

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF EQUITY INTERESTS AND NOVATION OF LOAN IN THE TARGET COMPANY

BACKGROUND

The Board announces that on 29 March 2023, the Purchaser, the Existing Shareholder and the Guarantor, all of which are indirectly wholly-owned subsidiaries of the Company, entered into the Equity Transfer Agreement with the Vendor, the Vendor Related Entity and the Target Company, pursuant to which:

- (i) the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Target Equity Interests; and
- (ii) the Vendor Related Entity has agreed to novate, and the Purchaser has agreed to accept the novation of, the liability under the Novation Loan.

The Consideration is the sum of (i) RMB632,126,717; (ii) the IRR Adjustment Amount; and (iii) the Foreign Exchange Adjustment Amount.

The Target Company is engaged in property development in Wuxi City, Jiangsu Province of the PRC. Upon completion of the Transaction, the Target Company will become a wholly-owned subsidiary of the Purchaser, and the financial results of the Target Company will be consolidated in the Group's financial statements.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Transaction is more than 5% but all percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

BACKGROUND

The Board announces that on 29 March 2023, the Purchaser, the Existing Shareholder and the Guarantor, all of which are indirectly wholly-owned subsidiaries of the Company, entered into the Equity Transfer Agreement with the Vendor, the Vendor Related Entity and the Target Company in relation to the Transaction.

EQUITY TRANSFER AGREEMENT

The principal terms of Equity Transfer Agreement are set out below:

Date

29 March 2023

Parties

- (i) the Purchaser;
- (ii) the Existing Shareholder;
- (iii) the Guarantor;
- (iv) the Vendor;
- (v) the Vendor Related Entity; and
- (vi) the Target Company.

Each of the Purchaser, the Existing Shareholder and the Guarantor is an indirectly wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, the Vendor Related Entity and their respective ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Equity Transfer Agreement:

- (i) the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Target Equity Interests; and
- (ii) the Vendor Related Entity has agreed to novate, and the Purchaser has agreed to accept the novation of, the liability under the Novation Loan.

Consideration

The consideration under the Equity Transfer Agreement is the sum of (i) RMB632,126,717; (ii) the IRR Adjustment Amount; and (iii) the Foreign Exchange Adjustment Amount ((i) to (iii) collectively, the “**Consideration**”) and shall be settled in the following manner:

Payment schedule

- (i) RMB632,126,717 to be payable in two installments:
 - (1) the first instalment being RMB332,974,362, with RMB128,208,152 to be settled in cash and RMB204,766,210 to be settled by the assumption of liability of the same amount by the Purchaser under the Novation Loan; and On or prior to 31 March 2023
 - (2) the second instalment being RMB299,152,355 to be settled in cash; On or prior to 27 April 2023
- (ii) the amount to be settled in cash, being (1) the amount which makes the internal rate of return of the Vendor’s relevant investments in the Target Equity Interests reaches 10%; and deducted by (2) any return received by the Vendor or its related party prior to the payment of the aforementioned amount (the “**IRR Adjustment Amount**”); and On or prior to 28 April 2023
- (iii) the foreign exchange gains or losses (the “**Foreign Exchange Adjustment Amount**”) to be settled in cash, being (1) the difference in the foreign exchange currency rates of US\$ to RMB at the Foreign Exchange Settlement Date and the date of the initial investment; (2) multiplied by 62%; and (3) multiplied by the initial investment made by the Vendor. On or prior to one year after the Closing Date

The Consideration was agreed upon on normal commercial terms and after arm’s length negotiations between the Parties after taking into account, among others:

- (i) the financial position of the Target Company for the two years ended 31 December 2022;
- (ii) the comparable market value of the land situated around the land owned by the Target Company; and
- (iii) the current property market condition in the PRC.

The Target Company shall pay the Vendor Related Entity a consultancy fee of RMB833,333.33 on or prior to the Closing Date. For the avoidance of doubt, the consultancy fee shall not be included as any return received by the Vendor or its related party for the purposes of calculating the IRR Adjustment Amount.

Completion

The Purchaser, the Vendor, the Existing Shareholder and the Target Company shall within 15 days of the Closing Date submit documents for the registration with the competent local authorities of the transfer of the Target Equity Interests and for the change of director, supervisor and senior management of the Target Company appointed by the Vendor.

Upon completion of the Transaction, the Target Company will become a wholly-owned subsidiary of the Purchaser, and the financial results of the Target Company will be consolidated in the Group's financial statements.

Guarantee

The Guarantor as principal obligor will guarantee in favour of the Vendor for the due and punctual payment of the Foreign Exchange Adjustment Amount (if any) and be jointly liable for any liabilities arising therefrom for a period commencing on the date of the Equity Transfer Agreement and ending in 18 months after the due payment date of the aforementioned liabilities.

INFORMATION OF THE PARTIES

Information of the Purchaser, the Existing Shareholder and the Guarantor

Each of the Purchaser, the Existing Shareholder and the Guarantor was established under the laws of the PRC on 22 April 2017, 27 September 2013 and 13 January 1995, respectively. Each of them is an indirectly wholly-owned subsidiary of the Company and is an investment holding company. As at the date of this announcement, the Existing Shareholder holds 62% equity interests in the Target Company.

Information of the Group

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.

Information of the Vendor and the Vendor Related Entity

The Vendor was established under laws of Hong Kong on 24 December 2013 and is an investment holding company. As at the date of this announcement, the Vendor holds 38% equity interests in the Target Company.

The Vendor Related Entity was established under laws of the PRC on 10 December 2019 and is an investment holding company.

Each of the Vendor and the Vendor Related Entity is an indirectly non-wholly owned subsidiary of Ping An Insurance (Group) Company of China, Ltd.* (中國平安保險(集團)股份有限公司), a company established in the PRC and dually listed on the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318.SH).

Information of the Target Company

The Target Company was a company established under laws of the PRC on 24 August 2021 and is engaged in the property development business in Wuxi City, Jiangsu Province of the PRC. As at the date of this announcement, the principal asset of Target Company is a land situated at Xishan District in Wuxi City, Jiangsu Province of the PRC with a total gross floor area of approximately 167,775 square metres. The Group intends to develop the land for residential buildings for sale and the development project is expected to complete around November 2028.

Set out below is a summary of the key financial information of the Target Company for the two years ended 31 December 2022, which has been prepared in accordance with the PRC Accounting Standards:

	Target Company	
	For the year ended	
	31 December	
	2021	2022
	(audited)	(unaudited)
	RMB'000	RMB'000
Revenue	0	516
Profit/(Loss) (before tax)	(5,713)	(14,445)
Profit/(Loss) (after tax)	(4,748)	(10,833)

The Target Company is at the project development stage of the land and hence is recording a loss. The unaudited net asset value of the Target Company as at 31 December 2022 prepared in accordance with the PRC Accounting Standards was approximately RMB1,667,366,000.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is a large national property developer based in the PRC. The Transaction aims to: (i) enable the Group to focus on its regional competitive advantage by implementing the Company's business philosophy and expand its brand impact; and (ii) increase the Group's equity interests in the Target Company to further strengthen management efficiency and to enhance returns to the Shareholders.

The Directors are of the view that the Equity Transfer Agreement has been entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and that the terms of such agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Transaction is more than 5% but all percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity Interests pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Closing Date”	the date upon which the Consideration (excluding the Foreign Exchange Adjustment Amount) and the consultancy fee are settled in accordance with the Equity Transfer Agreement
“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)
“Consideration”	has the meaning ascribed to it under the heading “Consideration”
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into by the Purchaser, the Existing Shareholder, the Guarantor, the Vendor, the Vendor Related Entity, the Target Company on 29 March 2023
“Existing Shareholder”	Zhenjiang Midea Property Development Company Limited* (鎮江美的房地產發展有限公司), a company established under laws of the PRC on 27 September 2013, and an indirectly wholly-owned subsidiary of the Company
“Foreign Exchange Adjustment Amount”	has the meaning ascribed to it under the heading “Consideration”
“Foreign Exchange Settlement Date”	the settlement date of the Foreign Exchange Adjustment Amount, being a date within one year of the Closing Date to be agreed between the Purchaser and the Vendor
“Group”	the Company and its subsidiaries
“Guarantor”	Midea Real Estate Group Limited* (美的置業集團有限公司), a company established under laws of the PRC on 13 January 1995, and an indirectly wholly-owned subsidiary of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“IRR Adjustment Amount”	has the meaning ascribed to it under the heading “Consideration”
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Novation Loan”	the loan in the principal amount of RMB204,766,210 advanced by the Target Company to the Vendor Related Entity, and to be novated and assumed by the Purchaser pursuant to the Equity Transfer Agreement
“Parties”	the parties to the Equity Transfer Agreement, namely the Purchaser, the Existing Shareholder, the Guarantor, the Vendor, the Vendor Related Entity and the Target Company, and each a “Party”
“PRC”	the People’s Republic of China
“PRC Accounting Standards”	the PRC Accounting Standards for Business Enterprises, as promulgated and, from time to time, amended or supplemented by the Ministry of Finance of the PRC
“Purchaser”	Nanjing Midea Property Development Company Limited* (南京美的房地產發展有限公司), a company established under laws of the PRC on 22 April 2017, and an indirectly wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Wuxi Meiting Property Development Company Limited* (無錫美亭房地產發展有限公司), a company established under laws of the PRC on 24 August 2021
“Target Equity Interests”	38% of the equity interests in the Target Company to be purchased by the Purchaser pursuant to the Equity Transfer Agreement
“Transaction”	the Acquisition and the acceptance of the Novation Loan by the Purchaser pursuant to the Equity Transfer Agreement
“US\$”	United States dollars, the lawful currency of the United States of America

“Vendor”	Pingan Real Estate Capital Limited (平安不動產資本有限公司), a company established under laws of Hong Kong on 24 December 2013
“Vendor Related Entity”	Shenzhen Chuanglang Enterprise Management Company Limited* (深圳市創朗企業管理有限公司), a company established under laws of the PRC on 10 December 2019
“%”	per cent

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

The Chinese name of the PRC entity or Chinese term 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 or Chinese term 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, 29 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.