126)**	(1,390,032)
Administrative expenses	*4*	**(953,223)**	(1,650,154)
Net impairment losses on financial assets		**(97,086)**	(49,542)
Operating profit		**3,897,518**	4,125,319
Finance income	*6*	**438,460**	371,946
Finance costs	*6*	**(272,199)**	–
Finance income — net	*6*	**166,261**	371,946
Share of results of joint ventures and associates		**(37,512)**	(85,539)
Profit before income tax		**4,026,267**	4,411,726
Income tax expenses	*7*	**(1,417,896)**	(1,409,388)
Profit for the period		**2,608,371**	3,002,338

		Unaudited	
		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Owners of the Company		**1,538,081**	2,154,935
Non-controlling interests		**1,070,290**	847,403
Total comprehensive income for the period		**2,608,371**	3,002,338
Total comprehensive income attributable to:			
Owners of the Company		**1,538,081**	2,154,935
Non-controlling interests		**1,070,290**	847,403
		2,608,371	3,002,338
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	*8*	**1.25**	1.75
Diluted	*8*	**1.25**	1.75

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2022** *RMB'000*	Audited 31 December 2021 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,216,163**	1,236,426
Investment properties		**3,634,710**	3,355,218
Right-of-use assets		**351,904**	390,643
Intangible assets		**209,493**	184,801
Properties under development		**421,272**	379,460
Investments in joint ventures		**13,923,319**	16,841,500
Investments in associates		**10,984,057**	11,442,700
Finance lease receivables		**39,978**	43,343
Deferred income tax assets		**4,135,227**	4,016,383
Financial assets at fair value through profit or loss	*11*	**432,902**	159,172
		35,349,025	38,049,646
Current assets			
Inventories		**143,567**	146,366
Contract assets and contract acquisition costs	*3(a)*	**2,221,462**	2,218,958
Properties under development		**148,262,910**	147,830,961
Completed properties held for sale		**12,979,521**	12,663,962
Trade and other receivables	*10*	**45,661,020**	42,715,075
Prepaid taxes		**11,044,478**	10,694,849
Financial assets at fair value through profit or loss	*11*	**28,558**	3,500
Restricted cash		**7,258,584**	7,907,985
Cash and cash equivalents		**23,218,305**	26,288,551
		250,818,405	250,470,207
Total assets		**286,167,430**	288,519,853

	Note	**Unaudited 30 June 2022** *RMB'000*	Audited 31 December 2021 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	*12*	**4,346,269**	6,026,594
Other reserves		**4,145,400**	2,867,664
Retained earnings		**16,155,543**	14,617,462
		24,647,212	23,511,720
Non-controlling interests		**25,789,759**	24,297,901
Total equity		**50,436,971**	47,809,621
LIABILITIES			
Non-current liabilities			
Corporate bonds		**5,932,278**	5,635,782
Bank and other borrowings		**33,753,462**	35,352,703
Lease liabilities		**112,572**	140,088
Deferred income tax liabilities		**763,417**	810,234
		40,561,729	41,938,807
Current liabilities			
Contract liabilities	*3(b)*	**107,036,928**	107,453,005
Corporate bonds		**5,638,334**	4,873,724
Bank and other borrowings		**7,815,754**	10,461,339
Lease liabilities		**71,873**	89,272
Trade and other payables	*13*	**68,324,804**	68,959,924
Current income tax liabilities		**6,281,037**	6,934,161
		195,168,730	198,771,425
Total liabilities		**235,730,459**	240,710,232
Total equity and liabilities		**286,167,430**	288,519,853

NOTES

1 BASIS OF PRESENTATION AND PREPARATION

This interim financial information for the six months ended 30 June 2022 has been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim financial reporting'. The interim financial information does not include all the notes normally included in an annual financial report. Accordingly, this interim financial information is to be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2021 (the "**2021 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.

Going concern basis

The tightened credit controls imposed by the government on the domestic real estate industry and the continuous impact of COVID-19 have brought unprecedented challenges to the property market in mainland China. The contracted sales of the Group for the six months ended 30 June 2022 was approximately RMB22 billion, representing a drop of approximately 54% compared to that of the same period of 2021. In addition, the Group recorded net cash outflow from operating activities of approximately RMB1,750 million for the six months ended 30 June 2022. The business of the Group is subject to extensive governmental regulation and macro-economic control measures of real estate sector implemented by the PRC government from time to time, some of these policies and measures may have unfavourable impact to the working capital available to the Group.

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from 30 June 2022, taking into consideration the following plans and measures:

(i) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceeds. These measures include but not limited to effective sales promotion activities and closely monitor the process of construction of its property development projects to ensure the construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted pre-sale proceeds from the designated bank accounts to meet its other financial obligations;

(ii) The Group has available registered quotas of domestic corporate bond, mid-term notes, private placement notes and asset-backed securities totaling approximately RMB11.4 billion and unused credit facilities from banks totaling approximately RMB105.6 billion as at 30 June 2022. The directors of the Company believes that the Group would be able to obtain funding from the issuance of the above domestic corporate bond, mid-term notes, private placement notes and asset-backed securities as well as to draw down from the above credit facilities from banks as and when needed in the next twelve months from 30 June 2022 under the prevailing rules and regulations. The Group will also continue to seek for new debt financing and bank borrowings at cost acceptable to the Group to finance the settlement of its existing financial obligations and future operating costs and capital expenditures;

(iii) The Group will continue to take active measures to control selling and marketing costs and administrative expenses; and

(iv) The Group will not commit on significant capital expenditures and land acquisitions before securing the necessary funding.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 30 June 2022. The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations, the Group's existing and future plans of land acquisitions, the continued availability of the Group's bank and other borrowings as well as the Group's ability to raise new financing under the prevailing rules and regulations, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the coming twelve months from 30 June 2022. Accordingly, this interim financial information has been prepared on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2021 Financial Statements and corresponding interim reporting period.

(a) New and amended standard adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning or after 1 January 2022:

Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKFRS 16	Covid-19-related rent concessions
Amendments to HKAS 16	Property, plant and equipment: proceeds before Intended use
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract
Annual Improvements to HKFRSs 2018–2020	Annual improvements
Amendments to Accounting Guideline 5	Merger accounting for common control combinations

The adoption of these new and amended standards and interpretations did not result in any significant impact on the results and financial position of the Group.

(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
HKFRS 17	Insurance contracts	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
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HK Interpretation 5 (2020)	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards and amendments to the existing HKFRSs.

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 2022 and 2021, the aggregate revenues, profits or losses or total assets of the business segments other than property development and sales accounted for less than 5% of the total revenues, profits or assets of the Group, therefore, the directors of the Company consider these business segments not reportable and the executive directors assess the Group's performance as a whole. Thus operating segment information is not presented.

Revenue of the Group for the six months ended 30 June 2022 and 2021 is analysed as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Property development and sales	**30,971,210**	32,480,410
Property management services	**557,575**	425,109
Investment and operation of commercial properties		
— Property lease income	**94,050**	69,354
— Hotel operation	**4,060**	3,807
— Cultural-tourism project	**36,009**	59,893
	31,662,904	33,038,573

Represented by:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from property development and sales:		
— Recognised at a point in time	**28,492,572**	28,987,006
— Recognised over time	**2,478,638**	3,493,404
	30,971,210	32,480,410
Revenue from rendering of services:		
— Recognised over time	**597,644**	488,809
Revenue from other sources:		
— Property lease income	**94,050**	69,354
	31,662,904	33,038,573

Over 95% of the Group's revenue is attributable to 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 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets related to property development and sales (i)	**711,444**	866,380
Contract acquisition costs (ii)	**1,510,018**	1,352,578
Total contract assets and contract acquisition costs	**2,221,462**	2,218,958

(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 in the 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 was RMB400,691,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB305,301,000). 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 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract liabilities	**107,036,928**	107,453,005

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

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Property development and sales	**25,937,984**	27,031,268

(c) Unsatisfied contracts related to property development and sales

	As at 30 June 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Expected to be recognised within one year	**70,527,297**	67,213,965
Expected to be recognised after one year	**45,111,906**	53,966,935
	115,639,203	121,180,900

(d) For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term.

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	
	2022 *RMB'000* **(Unaudited)**	2021 *RMB'000* (Unaudited)
Cost of property development and sales — including construction cost, land cost, capitalised interest expenses	**24,989,490**	25,671,159
Employee benefit expenses	**1,017,372**	1,115,903
Marketing and advertising expenses	**247,458**	725,995
Write-downs of properties under development and completed properties held for sale	**380,561**	369,809
Amortisation of contract acquisition costs	**400,691**	305,301
Taxes and surcharges	**163,137**	215,167
Travelling and entertainment expenses	**44,503**	63,572
Office expenses	**25,320**	24,690
Depreciation and amortisation	**73,731**	83,967
Auditor's remuneration		
— Interim review services	**1,400**	1,400
Others	**576,975**	663,690
Total	**27,920,638**	29,240,653

5. OTHER INCOME AND GAINS — NET

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Management and consulting service income	**174,121**	322,989
Government subsidy income	**10,667**	11,324
Compensation income	**25,399**	42,786
	210,187	377,099
Other gains — net		
Realised and unrealised gains on financial assets at fair value through profit or loss	**6,476**	19,674
(Losses)/gains arising from changes in fair value of investment properties	**(136,797)**	72
Losses on disposal of subsidiaries	**(21,550)**	(42,001)
Losses on disposal of joint ventures and associates	**(13,571)**	–
Losses on disposal of property, plant and equipment and investment properties	**(2,057)**	(1,866)
Net foreign exchange gains	**38,614**	22,081
Gain on acquisition of an asset at a discounted price *(Note (a))*	**165,230**	–
Others	**5,806**	1,882
	42,151	(158)
Other income and gains — net	**252,338**	376,941

(a) During the current period, one of the shareholders of a joint venture of the Group exited from its investment in the joint venture and transferred its shareholder's loan to the joint venture to the Group at a discounted price, which resulted in a gain of RMB165,230,000.

6. FINANCE INCOME — NET

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expenses		
— Bank and other borrowings	**(1,119,904)**	(1,136,865)
— Corporate bonds	**(242,278)**	(300,563)
— Lease liabilities	**(4,580)**	(7,513)
	(1,366,762)	(1,444,941)
Less:		
— Capitalised interest	**1,366,762**	1,444,941
	–	–
— Net foreign exchange losses on financing activities	**(272,199)**	–
	(272,199)	–
Finance income		
— Interest income	**438,460**	322,043
— Net foreign exchange gains on financing activities	**–**	49,903
	438,460	371,946
Finance income — net	**166,261**	371,946

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Corporate income tax	**1,167,354**	1,836,527
— PRC land appreciation tax	**422,284**	401,268
	1,589,638	2,237,795
Deferred income tax		
— Corporate income tax	**(171,742)**	(828,407)
	1,417,896	1,409,388

Notes:

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

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

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

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

As at 30 June 2022, 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 RMB16,950,261,000 (31 December 2021: RMB15,116,196,000). 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, including the shares to be issued in connection with the Scrip Dividend Scheme (Note 12(b)), but excluding those ordinary shares held for restricted share award scheme.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (*RMB'000*):	**1,538,081**	2,154,935
Weighted average number of ordinary shares in issue (*thousands*)	**1,232,312**	1,230,276
Earnings per share — Basic (*RMB per share*)	**1.25**	1.75

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The Group has two categories of potential ordinary shares for the six months ended 30 June 2022, which were the restricted shares and the share options.

The restricted shares granted are subject to certain performance conditions. Such performance conditions had not been met as of 30 June 2022, therefore, for the six months ended 30 June 2022, no dilutive shares arising from the restricted shares were included in the calculation of the diluted earnings per share.

A calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. The effect of share options was not dilutive because the exercise price of the share option was higher than the market price of the Company's shares as at 30 June 2022.

Hence the diluted earnings per share was equal to the basic earnings per share.

9. DIVIDENDS

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Included in current assets:		
Trade receivables — net (*Note (a)*)	**1,311,502**	1,510,010
Other receivables — net (*Note (b)*)	**42,375,357**	39,714,707
Prepayments for land use rights (*Note (c)*)	**932,770**	558,719
Other prepayments	**1,041,391**	931,639
	45,661,020	42,715,075

(a) Details of trade receivables are as follows:

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Trade receivables — related parties	**189,317**	180,497
Trade receivables — third parties	**1,276,336**	1,442,642
Less: allowance for impairment	**(154,151)**	(113,129)
Trade receivables — net	**1,311,502**	1,510,010

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

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Within 90 days	**528,342**	903,298
Over 90 days and within 180 days	**213,609**	191,210
Over 180 days and within 365 days	**204,097**	360,162
Over 365 days	**519,605**	168,469
	1,465,653	1,623,139

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 2022, a provision of RMB41,022,000 (six months ended 30 June 2021: provision of RMB7,886,000) was made against the gross amounts of trade receivables.

(b) Details of other receivables are as follows:

	As at 30 June 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Amounts due from related parties	**15,068,226**	16,535,974
Amounts due from non-controlling interests (*Note (i)*)	**17,564,277**	13,017,394
Deposits and others from third parties (*Note (ii)*)	**10,181,234**	10,543,655
	42,813,737	40,097,023
Less: allowance for impairment	**(438,380)**	(382,316)
Other receivables — net	**42,375,357**	39,714,707

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

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

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Investments in wealth management products	**28,558**	3,500
Equity investments in unlisted companies	**413,242**	105,000
Others	**19,660**	54,172
	461,460	162,672
Non-current	**432,902**	159,172
Current	**28,558**	3,500
	461,460	162,672

12. SHARE CAPITAL AND PREMIUM

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares** *HKD'000*	**Equivalent nominal value of ordinary Share** *RMB'000*	**shares 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 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 for the purpose of restricted share award scheme		3,795,000	3,795	3,134	–	3,134
Dividends payable to shareholders		–	–	–	(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
At 31 December 2021 and 1 January 2022		1,234,362,000	1,234,362	1,044,443	4,982,151	6,026,594
Issue of new shares for the purpose of restricted share award scheme	*(a)*	4,887,000	4,887	4,227	–	4,227
Dividends payable to shareholders	*(b)*	–	–	–	(1,684,552)	(1,684,552)
At 30 June 2022		1,239,249,000	1,239,249	1,048,670	3,297,599	4,346,269

(a) According to the restricted share award scheme of the Company, 4,887,000 ordinary shares of the Company were issued and allotted to MRE T Limited, a trustee (the "**Trustee**") entrusted by the Company on 20 May 2022 for the purpose of the restricted share award scheme.

(b) On 25 March 2022, the Board recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2021 (2020: 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 26 May 2022 with the eligible shareholders being given an option to elect to receive the final dividend all in cash, or all in new shares, or partly in new shares and partly in cash (the "**Scrip Dividend Scheme**"). The election of the shareholders to receive final dividend all or partly in new shares had been determined as of 29 June 2022. As at 30 June 2022, the final dividend will be settled by cash of approximately RMB403,054,000 and issue of the Company's shares of approximately RMB1,281,498,000.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Trade payables (*Note (a)*)	**31,930,223**	35,090,123
— related parties	**112,154**	77,794
— third parties	**31,818,069**	35,012,329
Amounts due to related parties	**22,119,465**	19,839,886
Amounts due to non-controlling interests *(Note (b))*	**3,979,969**	3,770,421
Payable for outstanding acquisition considerations	**1,420,471**	1,372,647
Deposit payables	**730,373**	999,773
Accrued expenses	**800,705**	689,110
Salaries payable	**567,231**	1,055,014
Interests payable	**515,044**	485,955
Other taxes payable	**2,772,808**	2,103,647
Dividends payable to shareholders	**403,054**	–
Other payables *(Note (c))*	**3,085,461**	3,553,348
	68,324,804	68,959,924

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

	As at 30 June 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Within 90 days	**12,323,893**	15,745,629
Over 90 days and within 365 days	**15,805,195**	16,769,920
Over 365 days	**3,801,135**	2,574,574
	31,930,223	35,090,123

The Group's trade payables as at 30 June 2022 and 31 December 2021 are denominated in RMB.

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

(c) Other payables mainly represented miscellaneous payments received from property purchasers for various purposes such as obtaining approvals/certificates from government authorities.

BUSINESS REVIEW AND OUTLOOK

I. Industry Overview

In the first half of 2022, the market downturn continued amid the profound changes unseen in a century and the lingering COVID-19 pandemic. Given rising defaults, weak market confidence and unrecovered demand, industry players are still in distress. However, driven by regulatory policies and industry trends, 2022 marks the first year of the industry's shift to a new real estate development model. The real estate market is undergoing a cruel and drastic reshuffling process, which is also a process of breaking through the old barriers and pursuing innovative and stable development. The megatrend is irresistible, and all companies and individuals involved will be affected. In 2022 when the trend is surging and risks and challenges coexist, what we have to do is to keep the bottom line of safety in the midst of fluctuations, forge ahead in a tough way, and go through the cycle with solid steps.

II. Business Review

On the basis of preserving our credit quality and upholding our strategic vision, the Group focused on product and brand building, practised lean management, and consolidated organisational development. Against the backdrop of frequent defaults and weak customer confidence in the industry, the Group gave priority to ensuring delivery, quality and services; leveraged our own advantages and smart technology to develop premium products, find value-added space, and address the real needs of users, thus empowering urban living.

During the Reporting Period, the Group's revenue amounted to RMB31,662.90 million, representing a decrease of 4.2% as compared with RMB33,038.57 million for the corresponding period of 2021; gross profit amounted to RMB5,668.62 million, representing a decrease of 17.1% as compared with RMB6,838.11 million for the corresponding period of 2021; core net profit amounted to RMB2,735.50 million, representing a decrease of 11.8% as compared with RMB3,100.71 million for the corresponding period of 2021. Core net profit attributable to owners of the Company amounted to RMB1,655.68 million, representing a decrease of 26.5% as compared with RMB2,253.31 million for the corresponding period of 2021. As at 30 June 2022, the Group's net gearing ratio further decreased to 44.9%.

(I) Business Development: Optimising Land Reserves Structure and Increasing Ownership Percentage

During the Reporting Period, the Group adhered to the regional expansion and urban upgrade strategies, continued to improve the land reserves structure, and divided the equity in cooperation projects to optimise financial and management costs and facilitate the acquisition of high-value projects. As of now, the Group has completed the division of equity in a number of projects. The Group acquired projects in sizable cities and exited lower-tier city markets at low costs, thus enabling us to better focus on key cities and facilitating the cash collection from projects.

In the first half of 2022, the Group continued to focus on first- and second-tier cities with high potential with heavy investments in sizable cities in national core economic zones such as the Yangtze River Delta and the Greater Bay Area, and concentrated resources to upgrade and build strongholds in first- and second-tier cities. As at 30 June 2022, the Group had a total of 337 property development projects and sizable land reserves* of 42.94 million square metres in GFA. Moreover, the Group's land reserves structure is reasonable.

(II) Sales Performance: Anti-cyclical Increase in Average Selling Price under a Dynamic Balance of Supply, Sales and Inventory

In the current market environment, sales varied greatly by city, with higher-tier cities being more resilient in sales. During the Reporting Period, the Group continuously leveraged our brand value and managerial advantages to conduct intensive research on users and the market. As a result, despite the market headwinds, the Group's average selling price increased by 1.7% to RMB12,233 per square metre as compared with the same period in 2021, and the percentage of sales contributed by high-tier cities continued to rise, with second-tier cities and above accounting for 80.2% of sales. Based on market developments, the Group made reasonable construction and supply schedules to achieve a dynamic balance of supply, sales and inventory. In the sluggish market environment, the Group's sales have been rebounding since the second quarter.

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

(III) Financial Performance: Highlighting the Advantage of High Credit Value and Maintaining Solid Fundamentals

Given shrinking market demand and frequent defaults in the industry, we consistently put great emphasis on cash flows as a safety buffer, and proactively improved the debt structure and ensured sufficient liquidity. As at 30 June 2022, the Group had total cash and bank deposits of approximately RMB30.5 billion, unused quotas of registered domestic corporate bond, mid-term notes, private placement notes and asset-backed securities totalling approximately RMB11.4 billion, and unused credit facilities from banks totaling approximately RMB105.6 billion.

In the meantime, the net gearing ratio of the Group fell to 44.9%; the cash to short-term debt ratio excluding restricted cash increased to 1.73; the asset-liability ratio after excluding advance receipts dropped to 70.3%. While reducing liabilities and enhancing liquidity, the Group further reduced its finance costs. As at 30 June 2022, the Group's weighted average financing cost further dropped by 22 basis points to 4.60%.

As credit profiles in the industry are increasingly diverge, we have access to more high-quality resources due to our solid fundamentals and high credit quality. In March 2022, the Group obtained approval for, and successfully executed, an offering of medium term notes (MTN), becoming the first domestic real estate company to do so in 2022, and reached strategic cooperation with a number of banks to obtain real estate M&A loans, affordable rental housing loans, and personal housing mortgage facilities. In May 2022, as one of the first pioneer real estate companies to issue bonds with credit protection contracts, we successfully issued our first tranche of corporate bonds in 2022 with a low coupon rate of 4.5%.

(IV) Product Strength: Following the Policy of "No Speculation in Housing" and Improving Product Quality

In the first half of 2022, downturn was felt across the industry without exception, which is thought-provoking as to how to achieve sustainable product development. As the boom fades and the market returns to rationality, product strength has become an important part of a real estate company's comprehensive capabilities.

During the Reporting Period, in order to meet customers' living needs and follow the development trends, the Group developed "M+ Houses" integrating 3 health components, 4 smart products and N smart scenarios through field surveys and co-creation, and gradually promoted the new concept in our projects across the country. Meanwhile, the Group carried out the community quality remodeling campaign across the country by utilising smart technology to continuously improve hardware, software and property management services and upgrade the standards of smart community products.

(V) Delivery Capacity: Understanding Customer Demands and Improving Delivery Capacity

The real estate industry is moving towards the era of quality. For a real estate developer, delivery is not only a test imposed by customers, but also a demonstration of its ability to fulfill its promises and attain a good reputation. As such, delivery capacity, as an important part of product strength, is of greater significance. During the Reporting Period, the Group delivered over 30,000 houses of 66 projects in 38 cities across the nation, with a customer satisfaction rate ranking among the best in the industry. The Group continued to develop a customer survey system to understand customer demands, so as to help improve delivery quality. In 2022, the Group upgraded our delivery brand "Chengyijia" (橙意家) to continuously deliver a "visible" good life to customers in the aspects of products, construction and services. In an ongoing effort to build an influential service brand, the Group adopted a series of innovative measures, such as live streaming of construction site opening, one-stop delivery pilot programme, Midea Real Estate cloud-based delivery, to create a happy, beautiful, warm and quality community experience.

(VI) Service Capabilities: Strengthening System Construction to Upgrade Service Capabilities

Property management represents a communication bridge between real estate developers and home owners. After the pattern of real estate development shifts back to that of manufacturing, property management as a scenario gateway can meet the needs of residents in all aspects with unlimited potential. During the Reporting Period, Midea Real Estate Services, a subsidiary of the Group, continuously developed space service scenarios based on customer needs to accurately serve residential communities, industrial parks, office buildings, schools, government and public buildings, etc. With improving innovative service capabilities, it creates a better life for people while facilitating high-quality urban development.

Since launching the four service series of "royalty, enjoyment, joy and pleasure" in 2021, Midea Real Estate Services has gradually developed a product methodology based on "demands & labels" to build a service system that incorporates carbon peaking and neutrality-related services, community culture, technology management and other capabilities and practices the concept of sustainable development in all respects.

(VII) Real Estate Technology: Shifting to an Innovative Real Estate Developer with a Full-cycle Industrial Chain Possessing Smart and Healthy Features

After the pattern of real estate development shifts back to that of manufacturing, the profitability of industry players will be limited. Real estate companies need to explore a second growth curve by carrying out reforms and seizing new market segments and opportunities arising from industry transformation.

As at 30 June 2022, the Group had built six product research platforms, namely, the National Smart Residential Area Standardisation Base, Smart Life Research Institute, Future Community Research Institute, Prefabrication Research Institute, Remac TY Science and Technology Innovation Center, and State Key Laboratory of Subtropical Building Science of South China University of Technology. The Group has applied for more than 500 patents and software copyrights, and participated in formulating over 20 sets of national/industry standards for smart and green buildings.

Remac Smart, a subsidiary of the Group, continued to lead the smart home system market with market share in China's fine decoration ranking ahead in the industry. In addition, it launched the Remac Select (睿住優選) brand to build a one-stop smart shopping platform with selected household products for individual users. This year, Remac Smart launched REMAC HOME OS, a smart space operating system, which uses powerful core networking technology to realise active intelligence and humanised interaction.

In order to focus on vertical integration of industry chain, the Group established Remac Construction Technology. As at the end of the Reporting Period, it had completed design of more than 23 million square metres of projects, including over 12 million square metres of prefabricated buildings and BIM. Its design capacity can reach 9 million square metres per year. In the meantime, Remac Technology integrated resources to research and develop modular integrated construction (MIC) products in order to build integrated service capabilities covering design, main structure and interior decoration, which is conducive to reducing energy consumption and construction waste. By doing so, Remac Technology seeks to shift from a manufacturer of prefabricated components to a supplier of "fabricated buildings", "modular buildings" and "finished houses". In May 2022, Remac Construction Technology and CIMC-MBS, a subsidiary of CIMC Group, reached a strategic cooperation on smart construction and new construction industrialisation, in an effort to promote the green and digital transformation and upgrading of the construction industry through technological innovation.

(VIII) Digitisation: Upgrading Operational Capabilities of the System to Enhance Systemic Competitiveness

In terms of digitisation, the Group constantly upgraded the operational capabilities of our digital system. As early as in 2018, the Group started the research and development of a digital management system. Supported by RMB100+ billion of sales and based on multiple business operation, the Group successfully developed the Panshi (磐石) PaaS platform to build a company-wide value chain by integrating with financial, design, production, marketing and other systems, thus achieving the digitisation and transparency of internal production and operations. In addition, the Group upgraded the competitiveness of the system in collaboration with upstream and downstream partners of the industrial chain, started the construction of a "full-cycle high-quality strategic supply chain", and vigorously promoted the development of green supply chain. During the Reporting Period, the Group teamed up with more than 40 Grade-A strategic suppliers to jointly create a synergistic ecosystem for win-win results.

III. Development Strategy and Outlook

Since last year, there have been signs in the industry showing that the era of rapid growth, quick profit and high turnover has come to an end. In the future, the Group will continue to maintain stability, strive for high-quality and sustainable development, predict and prevent risks in advance, return to the essence of operation, and improve management efficiency. Meanwhile, the Group will cherish and protect our credit quality, and firmly go through the market cycle.

(I) Making Progress While Maintaining the Fundamentals to Achieve Long-term Healthy and Sustainable Development

In the era of "prioritising scale-up" in the industry, real estate companies over-leveraged themselves, leading to heavy burdens. Under the current market conditions, we need to think in multiple dimensions, and regain strength by "deleveraging" to ensure the safe development of the enterprise.

On the financial front, the Group will spare no effort to reduce leverage and liabilities, and keep the bottom line of liquidity safety and maintain solid fundamentals to ensure that we can survive the downward cycle of the industry. In the meantime, the Group will optimise the debt structure, gain access to high-quality financing resources, and constantly innovate in financing models to consolidate the moat of financing capacity, so as to be financially prepared for the advent of a new cycle. The Group will also steadily improve operational quality and transform to high-quality development. On the investment front, the Group will continue to improve our business presence, enhance our ability to resist risks, reduce the number of cities where we invest, and focus on high-quality, high-potential cities to optimise land reserves structure, so as to increase our ability to resist cyclical risks. In addition, the Group will steer the allocation of resources precisely, reduce the management scope, and optimise the organisational structure, with a view to improving the overall profitability.

(II) Returning to the Essence of Operation and Upgrading the Product System and Service Quality

As product strength becomes increasingly important, the Group will focus on key cities, constantly enhance capabilities in developing mid-to-high-end improved housing products, and gradually phase out low-end products. The Group will create differentiated advantages in construction system, new technology and processes, and digital empowerment. We will also put emphasis on engineering quality and customer service and ensure delivery, in an effort to provide premium projects that ensure "what you see is what you get". Meanwhile, the Group will intensify research on the land market and sales market cycle, strengthen the conversion of product strength to marketing power, and shift from being sales-focused to being value-oriented, with a view to increasing project premiums.

In the property management segment, the Group will deepen basic services and focus on customers' life scenarios to improve service quality, so as to empower the property development business. Moreover, the Group will continuously develop community services, public building services and urban services to achieve quality and sustainable growth.

In respect of delivery, the Group will continue to uphold the vision of becoming a "leader in smart living", undertake the responsibility for quality assurance, and integrate the fine management concept of manufacturing industry into the full-cycle management of projects, thus practicing corporate responsibility with concrete actions.

(III) Promoting the Upgrading of Real Estate Technology Capabilities Across the Industry Chain

Under the national technology innovation strategy, the Group will empower real estate development with technology, and invest in upstream and downstream businesses for digital transformation, product upgrading and technology ecosystem building, so as to continuously consolidate the real estate & technology ecosystem.

In the field of construction technology, the Group will focus on the integration of design and prefabrication to provide construction technology services across the value chain covering all business scenarios. The Group will gradually develop a well-established prefabrication industry chain integrating R&D, design, marketing, supply chain, construction, operation and maintenance and covering interior and exterior decoration, in an effort to provide integrated lifecycle solutions.

In the field of smart technology, positioned as a leader in smart space solutions, we will continuously pursue rapid growth in revenue and profit by building a service ecosystem covering a full range of "solutions, services, and operation and maintenance functions".

(IV) Empowering Operations and Facilitating the Innovative Development of Core Business with Digitisation

In 2022, the Group will start the research and development of a new-generation digital system. Focusing on customer value, the system will strengthen internal coordination in materials, design, services, decoration and other aspects, act as a bridge to align our strategic partners to form a collaboration system, and enable online collaboration and data collaboration in the industry chain as well as quality delivery and interaction, so as to enhance the competitiveness and operational efficiency of the enterprise.

In addition, at the organisational level, the Group will continue to improve and upgrade the organisational development mechanism, return to a simple and pragmatic entrepreneurial mindset, focus on the long-termism perspective and strategic vision, and improve the incentive mechanism to stimulate organisational vitality. Moreover, the Group will continuously upgrade our workforce to strategically build a wide talent moat.

Looking back from tomorrow on today, everything is a prologue. In the current environment, the industry has ushered in the darkest moment before dawn. Companies and individuals involved need to work together to accelerate the transformation of the industry. In the long river of history, there is no such thing as a successful company. There are only companies that keep improving and growing. Only by doing so can we live up to the times and our commitment.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the Reporting Period, the Group recorded revenue of RMB31,662.90 million (the corresponding period of 2021: RMB33,038.57 million), representing a decrease of 4.2% as compared to the corresponding period of last year. Operating profit amounted to RMB3,897.52 million (the corresponding period of 2021: RMB4,125.32 million), representing a decrease of 5.5% as compared to the corresponding period of last year. Profit for the Reporting Period amounted to RMB2,608.37 million (the corresponding period of 2021: RMB3,002.34 million), representing a decrease of 13.1% as compared to the corresponding period of last year. Core net profit for the Reporting Period decreased by 11.8% to RMB2,735.50 million (the corresponding period of 2021: RMB3,100.71 million), and core net profit attributable to owners of the Company decreased by 26.5% to RMB1,655.68 million. Profit attributable to owners of the Company reached RMB1,538.08 million (the corresponding period of 2021: RMB2,154.94 million), representing a decrease of 28.6% as compared to the corresponding period of last year. Basic and diluted earnings per share reached RMB1.25 (the corresponding period of 2021: RMB1.75).

CONTRACTED SALES

During the Reporting Period, the Group and its joint ventures and associates recorded contracted sales of approximately RMB40.03 billion with a total contracted sales GFA of approximately 3,272 thousand square metres. Specifically, Yangtze River Delta and the Greater Bay Area accounted for over 60% of the contracted sales, reflecting the further increase in sales concentration. During the Reporting Period, the monthly average selling price increased steadily, showing sales resilience in the adverse market environment.

LAND RESERVES

As at 30 June 2022, the Group had a total of 337 property development projects, of which 98 were participated through joint ventures and associates, covering 60 cities across China with a total GFA of land reserves* of 42.94 million square metres.

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

FINANCIAL REVIEW

Revenue

Property Development and Sales

During the Reporting Period, the Group's recognised revenue from property development and sales decreased by 4.6% to RMB30,971.21 million from RMB32,480.41 million in the corresponding period of 2021, primarily due to the dual decrease in the total GFA recognised and sales unit price recognised. Total GFA recognised amounted to 3.4 million square metres, representing a decrease of 3.1% from 3.5082 million square metres in the corresponding period of 2021.

Property Management Services

During the Reporting Period, the Group's revenue derived from property management services increased by 31.2% to RMB557.58 million from RMB425.11 million in the corresponding period of 2021, 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 0.8% to RMB134.12 million from RMB133.05 million in the corresponding period of 2021, remaining roughly the same as the corresponding period of 2021.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from property development activities, provision of property management services and other business activities. During the Reporting Period, the Group's cost of sales decreased by 0.8% to RMB25,994.29 million from RMB26,200.47 million in the corresponding period of 2021, remaining roughly the same as the corresponding period of 2021.

Gross Profit

During the Reporting Period, the Group's gross profit decreased by 17.1% to RMB5,668.62 million from RMB6,838.11 million in the corresponding period of 2021. The decrease in gross profit was primarily driven by the decrease in sales revenue.

Other Income and Gains — Net

During the Reporting Period, the Group's other income and gains — net decreased by 33.1% to RMB252.34 million from RMB376.94 million in the corresponding period of 2021. The Group's net other income and gains primarily consists of management and consultancy service income, gain on acquisition of an asset at a discounted price, foreign exchange gains, compensation income, etc. The decrease was mainly due to the decrease in management and consultancy service income.

Selling and Marketing Expenses

During the Reporting Period, the Group's selling and marketing expenses decreased by 30.0% to RMB973.13 million from RMB1,390.03 million in the corresponding period of 2021, primarily due to the reduction of sales of the Group, which led to a corresponding decrease in marketing expenses.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses decreased by 42.2% to RMB953.22 million from RMB1,650.15 million in the corresponding period of 2021, primarily due to the combined effects of the Group's implementation of strict cost control and enhancement of per capita efficiency.

Finance Income — Net

The Group's net finance income primarily consists of interest expenses for bank loans, other borrowings, interest expenses of 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 costs of those assets, until such assets are substantially ready for their intended use or sale.

During the Reporting Period, the Group's net finance income recorded a net income of RMB166.26 million, representing a decrease of 55.3% as compared with RMB371.95 million in the corresponding period of 2021, primarily due to foreign exchange losses on financing activities during the Reporting Period.

Profit Attributable to Owners of the Company

During the Reporting Period, profit attributable to owners of the Company decreased by 28.6% to RMB1,538.08 million from RMB2,154.94 million in the corresponding period of 2021.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB30,476.89 million as at 30 June 2022 (31 December 2021: RMB34,196.54 million), including RMB23,218.31 million in cash and cash equivalents (31 December 2021: RMB26,288.55 million) and RMB7,258.58 million in restricted cash (31 December 2021: RMB7,907.99 million). 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 2022, the Group's pre-sale fund under supervision was RMB6,973.49 million. As at 30 June 2022, the Group's unused credit facilities from banks were RMB105,584.61 million.

Borrowings and Net Gearing Ratio

As at 30 June 2022, the Group's total borrowings amounted to RMB53,139.83 million. Bank and other borrowings, and corporate bonds were RMB41,569.22 million and RMB11,570.61 million, respectively. As at 30 June 2022, the net gearing ratio was 44.9% (31 December 2021: 46.3%). The net 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 and restricted cash.

Borrowing Cost

During the Reporting Period, the total borrowing costs of the Group amounted to RMB1,366.76 million, representing a decrease of RMB78.18 million from RMB1,444.94 million for the corresponding period of 2021, mainly because the Group further reduced total borrowing amount and increased the proportion of low-cost financing during the Reporting Period, resulting in a decrease in borrowing costs. As at 30 June 2022, the weighted average effective interest rate of the Group's total borrowings further decreased by 22 basis points to 4.60%.

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 mortgage 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 2022, the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB92,116.09 million (31 December 2021: RMB90,111.88 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 30 June 2022, the Group's guarantee for the loans of joint ventures and associates amounted to RMB10,988.29 million (31 December 2021: RMB12,434.24 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 2021

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 2021.

SUBSEQUENT EVENTS

Scrip Dividend Scheme

On 13 July 2022, the Company allotted and issued 116,162,993 ordinary shares pursuant to the exercise of the scrip dividend option by the eligible shareholders under the Company's scrip dividend scheme (the "**Scrip Dividend Scheme**") in relation to its final dividend for the year ended 31 December 2021 (the "**Final Dividend**"). For details of the Scrip Dividend Scheme, please refer to the circular of the Company dated 13 June 2022.

Ms. Lu Deyan, a controlling shareholder of the Company, through two wholly-owned entities, Midea Development Holding (BVI) Limited and Midea Field Company Limited, elected to receive the Final Dividend wholly in new shares in lieu of cash dividend. As at the date of this announcement, Ms. Lu Deyan holds the entire equity interest in each of Midea Development Holding (BVI) Limited, Midea Ever Company Limited and Midea Field Company Limited, and these companies in turn hold 1,022,259,057, 30,000,000 and 33,700,848 shares of the Company, respectively (representing approximately 80.12% of the issued share capital of the Company in total).

HUMAN RESOURCES

As at 30 June 2022, the Group had employed 12,500 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 had 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 "Restricted 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 (the "**2020 AGM**"), which is valid and effective for a period of 10 years commencing on the date of the 2020 AGM and ending 28 May 2030 (the "**2020 Share Option Scheme**"). Subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time (the "**Listing Rules**") and the terms and conditions of the 2020 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.

As at 30 June 2022, a total of 27,720,000 share options remain outstanding and exercisable in three tranches subject to the vesting conditions of the 2020 Share Option Scheme. The Company had not granted any share options during the six months ended 30 June 2022.

RESTRICTED SHARE AWARD SCHEME

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

During the six months ended 30 June 2022, the Company had granted a total of 8,932,500 award shares, among which, the Trustee purchased 1,700,000 existing shares on the market out of cash contributed by the Group to be held on trust for the Directors until such award shares are vested with such Directors. In relation to the award shares granted to the employees of the Group, a total of 4,887,000 new shares were allotted and issued by the Board on 20 May 2022 to the Trustee (which holds the same on behalf of the employees of the Group in anticipation of their vesting in the future) pursuant to the general mandate granted by the shareholders of the Company at the Company's annual general meeting held on 4 June 2021 and the remaining award shares shall be satisfied by the award shares which are not vested and/or are forfeited in accordance with the terms of the 2021 Share Award Scheme. The fair value of award shares as at the date of grant (i.e. 13 May 2022) was HKD13.94 per share, which was determined by taking the closing price of the Company's shares on that date.

For details, please refer to the Company's announcements dated 13 May 2022 and 18 May 2022.

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 2022.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the Model Code during the six months ended 30 June 2022.

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 2022.

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 C.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 2022, Mr. Hao Hengle performed his duties as the chairman and president of the Company. As such, the Company has deviated from code provision C.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 2022, 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 2022 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 any interim dividend for the six months ended 30 June 2022 (for the corresponding period of 2021: 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 2022 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 26 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. Hao Hengle, Mr. Wang Quanhui, Mr. Lin Ge and Mr. Zhang Ziliang; 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.