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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)

ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2022, the Group's revenue, gross profit, profit and total comprehensive income amounted to RMB73,630.85 million, RMB11,306.44 million and RMB3,576.77 million respectively.
- For the year ended 31 December 2022, core net profit* amounted to RMB3,870.19 million, representing a decrease of 29.1% as compared with RMB5,457.54 million for the year of 2021. Core net profit attributable to owners of the Company** amounted to RMB1,968.99 million, representing a decrease of 49.5% as compared with RMB3,898.29 million for the year of 2021.
- For the year ended 31 December 2022, basic and diluted earnings per share attributable to owners of the Company amounted to RMB1.34.
- As at 31 December 2022, the Group's asset-liability ratio (after deducting advances) was 68.2%, net gearing ratio was 43.9%, and cash to short-term debt ratio was 1.60.
- As at 31 December 2022, the weighted average effective interest rate of the Group's total borrowings further decreased by 20 basis points to 4.62%.

* 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.

- For the year ended 31 December 2022, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB79.24 billion.
- As at 31 December 2022, the total GFA of the Group's land reserves* reached 38.74 million sq.m., comprising 332 property development projects, 99 of which were participated through joint ventures and associates.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.80 per share for the year ended 31 December 2022, payable in cash with a scrip option.

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

The board of directors (the “**Board**” or the “**Director(s)**”) of Midea Real Estate Holding Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022, with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | <i>Note</i> | Year ended 31 December | |
|---|-------------|-------------------------|---------------------|
| | | 2022 | 2021 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 2 | 73,630,848 | 73,703,098 |
| Cost of sales | 3 | <u>(62,324,407)</u> | <u>(60,207,635)</u> |
| Gross profit | | 11,306,441 | 13,495,463 |
| Other income and other (losses)/gains — net | 4 | 351,084 | 894,119 |
| Selling and marketing expenses | 3 | (2,367,284) | (2,662,865) |
| Administrative expenses | 3 | (2,150,283) | (3,382,192) |
| Net impairment losses on financial assets | | <u>(308,858)</u> | <u>(322,646)</u> |
| Operating profit | | 6,831,100 | 8,021,879 |
| Finance income | 5 | 440,125 | 720,994 |
| Finance costs | 5 | (483,871) | — |
| Finance (costs)/income — net | 5 | (43,746) | 720,994 |
| Share of results of joint ventures and associates | | <u>100,651</u> | <u>(23,353)</u> |
| Profit before income tax | | 6,888,005 | 8,719,520 |
| Income tax expenses | 6 | (3,311,232) | <u>(3,416,710)</u> |
| Profit for the year | | 3,576,773 | <u>5,302,810</u> |
| Profit attributable to: | | | |
| Owners of the Company | | 1,726,363 | 3,743,557 |
| Non-controlling interests | | <u>1,850,410</u> | <u>1,559,253</u> |
| Total comprehensive income for the year | | <u>3,576,773</u> | <u>5,302,810</u> |

| | | Year ended 31 December | |
|---|-------------|-------------------------------|------------------|
| | | 2022 | 2021 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 1,726,363 | 3,743,557 |
| Non-controlling interests | | 1,850,410 | 1,559,253 |
| | | <u>3,576,773</u> | <u>5,302,810</u> |
| | | | |
| Earnings per share for profit attributable to owners of the Company (expressed in RMB per share) | | | |
| Basic | 7 | <u>1.34</u> | <u>3.04</u> |
| Diluted | 7 | <u>1.34</u> | <u>3.04</u> |

CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|------|---------------------------|---------------------------|
| | | 2022 | 2021 |
| | Note | RMB'000 | RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,233,587 | 1,236,426 |
| Investment properties | | 4,978,645 | 3,355,218 |
| Right-of-use assets | | 335,009 | 390,643 |
| Intangible assets | | 291,027 | 184,801 |
| Properties under development | | 487,405 | 379,460 |
| Investments in joint ventures | | 13,285,687 | 16,841,500 |
| Investments in associates | | 11,576,554 | 11,442,700 |
| Finance lease receivables | | 40,825 | 43,343 |
| Deferred income tax assets | | 5,038,658 | 4,016,383 |
| Financial assets at fair value through profit or loss | 10 | 388,062 | 159,172 |
| | | <u>37,655,459</u> | <u>38,049,646</u> |
| Current assets | | | |
| Inventories | | 164,749 | 146,366 |
| Contract assets and contract acquisition costs | 2(a) | 2,646,947 | 2,218,958 |
| Properties under development | | 120,636,988 | 147,830,961 |
| Completed properties held for sale | | 18,290,098 | 12,663,962 |
| Trade and other receivables | 9 | 36,653,229 | 42,715,075 |
| Prepaid taxes | | 9,477,341 | 10,694,849 |
| Financial assets at fair value through profit or loss | 10 | 23,075 | 3,500 |
| Restricted cash | | 4,530,269 | 7,907,985 |
| Term deposits with initial terms over three months | | 50,000 | – |
| Cash and cash equivalents | | 21,810,599 | 26,288,551 |
| | | <u>214,283,295</u> | <u>250,470,207</u> |
| Total assets | | <u><u>251,938,754</u></u> | <u><u>288,519,853</u></u> |

| | | As at 31 December | |
|---|-------------|--------------------------|----------------|
| | | 2022 | 2021 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| EQUITY | | | |
| Equity attributable to the owners of the Company | | | |
| Share capital and premium | <i>11</i> | 5,627,767 | 6,026,594 |
| Other reserves | | 3,360,760 | 2,867,664 |
| Retained earnings | | 15,876,293 | 14,617,462 |
| | | 24,864,820 | 23,511,720 |
| Non-controlling interests | | 25,449,029 | 24,297,901 |
| Total equity | | 50,313,849 | 47,809,621 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Corporate bonds | | 8,232,320 | 5,635,782 |
| Bank and other borrowings | | 26,541,041 | 35,352,703 |
| Lease liabilities | | 90,207 | 140,088 |
| Deferred income tax liabilities | | 497,635 | 810,234 |
| | | 35,361,203 | 41,938,807 |
| Current liabilities | | | |
| Contract liabilities | <i>2(b)</i> | 86,139,528 | 107,453,005 |
| Corporate bonds | | 5,142,229 | 4,873,724 |
| Bank and other borrowings | | 8,538,962 | 10,461,339 |
| Lease liabilities | | 64,932 | 89,272 |
| Trade and other payables | <i>12</i> | 58,359,483 | 68,959,924 |
| Current income tax liabilities | | 8,018,568 | 6,934,161 |
| | | 166,263,702 | 198,771,425 |
| Total liabilities | | 201,624,905 | 240,710,232 |
| Total equity and liabilities | | 251,938,754 | 288,519,853 |

NOTES

1. BASIS OF PREPARATION

(i) Compliance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“HKCO”)

The consolidated financial statements of the Group have been prepared in accordance with HKFRS and the disclosure requirements of HKCO.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (financial assets at “FVPL”) and investment properties, which are carried at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 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 Standards 2018–2020 | Annual improvements |
| Amendments to Accounting Guideline 5 | Merger accounting for common control combinations |

The adoption of these amendments or annual improvements did not result in any significant impact on the results and financial position of the Group.

(iv) **New and amended standards and interpretations not yet adopted**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| | | Effective for accounting periods beginning on or after |
|---|--|---|
| HKFRS 17 | Insurance contract | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| Amendments to HKAS 1 | Classification of liabilities as current or non-current | 1 January 2024 |
| HK Interpretation 5 (2020) | Classification by the borrower of a term loan that contains a repayment on demand clause | 1 January 2024 |
| Amendments to HKFRS 16 | Lease liability in sales and lease back | 1 January 2024 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associates or joint ventures | To be determined |

2. REVENUE AND SEGMENT INFORMATION

Revenue of the Group for each of the years ended 31 December 2022 and 2021 is analysed as follows:

| | Year ended 31 December | |
|---|-------------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Property development and sales | 72,192,121 | 72,518,121 |
| Property management services | 1,142,112 | 908,690 |
| Investment and operation of commercial properties | | |
| — Property lease income | 195,407 | 135,480 |
| — Hotel operation | 8,254 | 8,260 |
| — Cultural-tourism project | 92,954 | 132,547 |
| | 73,630,848 | 73,703,098 |

Represented by:

| | Year ended 31 December | |
|--|-------------------------------|-------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Revenue from property development and sales: | | |
| — Recognised at a point in time | 67,111,369 | 64,648,676 |
| — Recognised over time | 5,080,752 | 7,869,445 |
| | <u>72,192,121</u> | <u>72,518,121</u> |
| Revenue from rendering of services: | | |
| — Recognised over time | 1,243,320 | 1,049,497 |
| Revenue from other sources: | | |
| — Property lease income | 195,407 | 135,480 |
| | <u>73,630,848</u> | <u>73,703,098</u> |

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 31 December | |
|---|--------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Contract assets related to property development and sales (i) | 1,148,069 | 866,380 |
| Contract acquisition costs (ii) | 1,498,878 | 1,352,578 |
| Total contract assets and contract acquisition costs | <u>2,646,947</u> | <u>2,218,958</u> |

- (i) Contract assets related to property development and sales consist of unbilled amount resulting from sales of properties when revenue recognised over time exceeds the amount billed to the property purchasers.
- (ii) Management expects the contract acquisition costs, primarily sales 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 amounts of amortisation were RMB1,019,803,000 for the year ended 31 December 2022 (2021: RMB718,198,000). There was no impairment loss in relation to the costs capitalised.

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

| | As at 31 December | |
|----------------------|--------------------------|---------------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Contract liabilities | <u>86,139,528</u> | <u>107,453,005</u> |

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.

As at 31 December 2022, RMB7,706,783,000 (2021: RMB9,472,285,000) of value-added-taxes on advances from property buyers relating to contracted sales were recognised in other taxes payable.

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

| | Year ended 31 December | |
|--|-------------------------------|--------------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year: | | |
| Property development and sales | <u>57,411,558</u> | <u>58,593,603</u> |

(c) Unsatisfied contracts related to property development and sales

| | As at 31 December | |
|---|--------------------------|---------------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Expected to be recognised within one year | 69,894,983 | 67,213,965 |
| Expected to be recognised after one year | <u>21,653,403</u> | <u>53,966,935</u> |
| | <u>91,548,386</u> | <u>121,180,900</u> |

The unsatisfied contracts amounts of RMB69,894,983,000 as at 31 December 2022 expected to be recognised within one year was calculated based on the Group's pre-sales contracts signed up to 31 December 2022.

- (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.

3. EXPENSES BY NATURE

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

| | Year ended 31 December | |
|---|-------------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Cost of property development and sales —including construction cost, land cost, capitalised interest expenses | 59,246,511 | 58,015,823 |
| Employee benefit expenses | 2,261,821 | 2,806,736 |
| Marketing and advertising expenses | 684,240 | 1,002,272 |
| Write-downs of properties under development and completed properties held for sale | 1,854,886 | 1,473,447 |
| Amortisation of contract acquisition costs (note 2(a)) | 1,019,803 | 718,198 |
| Bank charges | 266,630 | 427,133 |
| Taxes and surcharges | 481,173 | 465,291 |
| Travelling and entertainment expenses | 99,313 | 145,452 |
| Office expenses | 63,088 | 52,533 |
| Professional service and consulting fees | 104,976 | 331,651 |
| Depreciation and amortisation | 153,385 | 180,193 |
| Auditor's remuneration | 7,280 | 9,080 |
| — Annual audit services | 7,000 | 6,600 |
| — Non-audit services | 280 | 2,480 |
| Others | 598,868 | 624,883 |
| Total | 66,841,974 | 66,252,692 |

4. OTHER INCOME AND OTHER (LOSSES)/GAINS — NET

| | Year ended 31 December | |
|--|------------------------|-----------------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Other income | | |
| Management and consulting service income | 371,780 | 556,719 |
| Government subsidy income | 77,987 | 28,890 |
| Compensation income (<i>note (a)</i>) | 48,282 | 122,067 |
| | <u>498,049</u> | <u>707,676</u> |
| Other (losses)/gains — net | | |
| Realised and unrealised gains on financial assets at FVPL | 8,684 | 57,596 |
| (Losses)/gains arising from changes in fair value of and transfer to investment properties | (281,754) | 12,532 |
| Losses on disposal of subsidiaries | (47,868) | (8,985) |
| Gains on disposal of joint ventures and associates | 35,105 | 90,411 |
| Losses on disposal of property, plant and equipment and investment properties | (9,347) | (3,097) |
| Net foreign exchange gains | 20,880 | 6,871 |
| Gain on acquisition of an asset at a discounted price (<i>note (b)</i>) | 165,230 | – |
| Others | (37,895) | 31,115 |
| | <u>(146,965)</u> | <u>186,443</u> |
| Other income and other (losses)/gains — net | <u><u>351,084</u></u> | <u><u>894,119</u></u> |

- (a) It mainly represented the compensation income from construction parties who failed to fulfil its obligation under construction agreement entered into with the Group.
- (b) During the current year, 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.

5. FINANCE (COSTS)/INCOME — NET

| | Year ended 31 December | |
|---|------------------------|--------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Finance costs | | |
| — Interest expenses | | |
| — Bank and other borrowings | (2,103,053) | (2,355,290) |
| — Corporate bonds | (479,420) | (543,372) |
| — Lease liabilities | (7,513) | (15,644) |
| | <u>(2,589,986)</u> | <u>(2,914,306)</u> |
| Less: | | |
| — Capitalised interest | <u>2,589,986</u> | <u>2,914,306</u> |
| | | |
| — Net foreign exchange losses on financing activities | <u>(483,871)</u> | <u>—</u> |
| | <u>(483,871)</u> | <u>—</u> |
| | | |
| Finance income | | |
| — Interest income | 440,125 | 604,623 |
| — Net foreign exchange gains on financing activities | — | 116,371 |
| | <u>440,125</u> | <u>720,994</u> |
| | | |
| Finance (costs)/income — net | <u>(43,746)</u> | <u>720,994</u> |

6. INCOME TAX EXPENSES

| | Year ended 31 December | |
|------------------------|------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Current income tax: | | |
| — Corporate income tax | 2,721,597 | 3,065,075 |
| — LAT | 1,876,873 | 1,334,810 |
| | <u>4,598,470</u> | <u>4,399,885</u> |
| | | |
| Deferred income tax | | |
| — Corporate income tax | <u>(1,287,238)</u> | <u>(983,175)</u> |
| | <u>3,311,232</u> | <u>3,416,710</u> |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the group entities as follows:

| | Year ended 31 December | |
|---|-------------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | <i>RMB'000</i> |
| Profit before income tax | 6,888,005 | 8,719,520 |
| Tax calculated at PRC corporate income tax rate of 25% | 1,722,001 | 2,179,880 |
| Effects of share of post-tax results of joint ventures and associates | (25,163) | 5,838 |
| Different tax rates applicable to certain subsidiaries of the Group | (9,556) | 108,357 |
| Income not subject to tax | (103,999) | (38,925) |
| Expenses not deductible for tax | 306,557 | 96,456 |
| LAT deductible for calculation of income tax purpose | (469,218) | (333,703) |
| Tax losses for which no deferred income tax assets were recognised | 13,737 | 63,997 |
| LAT | 1,876,873 | 1,334,810 |
| Income tax expenses | 3,311,232 | 3,416,710 |

Note:

- (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.

7. EARNINGS PER SHARE

(a) Basic

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

| | Year ended 31 December | |
|--|-------------------------------|-----------|
| | 2022 | 2021 |
| Profit attributable to owners of the Company (RMB'000): | 1,726,363 | 3,743,557 |
| Weighted average number of ordinary shares in issue (thousands) | 1,285,410 | 1,229,698 |
| Earnings per share — Basic (RMB per share) | 1.34 | 3.04 |

(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 in the year ended 31 December 2022 which were the restricted shares and the share options.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding restricted shares and share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the vest of the restricted shares.

On 22 April 2021, the Company granted a total of 66,660,000 share options to 193 eligible participants. The effect of share options is not dilutive because the exercise price of the share option was above the fair market value of the ordinary shares as at 31 December 2022.

| | 2022 | 2021 |
|--|------------------|-----------|
| Profit attributable to owners of the Company (RMB'000) | 1,726,363 | 3,743,557 |
| Weighted average number of ordinary shares in issue (thousands) | 1,285,410 | 1,229,698 |
| Adjustments for restricted shares (thousands) | 3,078 | 3,146 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | 1,288,488 | 1,232,844 |
| Earnings per share — Diluted (RMB per share) | 1.34 | 3.04 |

8. DIVIDENDS

| | Year ended 31 December | |
|-----------|------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Dividends | <u>968,599</u> | <u>1,614,743</u> |

The Board has recommended the payment of a final dividend of HK\$0.80 per share (2021: HK\$1.60 per share) for the year ended 31 December 2022 out of the share premium account of the Company (the “**Final Dividend**”). Subject to the approval of the shareholders of the Company at the annual general meeting of the Company to be held on 22 May 2023 (the “**AGM**”) and the compliance with the Companies Act of the Cayman Islands, the Final Dividend will be payable to the shareholders whose names appear on the register of members of the Company on 1 June 2023 (the “**Eligible Shareholders**”), with the Eligible Shareholders being given an option to elect to receive the Final Dividend all in new shares or partly in new shares and partly in cash or all in cash (the “**Scrip Dividend Scheme**”). These consolidated financial statements do not reflect this dividend payable.

The Scrip Dividend Scheme is subject to (1) the passing of the resolution relating to the payment of the Final Dividend at the AGM; and (2) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

9. TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|--------------------------|-------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Included in current assets: | | |
| Trade receivables — net (<i>note (a)</i>) | 1,263,313 | 1,510,010 |
| Other receivables — net | 33,642,887 | 39,714,707 |
| Prepayments for land use rights | 1,160,639 | 558,719 |
| Other prepayments | 586,390 | 931,639 |
| | <u>36,653,229</u> | <u>42,715,075</u> |

As at 31 December 2022 and 2021, the fair value of trade and other receivables approximated their carrying amounts.

(a) Details of trade receivables are as follows:

| | As at 31 December | |
|-------------------------------------|--------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | <i>RMB'000</i> |
| Trade receivables — related parties | 250,704 | 180,497 |
| Trade receivables — third parties | 1,159,873 | 1,442,642 |
| | <u>1,410,577</u> | <u>1,623,139</u> |
| Less: allowance for impairment | <u>(147,264)</u> | <u>(113,129)</u> |
| Trade receivables — net | <u>1,263,313</u> | <u>1,510,010</u> |

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

| | As at 31 December | |
|-----------------------------------|--------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | <i>RMB'000</i> |
| Within 90 days | 561,136 | 903,298 |
| Over 90 days and within 180 days | 186,579 | 191,210 |
| Over 180 days and within 365 days | 236,488 | 360,162 |
| Over 365 days | 426,374 | 168,469 |
| | <u>1,410,577</u> | <u>1,623,139</u> |

The Group's trade receivables were denominated in RMB.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the year ended 31 December 2022, a provision of RMB34,135,000 (2021: RMB76,695,000) was made against the gross amounts of trade receivables.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|--|-------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Investments in wealth management products | 23,075 | 3,500 |
| Equity investments in unlisted companies (<i>note (a)</i>) | 351,959 | 105,000 |
| Others | 36,103 | 54,172 |
| | <u>411,137</u> | <u>162,672</u> |
| Non-current | 388,062 | 159,172 |
| Current | 23,075 | 3,500 |
| | <u>411,137</u> | <u>162,672</u> |

- (a) The investments mainly represent unlisted equity investments in various industries. The fair values of these investments were determined mainly based on direct comparison approach by making reference to recent transaction prices of similar deals.

11. SHARE CAPITAL AND PREMIUM

| | Note | Number of ordinary shares | Nominal value of ordinary shares <i>HKD'000</i> | Equivalent nominal value of ordinary shares <i>RMB'000</i> | Share premium <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|------|------------------------------|--|---|------------------------------------|-------------------------|
| 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 | – | – | – |
| | | <u>2,000,000,000</u> | <u>2,000,000</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| 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 | | – | – | – | (1,631,135) | (1,631,135) |
| | | <u>–</u> | <u>–</u> | <u>–</u> | <u>(1,631,135)</u> | <u>(1,631,135)</u> |
| 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 |
| Issue of new shares as a result of scrip dividend | (b) | 116,162,993 | 116,163 | 98,805 | (98,805) | – |
| Dividends | (b) | – | – | – | (403,054) | (403,054) |
| | | <u>–</u> | <u>–</u> | <u>–</u> | <u>(403,054)</u> | <u>(403,054)</u> |
| At 31 December 2022 | | <u>1,355,411,993</u> | <u>1,355,412</u> | <u>1,147,475</u> | <u>4,480,292</u> | <u>5,627,767</u> |

- (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 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 election of the shareholders to receive final dividend all or partly in new shares had been determined as of 29 June 2022. On 13 July 2022, the final dividend was settled by cash of approximately RMB403,054,000 and issue of the Company's shares of approximately RMB1,281,498,000.

12. TRADE AND OTHER PAYABLES

| | As at 31 December | |
|--|--------------------------|-------------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables (<i>note (a)</i>) | 31,485,536 | 35,090,123 |
| — related parties | 2,974,662 | 77,794 |
| — third parties | 28,510,874 | 35,012,329 |
| Amounts due to related parties | 15,715,676 | 19,839,886 |
| Amounts due to non-controlling interests (<i>note (b)</i>) | 3,173,151 | 3,770,421 |
| Outstanding acquisition considerations payable | 952,564 | 1,372,647 |
| Deposit payables | 663,394 | 999,773 |
| Accrued expenses | 800,273 | 689,110 |
| Salaries payable | 733,080 | 1,055,014 |
| Interest payable | 524,095 | 485,955 |
| Other taxes payable | 2,299,388 | 2,103,647 |
| Other payables (<i>note (c)</i>) | 2,012,326 | 3,553,348 |
| | <u>58,359,483</u> | <u>68,959,924</u> |

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

| | As at 31 December | |
|----------------------------------|--------------------------|-------------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 90 days | 11,309,811 | 15,745,629 |
| Over 90 days and within 365 days | 15,669,673 | 16,769,920 |
| Over 365 days | 4,506,052 | 2,574,574 |
| | <u>31,485,536</u> | <u>35,090,123</u> |

The Group's trade and other payables as at 31 December 2022 and 2021 were 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

BUSINESS REVIEW FOR 2022

Annual Results

I. Industry Overview

In the book “On China”, Henry Kissinger wrote that the deepest challenge was less to survive the trials than to prepare for the future, when the immediate danger had been overcome. In 2022, turbulence and changes continue to be repeated in the wake of recurrent and unexpected factors, such as waves of COVID-19 pandemic in many places and suspension of construction and postponement of making loans for many projects, posing unprecedented challenges to the real estate industry.

Under the general tone of “houses are for living in, not for speculation”, the era of high leverage is now over. As the experience in the past is not applicable, real estate enterprises are facing higher requirements under the challenging environment. At the time of “the one who persists wins”, the industry has been rational, and people will view houses with a more calm and usual attitude. In the meanwhile, having gone through challenges and failures, enterprises also need to consider how to go further and better on the basis of “staying survived”.

II. Business Review

In the face of the ever-changing industry and market trends, the Group always values our credit quality, emphasizes quality development, and seeks to strike a balance between quality improvement and reasonable growth. The Group focuses on product and brand building, and gives top priority to ensuring delivery, quality and excellent services. Leveraging on our advantages of over 50 years of experience in manufacturing industry, the Group actively fulfills our responsibilities as a model private property developer, and satisfies customers’ desire for better living with high-quality development, high-quality delivery and high-standard services.

(I) Adhering to credit quality: Three red lines turned green and financing advantages frequently emerged

As the real estate market has entered an adjustment cycle, enterprises with solid financial performance have been well recognised over the past two years. With our excellent corporate qualification and high credit quality, the Group has gained trust from customers and investors under headwinds, and has won firm recognition and strong support from many mainstream institutions in terms of resource empowerment and credit quality.

As at the end of the Reporting Period, the Group's net gearing ratio was 43.9%, cash to short-term debt ratio was 1.60, and asset-liability ratio after deducting advances was 68.2%. "Three Red Lines" have turned green. At the same time, the leverage level gradually declined. Following the market cycle and operation pattern, the Group managed slow-moving inventory, solved problems left over from the past, and kept exploring the development path from de-leveraging to stabilizing leverage. As at the end of the Reporting Period, the Group has total interest-bearing liabilities amounted to RMB48.5 billion, with cash on hand of approximately RMB26.4 billion in total, and the unutilized bank credit facilities increased to RMB108.0 billion. The Group's financing costs were further reduced and the weighted average financing cost decreased to 4.62%, which was outstanding among the private peers.

As the industry clearing continues, the model enterprises that uphold the bottom line of financial security will become the backbone to support the healthy development of the industry. During the Reporting Period, the Group has received support from a number of mainstream financial institutions for several times, becoming the first domestic real estate company to obtain approval and successfully issue medium-term notes (MTN) in 2022, and the first batch of demonstration real estate companies to issue bonds supported by credit protection contracts. After the promulgation of the "Second Arrow" and 16-points financial measures, the Group successively signed strategic agreements with major state-owned banks and certain joint-stock commercial banks such as BoCom, ICBC, CCB, PSBC and BOC, and obtained credit support of over RMB150 billion in total. At the same time, as the first batch of real estate enterprises supported by the "Second Arrow", the Group's RMB15 billion medium-term notes were approved by the National Association of Financial Market Institutional Investors. As at 31 December 2022, the Group's bank borrowings and corporate bonds accounted for 58% and 28% of total interest-bearing liabilities respectively.

(II) Sticking to concentration strategy: Adjusting land reserves structure and optimising stock assets

Guided by the policy of "intensive development in focused areas and strategy upgrade", the Group continued to optimise our land reserves structure and enhance our ability to resist cyclical risks. During the Reporting Period, the Group maintained our focus on the first- and second-tier cities with high potential, heavily invested in the national strategic city clusters, mainly the Yangtze River Delta, the Greater Bay Area and other core economic zones, and focused on sizable cities under intensive development, and concentrated resources to upgrade and build strongholds in first- and second-tier cities. At the same time, the Group continued to maintain a prudent and disciplined approach, optimise investment strategies, stick to investment direction and maintain investment focus. As at 31 December 2022, the Group had participated in a total of 332 property development projects and owned land reserves with a total GFA of 38.74 million sq.m..

In 2022, the Group completed the acquisition of equity interests in 9 projects, adding attributable inventory value of RMB6.3 billion, mainly in second-tier cities. Meanwhile, the Group exited from some weak third- and fourth-tier cities, reducing attributable inventory value of RMB950 million. The Group's equity interest in the land reserves accounted for 70%, representing a rise of 3% as compared with last year. First- and second-tier cities accounted for 66% of the Group's land reserves, while the Yangtze River Delta and the Greater Bay Area together accounted for 52% of the Group's land reserves in terms of area. In general, the Group's land reserves structure has been tilted towards high-tier core cities and metropolitan areas, and the fundamentals of the cities covered by land reserves have been improving.

(III) Improving operation capability: Focusing on ensuring product delivery and quality improvement of sales performance

With the arrival of the in-depth adjustment period of the industry, “ensuring delivery” has become the first priority. In terms of product delivery, as a representative of high-quality private enterprises, the Group always puts products, delivery and services in the first place, striving not only to ensure milestones, but also to improve engineering quality, focus on community and user brand building, and achieve comprehensive improvement of delivery efficiency through refined operation of manufacturing and optimisation of delivery process system. During the Reporting Period, the Group completed 142 projects in 49 cities across the country, delivering a total of over 80 thousand units, with customer satisfaction rate among the top tier in the industry.

During the Reporting Period, the Group continued to promote the construction of customer research system and grasp customer demands. In 2022, Midea Real Estate newly upgraded our delivery brand “Chengyijia” (橙意家) to display the real appearance and quality construction process of homes in an all-round and normalised way, and upheld the core value of standing the test of time and beyond life cycle, and continued to convey the “visible” good life to customers.

In the current market environment, the differentiation of cities on the sales side is obvious. The Group focuses on first and second higher-tier cities, and concentrates resources to implement regional penetration and city upgrade strategies. In 2022, the Group's average selling price increased by 8% to RMB12,546 per sq.m. as compared with that in 2021, and the proportion of sales performance contributed by higher-tier cities continued to increase. The proportion of sales from second-tier and above cities reached as high as 82%. The Group heavily invested in the Yangtze River Delta, the Greater Bay Area and other national core economic zones, with contracted sales in the Yangtze River Delta and the Greater Bay Area accounting for 65%, further increasing our sales concentration level.

During the Reporting Period, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB79.24 billion and the corresponding GFA sold was approximately 6,316 thousand sq.m.. Meanwhile, the Group attached great importance to the progress of cash collection. During the Reporting Period, the collection ratio of sales proceeds was 83%, which was at a leading level among the private property developers in the industry particularly.

(IV) Promoting diversified ecology: Focusing on vertical fields and achieving balanced development of light and heavy assets

The Group focused on vertical diversification of real estate, provided property management services that cater for customer needs, and achieved efficient empowerment for the real estate development business. In parallel with commercial operation, the Group strived to hold and operate high-quality assets.

In terms of property management services, the Group adhered to deepening management efficiency, focused on strengthening diversified services and improved the light-asset model of the service industry, so as to build a sustainable development ecology with organic growth, and promote the simultaneous development of diversified services in communities, industrial parks, schools, infrastructures, commercial buildings and cities with quality growth. During the Reporting Period, the Group acquired 49 new diversified expansion projects, of which 17 are industrial parks and 10 are campus projects. In 2022, Meizhi Services won a number of agent construction projects, with a year-on-year increase of 67% in the area of agent construction.

Serving urban life is an extension of the Group's development strategy in the commercial sector. During the Reporting Period, the Group's existing commercial operations were solid, and the revenue from commercial segment was expected to increase after the potential areas for new launches were realized. The revenue from hotel operations and cultural tourism projects stabilized and recovered after the easing of the epidemic policies. As at 31 December 2022, the Group held a total area of over 700 thousand sq.m. for commercial operations and opened 9 commercial complexes in aggregate. The cumulative customer traffic increased by 19%, and the cumulative sales increased by 27% as compared with last year. The Group is committed to building "Wonderful" commercial benchmarks, among which Foshan Midea Wonderful Square project, as the representative of the Group's current commercial shopping centre, shows strong operational stability. Since its opening, despite the great impact of the pandemic, its revenue has maintained steady growth. During the Reporting Period, the Group newly launched Guiyang Midea Wonderful Square, which created a new city commercial flagship landmark based on the characteristics of multiple first stores of all types of business, and helped deepen the urban strategy of night economy.

(V) Leveraging technological gene: Stepping up smart living and improving industrial chain development

Technology is the most imaginative story in this era. Housing is not only a concrete building, but also carries people's desire and ideal for home. During the Reporting Period, with keen sense of spatial technology, the Group was committed to facilitating a better life in the smart living and housing construction technology sectors, and moved forward steadily.

Remac Building Technology focuses on the leading model of design-driven products, which targets the mid-to-high-end market, deeply develops in the Greater Bay Area, as well as Hong Kong and Macau, by providing integrated solutions of space ecological products, establishing full value chain scenario services for building industrialization, and gradually separating light and heavy assets, reducing burden to focus on clear objectives. During the Reporting Period, Remac Building Technology had signed 306 new design contracts, amounting to a total of 2,215 contracted projects. In 2022, the production capacity of fabricated buildings exceeded 200 thousand cubic metre, and external projects accounted for 89%. In addition, "Greater Bay Area Strategic Centers", two major production bases of Remac Industrialisation have passed the review of the Hong Kong Quality Assurance Agency and obtained the "Quality Scheme for the Production and Supply of Concrete" (QSPSC) certificate under the Hong Kong certification system, which marked that the prefabricated components and modular integrated construction (MiC) products of Remac Industrialisation have obtained the official qualification for supply to the Hong Kong market. During the Reporting Period, with outstanding product, service and innovation, Remac Building Technology successfully established its presence in the Hong Kong and Macau markets.

Adhering to its strategic goals, Remac Smart Technology is committed to becoming a leading smart space solution provider, building 5.0 scenario solutions for smart families and communities based on the actual needs of users. During the Reporting Period, the operating revenue increased by 33% as compared with last year, with delivered projects amounting to 230 for over 160 thousand households in aggregate, ranking top in the industry in terms of market shares. Remac Smart Technology also applied for 190 patents and 113 software copyrights. In August 2022, Remac Smart Technology released the Remac home os system, connecting 7 major user scenarios, and at the same time launched the flagship brand Remac Smart Selection, providing users with one-stop full-set smart home services from research and development, design, sales, delivery to after-sales, and entering the C-end market.

III. Outlook

We acknowledge that one of the people’s aspirations for a better life is the improvement of the living environment. In the future, the industry resources will further concentrate on high-quality enterprises, and the real estate industry will undergo reshaping of concepts. The Group’s operating entities will further return to common sense and achieve high-quality operations.

Credit is the bottom line that the Group has always emphasised and adhered to. The Group will always adhere to the concept of long-term development, increase the safety buffer, stabilise the fundamentals, strive to achieve high-quality and sustainable development, and predict and avoid risks in advance. We will return to the essence of operation and improve management efficiency. At the same time, we will select cities and projects and go through the industry cycle by deeply cultivating valuable cities. In addition, “ensuring delivery” has become the current core focus of the industry, and the delivery capability of enterprises has become increasingly important. Delivery capability will also become the core capability of enterprises to win the trust of property buyers, financial institutions, government and other parties in the future.

Good houses are the combination of good products and good services. The Group remains positive and optimistic about the trend of housing upgrade and iteration. In the future, the Group will continue to focus on city development, improve the ability to create mid-to-high-end improved products, enhance the internal quality, adhere to the bottom line of delivery as scheduled, and win the reputation from property owners for their whole-heartedly trust. From construction system to new process and construction method to digital empowerment, we always grasp the industry-leading construction capabilities and build differentiated advantages. The Group attaches great importance to project quality and customer service, ensures delivery and maintains the bottom line, and is committed to providing quality projects that are “what you see is what you get”.

In terms of diversified businesses, the Group will continue to focus on vertical sectors. While strengthening the basic capabilities for property management services, the Group will vigorously expand and promote cross-industry projects. For new commercial projects, we focus on business solicitation and constantly improve and produce innovative projects. For the real estate technology sector, we will focus on core needs, deepen solutions, further strengthen marketisation awareness, and move towards a channel of relatively healthy growth in the future. To cultivate independence, the Group is committed to exploring our new profit growth point while improving the competitiveness of our main business products. In such extraordinary age of transformation in real estate industry, we are moving towards the new path of the industry.

After going through challenges, the bigger picture reveals itself. Those who endure under tribulation will keep striding forward. In a period when confidence is more important than gold, the Group will always adhere to brand confidence, product confidence, price confidence and delivery confidence, give full play to superior resources, find certainty amid uncertainties, and develop steadily in the new situation and pattern.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the year, the Group recorded revenue of RMB73,630.85 million (2021: RMB73,703.10 million), representing a year-on-year decrease of 0.1%. Operating profit amounted to RMB6,831.10 million (2021: RMB8,021.88 million), representing a year-on-year decrease of 14.8%. Profit for the year amounted to RMB3,576.77 million (2021: RMB5,302.81 million), representing a year-on-year decrease of 32.5%. Core net profit for the year decreased by 29.1% to RMB3,870.19 million (2021: RMB5,457.54 million). Core net profit attributable to owners of the Company for the year decreased by 49.5% to RMB1,968.99 million (2021: RMB3,898.29 million).

Land Reserves

As at 31 December 2022, the total GFA of the Group's land reserves reached 38.74 million sq.m., comprising 332 property development projects. These land reserves are located in five major regions namely the Greater Bay Area, the Yangtze River Delta Economic Region, Midstream of Yangtze River Economic Region, Beijing-Tianjin-Hebei Economic Region and Southwest Economic Region.

FINANCIAL REVIEW

Revenue

Property Development and Sales

During the year, the Group's recognised revenue from property development and sales remained flat at RMB72,192.12 million, as compared to that of RMB72,518.12 million in 2021, primarily due to the combined effects of the decrease in the GFA recognized and the increase in selling price.

Property Management Services

During the year, the Group's revenue derived from property management services increased by 25.7% to RMB1,142.11 million from RMB908.69 million in 2021, primarily due to an increase in the GFA under management.

Investment and Operation of Commercial Properties

During the year, the Group's revenue from investment and operation of commercial properties increased by 7.4% to RMB296.62 million from RMB276.29 million in 2021. The increase was mainly due to the gradual and steady recovery and further development of property rental business with the easing of pandemic control measures in China.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from the property development activities, the provision of property management services and other business activities. During the year, the Group's cost of sales increased by 3.5% to RMB62,324.41 million from RMB60,207.64 million in 2021. The increase was primarily due to the increase in unit costs of certain projects.

Gross Profit

During the year, the Group's gross profit decreased by 16.2% to RMB11,306.44 million from RMB13,495.46 million in 2021. The decrease in gross profit was mainly due to the higher unit costs of projects recognised during the year.

Other Income and Other (Losses)/Gains — Net

During the year, the Group's other income and other (losses)/gains — net decreased by 60.7% to RMB351.08 million from RMB894.12 million in 2021. The above other income and other (losses)/gains primarily consist of management and consultancy service income, compensation income, gains from disposal of joint ventures and associates, realised and unrealised gains on financial assets at fair value through profit or loss, gains or losses arising from changes in fair value of investment properties, etc. During the year, other income and other (losses)/gains decreased due to the combined effects of the decrease in the Group's management and consultancy service income as compared with that of 2021, and the losses arising from changes in fair value of investment properties during the year.

Selling and Marketing Expenses

During the year, the Group's selling and marketing expenses decreased by 11.1% to RMB2,367.28 million from RMB2,662.87 million in 2021. The Group implemented strict controls over costs which resulted in the decrease in selling and marketing expenses.

Administrative Expenses

During the year, the Group's administrative expenses decreased by 36.4% to RMB2,150.28 million from RMB3,382.19 million in 2021. During the year, the Group implemented stringent cost control measures and boosted per capita efficiency, resulting in a decrease in administrative expenses.

Finance (Costs)/Income — Net

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

During the year, the Group's finance (costs)/income — net recorded a net finance costs of RMB43.75 million, while the Group recorded a net income of RMB720.99 million in 2021, primarily attributable to the exchange loss on financing activities arising from the foreign currency borrowings of overseas wholly-owned subsidiaries of the Group.

Profit Attributable to Owners of the Company

Core net profit attributable to owners of the Company amounted to RMB1,968.99 million (2021: RMB3,898.29 million). 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, before the excluding of foreign exchange gains and losses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB26,390.87 million as at 31 December 2022 (31 December 2021: RMB34,196.54 million), including RMB21,810.60 million in cash and cash equivalents (31 December 2021: RMB26,288.55 million), RMB50.00 million in term deposits with initial terms of over three months (31 December 2021: nil) and RMB4,530.27 million in restricted cash (31 December 2021: RMB7,907.99 million). Several property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 31 December 2022, the Group's pre-sale proceeds under supervision amounted to RMB3,438.76 million. As at 31 December 2022, the Group's unused credit facilities from banks were approximately RMB108,027.45 million.

Borrowings and Net Gearing Ratio

As at 31 December 2022, the Group's total borrowings amounted to RMB48,454.55 million. Bank and other borrowings, and corporate bonds were RMB35,080.00 million and RMB13,374.55 million, respectively. As at 31 December 2022, the net gearing ratio was 43.9% (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, term deposits with initial terms of over three months and restricted cash.

Borrowing Costs

During the year, the total borrowing costs of the Group amounted to RMB2,582.47 million, representing a decrease of RMB316.19 million from RMB2,898.66 million in 2021, mainly due to the lower level of total borrowings and the lower borrowing cost resulting from the increase in the proportion of low-cost financing during the year.

Contingent Liabilities and Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees were issued from the date of grant of the relevant mortgage loans, and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 31 December 2022, the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB84,719.42 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 31 December 2022, the Group's guarantee for the loans of joint ventures and associates amounted to RMB10,104.99 million (31 December 2021: RMB12,434.24 million).

Commitments

As at 31 December 2022, the Group's capital expenditure commitments amounted to RMB10.77 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 at variable rates expose the Group to cash flow interest rate risk. Corporate bonds, bank and other borrowings at fixed rates expose the Group to fair value interest rate risk.

Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, restricted cash, term deposits with initial terms over three months and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Liquidity risk

Management of the Group aims at maintaining sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

Currency Risk

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

Legal Contingencies

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

SUBSEQUENT EVENTS

There were no significant subsequent events of the Group since 31 December 2022 and up to the date of this announcement.

HUMAN RESOURCES

As at 31 December 2022, the Group had employed 11,159 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 31 December 2022, a total of 27,720,000 share options remain outstanding and exercisable in three tranches subject to vesting conditions. The Company had not granted any share options during the year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 ANNUAL RESULTS BY AUDIT COMMITTEE

The Company established its audit committee ("**Audit Committee**") on 12 September 2018 with the responsibility to assist the Board in providing an independent review of the financial statements, risk management and internal control systems. The Audit Committee comprises two independent non-executive Directors, Mr. Tan Jinsong (chairman of the Audit Committee) and Mr. O'Yang Wiley, and one non-executive Director, Mr. Zhao Jun. Mr. Tan Jinsong is the independent non-executive Director possessing the appropriate professional accounting and related financial management expertise.

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2022. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group, the risk management and internal control systems, and the financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2022 as set out in this annual results announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held on 22 May 2023. The notice of the AGM will be published on the Company’s website at <http://www.mideadc.com> and the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>, and despatched to the shareholders of the Company in due course.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.80 per share (2021: HK\$1.60 per share) for the year ended 31 December 2022 (the “**Final Dividend**”). Subject to the approval of the shareholders of the Company at the AGM and the compliance with the Companies Act of the Cayman Islands, the Final Dividend will be payable to the shareholders whose names appear on the register of members of the Company on 1 June 2023 (the “**Eligible Shareholders**”), with the Eligible Shareholders being given an option to elect to receive the Final Dividend all in new shares or partly in new shares and partly in cash or all in cash (the “**Scrip Dividend Scheme**”).

The Scrip Dividend Scheme is subject to (1) the passing of the resolution relating to the payment of the Final Dividend at the AGM; and (2) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or about 7 July 2023. It is expected that the cheques for cash dividends or, if scrip shares are elected, the certificates for the scrip shares will be sent to the Eligible Shareholders on or about 8 August 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders' rights of attending and voting at the AGM, the register of members of the Company will be closed from 17 May 2023 to 22 May 2023, both days inclusive, during which period no transfer of shares shall be effected. In order to be entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 16 May 2023.

For the purpose of determining the identity of shareholders who are entitled to the proposed Final Dividend, the register of members of the Company will be closed from 30 May 2023 to 1 June 2023, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 29 May 2023.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at <http://www.mideadc.com> and the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>. The 2022 annual report will be despatched to the shareholders of the Company and available on the aforesaid websites in due course.

By order of the Board
Midea Real Estate Holding Limited
Hao Hengle

Chairman, Executive Director and President

Hong Kong, 24 March 2023

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.