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**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)**

**CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAPS FOR  
THE PROPERTY MANAGEMENT SERVICES**

**REVISION OF EXISTING ANNUAL CAPS UNDER THE 2022 PROPERTY  
MANAGEMENT FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 21 January 2022 in relation to, among other things, the continuing connected transactions contemplated under the 2022 Property Management Framework Agreement for a term of three years ending 31 December 2024. Given the actual transaction amounts for the Property Management Services are expected to exceed the existing annual caps set out in the 2022 Property Management Framework Agreement, the Board announces that on 21 October 2022, the Company and Midea Holding entered into the 2022 Revised Property Management Framework Agreement to revise the annual caps for the three years ending 31 December 2024.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. He and Ms. Lu are the controlling shareholders of the Company, and Midea Holding is directly wholly-owned by Mr. He as to 94.55% and Ms. Lu as to 5.45%, respectively. Each member of the Midea Holding Group is an associate of Mr. He and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2022 Revised Property Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio as defined under the Listing Rules) exceed 0.1% but are less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**2022 REVISED PROPERTY MANAGEMENT FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 21 January 2022 in relation to, among other things, the continuing connected transactions contemplated under the 2022 Property Management Framework Agreement for a term of three years ending 31 December 2024. Given that the actual transaction amounts for the Property Management Services are expected to exceed the existing annual caps set out in the 2022 Property Management Framework Agreement, the Board announces that on 21 October 2022, the Company and Midea Holding entered into the 2022 Revised Property Management Framework Agreement to revise the annual caps for the three years ending 31 December 2024. Save for the revision of the annual caps, the other key terms of the 2022 Revised Property Management Framework Agreement are substantially the same as those of the 2022 Property Management Framework Agreement and are set out below:

Date:	21 October 2022
Parties:	The Company (as the service provider); and Midea Holding (as the service recipient)
Nature of transactions:	Provision of the Property Management Services by the Group to the Midea Holding Group.
Term:	The 2022 Revised Property Management Framework Agreement shall be for a fixed term with retrospective effect from 1 January 2022 and ending on 31 December 2024 (both days inclusive). Within 30 days of its expiry, the parties may extend the agreement by mutual agreement, subject to compliance with all relevant requirements under the Listing Rules and applicable laws and regulations.
Payment terms:	The payment terms for the Property Management Services will be stipulated in the separate agreements governing each particular transaction entered into pursuant to the 2022 Revised Property Management Framework Agreement. In general, the fees of the Property Management Services will normally be settled in the form of bank transfer or such other manner and subject to credit terms as agreed by the parties.
Pricing policy:	The fees of the Property Management Services are to be determined by the Group and the Midea Holding Group on normal commercial terms, negotiated on an arm's length basis, subject to applicable laws and regulations, and with reference to the prevailing market conditions and the principle of fairness.

In principle, the fees payable by the Midea Holding Group to the Group will not be lower than the fee quotes of similar services provided by the Group to independent third parties, taking into account not less than two transactions entered into with them. It will be determined after arm's length negotiations with reference to the then prevailing fees charged by us for similar property management services, taking into account the factors in the related scope of the property management services and the required service costs (mainly labor costs) plus management fee profit margin (generally ranging from 5% to 15%) and tax etc.. The management fee profit margin is determined with reference to a number of factors, including type of property, geographical location/region, contractual period, nature and complexity of related projects, expectation of service quality from the Midea Holding Group, and historical profit margin of similar existing contracts, etc..

Based on the above, the Group will implement a series of internal control measures to ensure that the above fees and terms are no more favourable than those offered by the Group to independent third parties for the same or similar services on the same or similar conditions. Please refer to the paragraph headed "Internal Control Measures" below for details.

## REVISION OF EXISTING ANNUAL CAPS UNDER THE 2022 PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

Existing annual caps: The table below sets out the existing annual caps in respect of the provision of the Property Management Services as contemplated under the 2022 Property Management Framework Agreement for the three years ending 31 December 2024:

	<b>For the year ending 31 December 2022 RMB'000</b>	<b>For the year ending 31 December 2023 RMB'000</b>	<b>For the year ending 31 December 2024 RMB'000</b>
Annual caps	28,000 <sup>(Note)</sup>	30,000	33,000

Note:

Based on the unaudited management accounts of the Company, which is subject to change and may differ from the figure to be disclosed in the audited financial statements to be published by the Company, the transaction amount for the provision of the Property Management Services under the 2022 Property Management Framework Agreement for the nine months ended 30 September 2022 is RMB26,749,693.

The Board confirms that as at the date of this announcement, the transaction amount for the provision of the Property Management Services as contemplated under the 2022 Property Management Framework Agreement have not exceeded the existing annual cap for the year ending 31 December 2022.

Revised annual caps: The table below sets out the revised annual caps in respect of the provision of the Property Management Services as contemplated under the 2022 Revised Property Management Framework Agreement for the three years ending 31 December 2024:

	<b>For the year ending 31 December 2022 RMB'000</b>	<b>For the year ending 31 December 2023 RMB'000</b>	<b>For the year ending 31 December 2024 RMB'000</b>
Annual caps	45,000	55,000	65,000

The aforesaid annual caps have been determined by the Directors mainly by reference to:

- (i) the historical transaction amount for each type of the Property Management Services;

- (ii) the number of contracts awarded to us and an updated estimate of the number of contracts that may be awarded to us by Midea Holding Group, taking into account the number of various properties or business premises owned or controlled by the Midea Holding Group, including but not limited to factories, industrial parks and staff dormitories, etc., the respective property sizes, the specific services to be provided and the operating costs of such services (including labor costs, material costs and administrative costs); and
- (iii) the property management fees charged by us for services of similar scope and quality we provide to independent third parties.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE REVISION OF THE ANNUAL CAPS UNDER THE 2022 REVISED PROPERTY MANAGEMENT FRAMEWORK AGREEMENT**

The Group has been selected as one of the providers of the Property Management Services by the Midea Holding Group for the good quality of its services. The Group has historically provided the property management services to the Midea Holding Group, and has established a long-term and stable cooperative relationship with the Midea Holding Group. The Directors believe that the maintenance of the strategic business relationship with the Midea Holding Group will not only allow the realisation of synergies and economies of scale but will also continue to bring sustainable contribution to the Group's growth in the long run.

Given the transactions contemplated under the 2022 Revised Property Management Framework Agreement are of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the Midea Holding Group, the Company considered it necessary for Listing Rules compliance purposes and administrative convenience to enter into a framework agreement with Midea Holding in order to better document and manage these continuing connected transactions.

The Midea Holding Group has engaged and will continue to engage the Group to provide additional Property Management Services to the existing and new factories and industrial parks owned or controlled by it. Secondly, following the outbreak of a new wave of severe COVID-19 in the PRC in 2022, the Midea Holding Group has placed more focus on the quality of property management services to further strengthen various epidemic prevention measures. As a result, the Group needs to revise the existing annual caps under the 2022 Property Management Framework Agreement.

Taking into account the commercial benefits to the Group, the Directors (including the independent non-executive Directors) consider that the fees and terms of services offered by the Group are in line with market, and they believe that the transactions (including the revised annual caps) contemplated under the 2022 Revised Property Management Framework Agreement have been arrived at after arm's length negotiations and entered into in the ordinary and usual course of business and on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO. Mr. Zhao Jun is the executive president of Midea Holding. Both of them were regarded as having a material interest in the transactions contemplated under the 2022 Revised Property Management Framework Agreement and had abstained from voting in respect of the relevant Board resolutions for considering and approving the 2022 Revised Property Management Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated thereunder.

## **INTERNAL CONTROL MEASURES**

The following internal control measures have been implemented in order to ensure that the Continuing Connected Transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole:

- (1) The Group has established a series of measures to ensure that the Continuing Connected Transactions will be conducted in accordance with the principal terms of the 2022 Revised Property Management Framework Agreement, such as a designated staff of the finance department would check and compare the fees and terms to ensure that they are no more favourable than those offered by the Group to independent third parties for the same or similar services on the same or similar conditions and carry out regular assessments on the pricing and fairness of the terms every six months; and the implementation of separate agreements governing each particular transaction must be approved by, depending on size of the transaction, the business department, the sourcing department, the legal department, the finance department and/or the management to ensure that it is in accordance with the pricing policy.
- (2) In addition, the finance department will keep proper documentation of the agreements governing each particular transaction entered into between the Group and the Midea Holding Group pursuant to the 2022 Revised Property Management Framework Agreement, and the compliance department will report to the audit committee on a quarterly basis whether the internal control measures in respect of the Continuing Connected Transactions remain complete and effective.
- (3) The finance department and compliance department shall be jointly responsible for monitoring the transaction amounts of the Continuing Connected Transactions on a monthly basis to ensure they do not exceed the annual caps.
- (4) The independent non-executive Directors will review the Continuing Connected Transactions, at least annually, to ensure, among other matters, that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the 2022 Revised Property Management Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.
- (5) The external auditors of the Company will conduct an annual review on the Continuing Connected Transactions, including the annual caps and their actual utilisation, and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transaction.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. He and Ms. Lu are the controlling shareholders of the Company, and Midea Holding is directly wholly-owned by Mr. He as to 94.55% and Ms. Lu as to 5.45%, respectively. Each member of the Midea Holding Group is an associate of Mr. He and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2022 Revised Property Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio as defined under the Listing Rules) exceed 0.1% but are less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## GENERAL INFORMATION

The Company is an investment holding company. The Group is a large national property developer based in the PRC and operates four principal business segments: (i) property development and sales; (ii) property management services; (iii) investment and operation of commercial properties; and (iv) real estate technologies.

Midea Holding is established in the PRC and is directly wholly-owned by the controlling shareholders of the Company, Mr. He and Ms. Lu. The Midea Holding Group is principally engaged in investment in the fields of manufacturing and commercial businesses.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“2022 Property Management Framework Agreement”	an agreement dated 21 January 2022 entered into between the Company and Midea Holding in relation to the provision of the Property Management Services by the Group to the Midea Holding Group for a fixed term with effect from 1 January 2022 and ending on 31 December 2024 (both days inclusive), which is terminated and superseded by the 2022 Revised Property Management Framework Agreement
“2022 Revised Property Management Framework Agreement”	an agreement dated 21 October 2022 entered into between the Company and Midea Holding in relation to the provision of the Property Management Services by the Group to the Midea Holding Group for a fixed term with retrospective effect from 1 January 2022 and ending on 31 December 2024 (both days inclusive)
“Board”	the board of Directors
“Company”	Midea Real Estate Holding Limited (美的置業控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 3990)
“Continuing Connected Transactions”	the provision of the Property Management Services by the Group to the Midea Holding Group as contemplated under the 2022 Revised Property Management Framework Agreement

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Midea Holding”	美的控股有限公司 (Midea Holding Co., Ltd.*), a company incorporated in the PRC with limited liability, which is held by the controlling shareholders of the Company, Mr. He and Ms. Lu, as to 94.55% and 5.45% respectively, as at the date of this announcement.
“Midea Holding Group”	Midea Holding, its subsidiaries and their respective associates
“Mr. He”	Mr. He Xiangjian (何享健) and Ms. Lu are parties acting-in-concert. Therefore, Mr. He is deemed to be interested in Ms. Lu’s interest in the Company by virtue of the SFO and is a controlling shareholder of the Company. However, as confirmed by Mr. He and Ms. Lu in the deed of acting-in-concert dated 14 May 2018 entered into between Mr. He and Ms. Lu, Mr. He does not hold any economic interest (including the right to dividend) in the Group.
“Ms. Lu”	Ms. Lu Deyan (盧德燕) is a controlling shareholder of the Company, the spouse of Mr. He Jianfeng (何劍鋒) (a non-executive Director) and a daughter-in-law of Mr. He.  Ms. Lu holds the entire equity interest in each of Midea Development Holding (BVI) Limited, Midea Ever Company Limited and Midea Field Company Limited which these companies in turn hold 1,022,259,057, 30,000,000 and 33,700,848 shares of the Company respectively. Therefore, Ms. Lu is deemed to be interested in the shares of the Company held by Midea Development Holding (BVI) Limited, Midea Ever Company Limited and Midea Field Company Limited, as to approximately 80.12%, collectively, as at the date of this announcement by virtue of the SFO.
“PRC”	the People’s Republic of China
“Property Management Services”	services including but not limited to property management, as well as other related ancillary services to be provided to various properties or business premises owned or controlled by the Midea Holding Group, including but not limited to factories, industrial parks and staff dormitories etc.
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

In addition, the terms “associate”, “connected person”, “controlling shareholder”, “percentage ratios” and “subsidiary” shall have the meanings ascribed to them under the Listing Rules.

- \* The Chinese name of the PRC entity has been translated into English in this announcement for reference only. In the event of any discrepancies between the Chinese name of the PRC entity and its respective English translation, the Chinese version shall prevail.

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

Hong Kong, 21 October 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.