

美的置業控股有限公司

MIDEA REAL ESTATE HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3990

2023 INTERIM REPORT

Company Profile

Midea Real Estate Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**” or “**Midea Real Estate**”) (Stock Code: 3990.HK) is a listed company of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and one of the top 100 private enterprises in Guangdong Province, whose shares are included in the constituents of indexes such as Hang Seng Stock Connect Hong Kong Index. The Group upholds the development orientation of “Smart Healthy Life Service Provider”, and aims to create a better lifestyle by building “5M Smart Health Community” with intelligent, industrial, digital and quality construction and services backed by its profound manufacturing foundation and technological expertise.

Guided by the policy of “intensive development in focused areas and strategy upgrade”, Midea Real Estate has established 331 projects in five regions (data as at 30 June 2023), including the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta Economic Region, the Midstream of Yangtze River Economic Region, Beijing-Tianjin-Hebei Economic Region and Southwest Economic Region, with presence in national core cities such as Shanghai, Guangzhou, Chengdu, Chongqing, Wuhan and Tianjin, and in provincial capitals such as Hangzhou, Nanjing, Changsha, Hefei, Kunming, Fuzhou, Nanchang and Guiyang.

Midea Real Estate adheres to the coordinated development of four major business lines, namely residential property development, property management services, commercial operations and real estate technologies. Among them, residential property development and services closely follow the trend of users’ demands for smart and healthy living in the technological era of AIoT (Artificial Intelligence of Things). We have created the unique “5M Smart Health Community” strategic product system to provide customers with a sophisticated and smart living experience from five dimensions, namely “M-Smart, M-Health, M-Quality, M-Service, and M-Life”. In terms of real estate technologies, the Group has vigorously built an industry chain for creating a smart and technology-based living environment, so as to cultivate it into a “second runway” for independent development. We have developed intelligent industries and building technologies, and iterated technologies based on users’ needs. Driven by the integrated smart home solutions, we have established core competitiveness around scenario innovation and the Internet of Things, boasting industry-leading solutions and full-chain service capabilities. From research and development, design, production and construction, to management, operation and maintenance, we have built a closed-loop system for the entire value chain and established the advantages of integrated products and services. We have received the recognition as the first “National Standard Creation Base for Smart Residential Area” and continuously provide third parties with smart and green prefabricated integrated solutions.

Looking forward, Midea Real Estate will continue to strengthen its foundation, innovate and reform, strengthen industrial empowerment, and lead industry development in a smart and healthy way, so as to provide the nation with premium residence and create better value for the society.

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Financial Overview

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	Change
Revenue (RMB million)	36,334.6	31,662.9	14.8%
Gross profit (RMB million)	4,792.3	5,668.6	-15.5%
Net profit (RMB million)	1,665.5	2,608.4	-36.1%
Core net profit* (RMB million)	1,750.4	2,735.5	-36.0%
Profit attributable to owners of the Company (RMB million)	782.1	1,538.1	-49.2%
Core net profit attributable to owners of the Company** (RMB million)	855.7	1,655.7	-48.3%
Basic earnings per share (RMB)	0.58	1.25	-53.6%

BALANCE SHEET HIGHLIGHTS

	As at	As at	Change
	30 June	31 December	
	2023	2022	
Total assets (RMB million)	231,466.8	251,938.8	-8.1%
Total cash and bank deposits (RMB million)	23,816.8	26,390.9	-9.8%
Short-term borrowings (RMB million)	12,376.2	13,681.2	-9.5%
Long-term borrowings (RMB million)	31,392.5	34,773.4	-9.7%
Total equity (RMB million)	50,086.2	50,313.8	-0.5%
Total liabilities/total assets	78.4%	80.0%	-1.6%
Net gearing ratio	39.8%	43.9%	-4.1%

* 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.

Dear shareholders,

I am pleased to present to you the interim report of the Group for the six months ended 30 June 2023 (the **"Reporting Period"**).

I. INDUSTRY OVERVIEW

In recent years, the real estate industry has gone through the hurdles to improve the pattern, and bid farewell to the era of high spirits in the midst of restlessness and clamor. Both the general trend of the industry and the enterprises themselves have realised that the real estate industry must take a new path of high-quality development in the future, and there must be a new model for development.

Currently, the real estate market is gradually shifting from scaled development towards refinement of quality, with its "consumption" attribute becoming more and more prominent, where the desire for a better life and the pursuit of better quality of life drive the continuous development of the real estate market.

It has been proven that the trend is pushing everyone forward, the attitude of "laissez faire" or "sit and wait" cannot really "stay out of it", and the only way is to adapt to the general trend and face up to the challenges with unremitting efforts, so as to achieve fruitful result in the test of time.

II. BUSINESS REVIEW

The real estate market has gradually shifted from solving the problem of "availability" to providing solutions of "quality". Refined operation and seeking efficiency from the management may become the new normal for the development of real estate enterprises. During the Reporting Period, the Group still believes in long-termism and adhered to the value of credit, insisted on quality development, and was determined to strive for a better future. The Group was able to pinpoint the opportunity in crisis, enhance quality and efficiency and move forward steadily.

1. Adhere to Credit Value: Continuously Optimising Debt Structure to Safeguard Financial Stability

Leveraging on our excellent corporate qualities and high credit value, the Group has won firm recognition from many mainstream institutions and investors. During the Reporting Period, the Group continued to optimise our debt structure and strengthen our financial base while maintaining sufficient liquidity to safeguard high margin of security.

As at the end of the Reporting Period, the Group's net gearing ratio was 39.8%, cash to short-term debt ratio was 1.49, asset-liability ratio after deducting advances was 67.9%, and the "Three Red Lines" remained in the green. RMB4.304 billion out of RMB5.144 billion of 6 public debts due in 2023 had been settled as at the date of this report. The Group has low pressure on repayment of debts, and our overall risk-resistant ability continued to improve.

Meanwhile, as at 30 June 2023, the Group held total cash of approximately RMB23.8 billion, and unutilised bank credit facilities had increased to RMB111.8 billion. While holding sufficient cash on hand, the Group maintained our competitive edge in terms of financing cost, with a weighted average financing cost of 4.68% during the Reporting Period, which outperformed fellow private enterprises.

It is worth mentioning that, as the industry continues to change, the Group, as a model private real estate enterprise, has been recognised by regulators, the stock exchange and credit enhancement institutions for our long-term stable operation and safe and sound creditworthiness. The Group successfully issued RMB1.2 billion of medium-term notes in April 2023, making us the first private real estate enterprise in the year to obtain the Credit Risk Mitigation Warrant (CRMW) jointly created by the three authoritative institutions, namely, China Bond Insurance Corporation, Bank of Communications and CITIC Securities.

2. Adherence to Strategic Focus: Accelerate Adjustment of Asset Structure and Seize Opportunities in Penetrating Core Cities

Guided by the policy of “intensive development in focused areas and strategy upgrading”, the Group continued to optimise our land reserve structure to enhance our ability to resist cyclical risks. During the Reporting Period, the Group focused on high-potential areas in first- and second-tier cities, further increased our presence in national strategic city clusters, mainly invested in core economic zones such as the Yangtze River Delta and the Greater Bay Area, focused on high-tier cities, and concentrated our resources on upgrading and building first- and second-tier bases. As at the end of the Reporting Period, the Group had participated in a total of 331 property development projects and owned land reserves with a total GFA of approximately 34.26 million sq.m..

During the Reporting Period, the Group's attributable inventory value had an increase of approximately RMB3.61 billion through newly acquired lands and equity acquisition of existing projects, mainly in first-tier and strong second-tier cities, while withdrawing from certain weaker third-tier and fourth-tier cities, resulting in a decrease in attributable inventory value of RMB0.38 billion. Since 2021 up till now, the Group has completed the restructuring of equity interests in a total of 40 projects, of which 17 projects were acquired and 23 projects were disposed, resulting in a cumulative net increase in attributable inventory value of approximately RMB6.6 billion and an increase in the equity ratio of the land reserves in terms of area to over 70%. Overall, the Group's land reserve structure is tilted towards high-tier core cities and metropolitan areas, and the fundamentals of cities covered have been improving.

Against the backdrop of the general market conditions, there were obvious differentiation among cities on the sales side. Thanks to the Group's strategies of “city upgrading” and “city penetration” implemented since 2019, the overall sales remained resilient during the Reporting Period. The Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB40.56 billion, with a corresponding GFA sold of approximately 3,206 thousand sq.m., and an increase in average selling price by 3.4% year-on-year to RMB12,653 per sq.m.. At the same time, the Group emphasised on the progress of cash collection. During the Reporting Period, the cash collection rate excluding receivables at the beginning of the period was 98%, which was at the top level amongst the private real estate enterprises.

3. Insisting on Realisation of Product Competitiveness: Guarantee Delivery and Emphasise on Services, and Optimise the Quality of Home Ownership

With the continuous development of the industry, consumers' pursuit of housing has changed from simply “having a home to live in” to “living in a good home”, and they have higher expectations for the quality of housing. “Building good houses” has always been the Group's tireless pursuit and the root of our endeavor.

During the Reporting Period, the Group continued to build up our core competencies, and based on the foundation of Community Chassis 1.0 (社區底盤1.0), the Group further upgraded our community products based on the scenario performance of customer insights. While optimising and satisfying the basic needs of customers, the Group has created innovative products and modules such as heat center, all-rounded foyer and Happy Circle 2.0 (悅動環2.0) around the deeper needs of the community, which will provide customers with a brand-new experience of community life.

During the Reporting Period, the Group had achieved delivery of over 40 thousand homes across the country, 64% batches of which were delivered in advance, with best customer satisfaction rate amongst the peers. We always believe that delivery of housing is only the completion of the construction of physical space, while services and operations are the key to its vitality. During the Reporting Period, the Group placed the highest priority on quality, delivery and services, not only ensuring the delivery schedule, but also enhancing the quality of construction, emphasising community clubs and user branding as well as service capability. Since 2021, the Group has launched our user brand "Chengyijia" (橙意家), and has carried out comprehensive and continuous iteration and upgrades since then, focusing on the three major dimensions of user care, namely "sincerity in products", "honesty in quality" and "earnestness in services".

4. New Growth Momentum: Qualitative Growth in Property Management Business and Solid Landing of Remac Industry (睿住產業)

The era of high-speed development in the real estate industry has come to an end. However, for real estate enterprises, they need to possess diversified expansion capabilities, whether to build up safety cushion to cope with the current industry cycle or to establish competitive edge for the future. The Group has been strengthening our ability to build new types of real estate by proactively switching to new momentum through innovation while maintaining our product competitiveness.

The property management business is resilient to cyclicity, has abundant and stable cash returns, and has excellent financial characteristics of "light assets, cash cow and strong defense". During the Reporting Period, the Group's property management business achieved strong cash flow operations by focusing on business strategy, optimising business structure and adhering to the principle of quality operations. As at the end of the Reporting Period, the Group had a contracted area of 91.14 million sq.m. and an area under management of 58.60 million sq.m.. The Group's property management business has always adhered to the principle of services as the core, returning to the fundamental business roots, implementing the four major service product systems of "royalty, enjoyment, joy and pleasure" (尊享愉悦), continuously improving product quality, while building and consolidating the professional service capabilities of new sectors such as industrial parks and hospitals. In terms of project expansion, we are not scale-oriented. However, we prioritise profitability as the core to steadily acquire suitable projects, and closely focus on cities that we have penetrated, so as to increase our presence in these cities and enhance profitability. During the Reporting Period, the Group added 31 new external projects with newly expanded area of approximately 3.00 million sq.m..

With the continuous enhancement of consumption and carbon reduction initiatives as well as building industrialisation, the development of new construction methods represented by greening, digitisation and industrialisation will robustly contribute to the synergistic development of the construction of Digital China and the goals of the "Dual Carbon Strategy". The Group actively responds to the nation's call with our subsidiary, Remac Building Technology, focusing on "green construction", integrating design technology and the advantageous green assembly capabilities of the whole industry chain, and carrying through the entire life cycle of green construction to create resource-saving and environmentally friendly green living. During the Reporting Period, the Group has strengthened our strategic business while consolidating fundamental businesses, realising a contract amount of approximately RMB0.4 billion, and achieved the first breakthrough in Hong Kong and Macao business — the official signing of the Hong Kong Modular Integrated Construction (MIC) project, with a contract amount of over HKD30 million. Remac Smart Technology is committed to becoming a provider of spatial intelligent solution, has completed the whole-house intelligent digital intelligence platform, and completed the initial hardware layout of seven categories of whole-house intelligent system, and further perfected the ecological capability. During the Reporting Period, we have delivered 92 projects and 39 thousand households, ranking the top in the industry in terms of market share.

III. PROSPECTS

"People's happiness and well-being" is the ultimate goal of high-quality development. It is a general trend to return to the residential nature of housing. Real estate enterprises should move with the times and act in accordance with the trend. While keeping the basics and safety cushion, they should also focus more on enhancing the living experience, so as to benefit the people's well-being and fulfill their social responsibility.

Going ahead, the Group will continue to maintain a solid financial position, continue to optimise our investment layout, focus on high-quality and high-potential cities, and enhance our resistance to cyclical risks. The Group will adhere to the original spirit of the products, carry forward the spirit of craftsmanship, and carefully build the brand's premium capacity. We value the diversified business related to the real estate industry, and will continue to cultivate our core competitiveness, so as to enable the new growth curve to gradually move towards positive growth.

While enterprises go through cycles and have several ups and downs, only their culture remains uninterrupted. Corporate culture is the soil for sustainable development of an enterprise and determines its values and behavioral standards. The Group will maintain the mentality of an entrepreneur, pay attention to the long-term perspective and strategic pattern, reshape the efficient and flat organisational structure, improve the incentive mechanism, stimulate the vitality of the organisation, and at the same time continuously develop the talents to strategically build up our team.

We have crossed the halfway through 2023, but still have a long journey to go, and we must rise to the challenge. All parties from within and outside of the industry are aware of challenges and difficulties of the real estate industry, where it is facing the unavoidable and inevitable trend. In the future, the Group will continue to practice long-termism and make every effort to deliver good work pragmatically. Time is on the side of those who strive for success. Only by believing in each and every breakthrough that we make on a down-to-earth basis will we be able to make progress on the road of transformation.

APPRECIATION

On behalf of the board of directors (the "**Board**" or "**Directors**") of the Company, I would like to take this opportunity to express sincere gratitude to all sectors of society for your trust and support. The Group will continue to improve to create more value for shareholders, investors, partners, customers and society in future.

Chairman, Executive Director and President

Hao Hengle

29 August 2023

Hong Kong

Management Discussion and Analysis

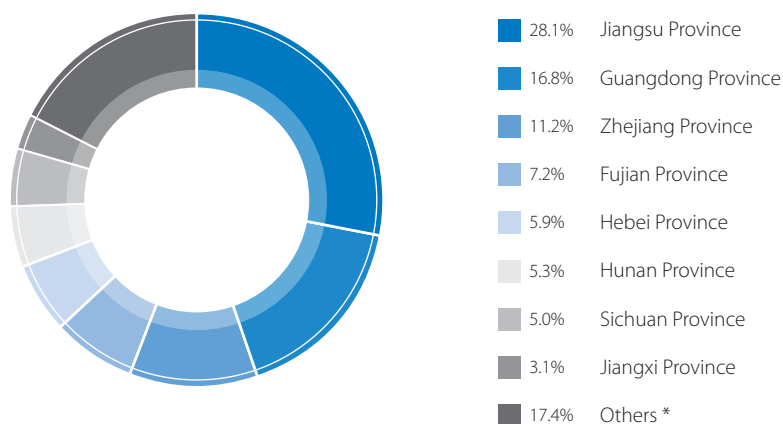
OVERALL PERFORMANCE

During the Reporting Period, the Group recorded revenue of RMB36,334.59 million (the corresponding period of 2022: RMB31,662.90 million), representing an increase of 14.8% as compared to the corresponding period of last year. Operating profit amounted to RMB2,609.93 million (the corresponding period of 2022: RMB3,897.52 million), representing a decrease of 33.0% as compared to the corresponding period of last year. Profit for the Reporting Period amounted to RMB1,665.50 million (the corresponding period of 2022: RMB2,608.37 million), representing a decrease of 36.1% as compared to the corresponding period of last year. Core net profit for the Reporting Period decreased by 36.0% to RMB1,750.41 million (the corresponding period of 2022: RMB2,735.50 million), and core net profit attributable to owners of the Company decreased by 48.3% to RMB855.74 million. Profit attributable to owners of the Company reached RMB782.10 million (the corresponding period of 2022: RMB1,538.08 million), representing a decrease of 49.2% as compared to the corresponding period of last year. Basic and diluted earnings per share reached RMB0.58 (the corresponding period of 2022: RMB1.25).

CONTRACTED SALES

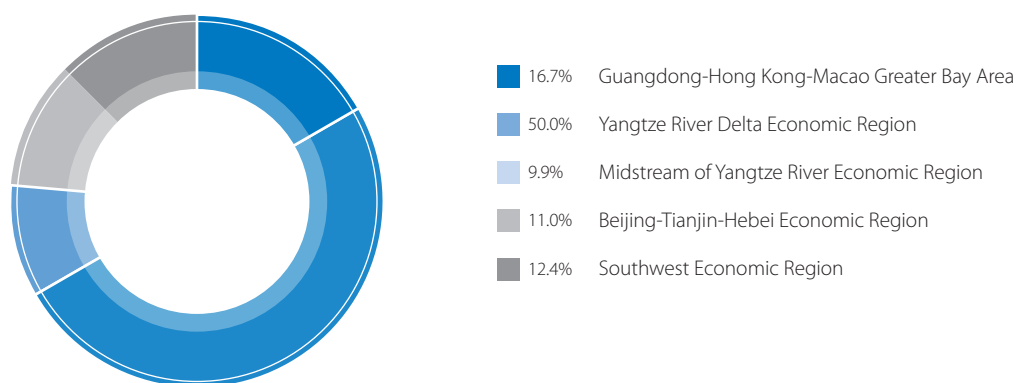
During the Reporting Period, the Group and its joint ventures and associates recorded contracted sales of approximately RMB40.56 billion with a total contracted sales GFA of approximately 3,206 thousand sq.m.. Under the pressure of prevailing market adjustment, sales amount and average selling price increased slightly as compared to the corresponding period of last year, reflecting customers' recognition and trust in the Group's products and reputation.

DISTRIBUTION MAP OF CONTRACTED SALES BY PROVINCE



* Others: Yunnan Province, Anhui Province, Tianjin City, Guangxi Zhuang Autonomous Region, Henan Province, Guizhou Province, Hubei Province, Chongqing City, Liaoning Province and Shanghai City.

DISTRIBUTION MAP OF CONTRACTED SALES BY REGION



LAND RESERVES

Newly-added Land Reserves

During the Reporting Period, the Group restarted our efforts in land acquisition and made gains in cities like Foshan and Changsha, with newly added land reserves of approximately 470 thousand sq.m..

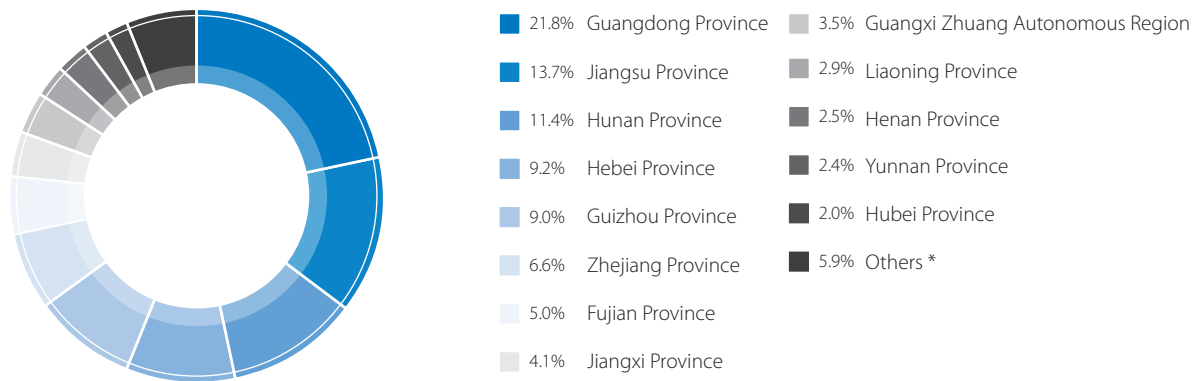
List of Newly Acquired Land Reserves:

City	Project Name	Attributable Equity Interest	Land Reserves (sq. m.)
Foshan	Foshan Midea Ruichuang Centre Project	100.0%	252,723
Changsha	Changsha Midea Yunjing	100.0%	90,292
Handan	Handan Eastern Midea City • Tianjing	90.0%	123,737

Land Reserves

As at 30 June 2023, the total GFA of the Group's land reserves* amounted to approximately 34.26 million sq.m., comprising 331 property development projects 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.

DISTRIBUTION MAP OF LAND RESERVES BY PROVINCE



* Others: Sichuan Province, Chongqing City, Anhui Province, Tianjin City and Shanghai City.

REGIONAL DISTRIBUTION MAP BY PROJECT STATUS

Guangdong-Hong Kong-Macao Greater Bay Area



Yangtze River Delta Economic Region



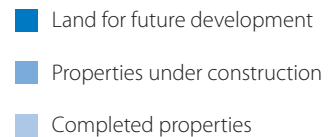
Midstream of Yangtze River Economic Region



Beijing-Tianjin-Hebei Economic Region



Southwest Economic Region



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

LAND RESERVES BY CITY (AS AT 30 JUNE 2023)
Properties developed by our subsidiaries

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)
Guangdong–Hong Kong–Macao Greater Bay Area	Foshan	29	1,261,665	930,731	1,394,867	3,587,263
	Yangjiang	2	81,871	207,519	607,132	896,522
	Maoming	1	63,969	68,952	464,149	597,070
	Heyuan	2	104,671	256,132		360,803
	Guangzhou	4	50,573	172,425		222,998
	Huizhou	2	174,728			174,728
	Zhaoqing	5	97,707			97,707
	Jiangmen	3	92,271	2,197		94,468
	Dongguan	1	62,997			62,997
Zhongshan	3	20,588			20,588	
	Subtotal	52	2,011,040	1,637,956	2,466,148	6,115,144
Yangtze River Delta Economic Region	Xuzhou	13	237,538	1,235,586	499,961	1,973,085
	Quanzhou	8	264,006	894,473	298,070	1,456,549
	Yangzhou	3	14,336	411,209	272,931	698,476
	Jinhua	7	86,674	428,190		514,864
	Ningbo	9	76,728	427,445		504,173
	Wenzhou	1		444,882		444,882
	Zhenjiang	5	74,898	212,634		287,532
	Wuxi	5	20,850	102,487	65,288	188,625
	Nanjing	3	40,820	108,969		149,789
	Changzhou	2	42,854	102,581		145,435
	Suzhou	4	42,638	54,781		97,419
	Shanghai	2	73,400			73,400
	Hangzhou	2	16,373	38,082		54,455
	Fuyang	1	17,492			17,492
	Nantong	1	16,979			16,979
	Taizhou	2	16,389			16,389
Hefei	2	16,299			16,299	
Taizhou	1	522			522	
	Subtotal	71	1,058,796	4,461,319	1,136,250	6,656,365

Management Discussion and Analysis (Continued)

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)
Midstream of Yangtze River Economic Region	Xiangtan	3	55,091	312,483	658,740	1,026,314
	Changsha	8	224,013	330,420	375,934	930,367
	Zhuzhou	10	165,231	229,121	297,056	691,408
	Wuhan	2	162,908	318,705	203,099	684,712
	Ganzhou	2	110,790	294,542		405,332
	Chenzhou	2	143,784	172,526		316,310
	Yueyang	2	68,945	200,562		269,507
	Nanchang	3	130,246	109,680	8,677	248,603
	Hengyang	2	72,177	41,732	130,476	244,385
	Shangrao	3	105,993			105,993
	Jiujiang	2	69,431			69,431
	Subtotal	39	1,308,609	2,009,771	1,673,982	4,992,362
Beijing-Tianjin-Hebei Economic Region	Handan	18	662,446	1,623,418	185,938	2,471,802
	Shenyang	9	108,681	595,860	169,757	874,298
	Zhengzhou	2	673	297,591	179,901	478,165
	Xingtai	6	88,148	298,986	6,540	393,674
	Luoyang	2		343,578	18,818	362,396
	Tianjin	1			150,252	150,252
	Kaifeng	1	34,275			34,275
	Subtotal	39	894,223	3,309,685	560,954	4,764,862
Southwest Economic Region	Guiyang	8	683,254	723,820	690,187	2,097,261
	Zunyi	7	282,348	433,718	258,906	974,972
	Kunming	3	242,350	465,286	110,531	818,167
	Wuzhou	1	2,199	145,971	639,576	787,746
	Chengdu	3	71,425	255,845		327,270
	Nanning	3	44,139	181,416	89,525	315,080
	Chongqing	4	196,288	76,139		272,427
	Leshan	1	44,937			44,937
	Meishan	2	33,502			33,502
	Subtotal	32	1,600,442	2,282,195	1,788,725	5,671,362

Management Discussion and Analysis (Continued)

Properties held by our joint ventures/associates*

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)
Guangdong-Hong Kong-Macao Greater Bay Area	Foshan	13	168,521	472,276	110,462	751,259
	Jiangmen	5	156,233	16,500	9,622	182,355
	Zhuhai	2		96,782	21,642	118,424
	Dongguan	1		96,671		96,671
	Maoming	1	29,963	9,983	52,307	92,253
	Huizhou	1		42,852	13,161	56,013
	Guangzhou	1		28,617	16,868	45,485
	Subtotal	24	354,717	763,681	224,062	1,342,460
Yangtze River Delta Economic Region	Wuxi	6	113,615	219,929	81,897	415,441
	Xuzhou	6		336,222	22,732	358,954
	Fuyang	2	97,431	105,193	50,955	253,579
	Shaoxing	2		249,822		249,822
	Wenzhou	2	3,537	198,746		202,283
	Fuzhou	4	74,040	121,340		195,380
	Jinhua	2	7,612	107,628	70,215	185,455
	Hefei	2		143,752		143,752
	Nanjing	4	31,053	70,492		101,545
	Suzhou	2	44,936	51,738		96,674
	Changzhou	3	64,743	16,471		81,214
	Quanzhou	1	81,080			81,080
	Shanghai	1		72,023		72,023
	Ningbo	1	60,761			60,761
	Yangzhou	1		43,496		43,496
	Nantong	1	16,168	22,136		38,304
Zhenjiang	2	4,387	16,658		21,045	
Hangzhou	1	18,038			18,038	
Zhoushan	1	2,552			2,552	
	Subtotal	44	619,953	1,775,646	225,799	2,621,398

Management Discussion and Analysis (Continued)

Region	City	Number of Projects	Completed Available for Sale and Rentable GFA (square metre)	GFA Under Development (square metre)	Planned GFA for Future Development (square metre)	Land Reserves (square metre)
Midstream of Yangtze River Economic Region	Nanchang	7	175,286	150,680	105,552	431,518
	Changsha	3	83,127	144,012		227,139
	Changde	2	21,731	30,271	104,940	156,942
	Ganzhou	1		81,137	52,793	133,930
	Zhuzhou	1	24,019	13,127		37,146
	Jiujiang	1	9,656			9,656
	Subtotal	15	313,819	419,227	263,285	996,331
Beijing-Tianjin-Hebei Economic Region	Handan	2	48,160	238,438		286,598
	Tianjin	2	27,826	102,919		130,745
	Shenyang	1	34,552	34,040	37,948	106,540
	Xingtai	1	2,220			2,220
	Subtotal	6	112,758	375,397	37,948	526,103
Southwest Economic Region	Chongqing	5	88,185	82,540	108,851	279,576
	Chengdu	3	31,059	119,566	47,174	197,799
	Nanning	1	37,684	41,092	20,327	99,103
	Subtotal	9	156,928	243,198	176,352	576,478
	Total	331	8,431,285	17,278,075	8,553,505	34,262,865

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

PROPERTIES DISTRIBUTION MAP

5

Economic
Regions

18

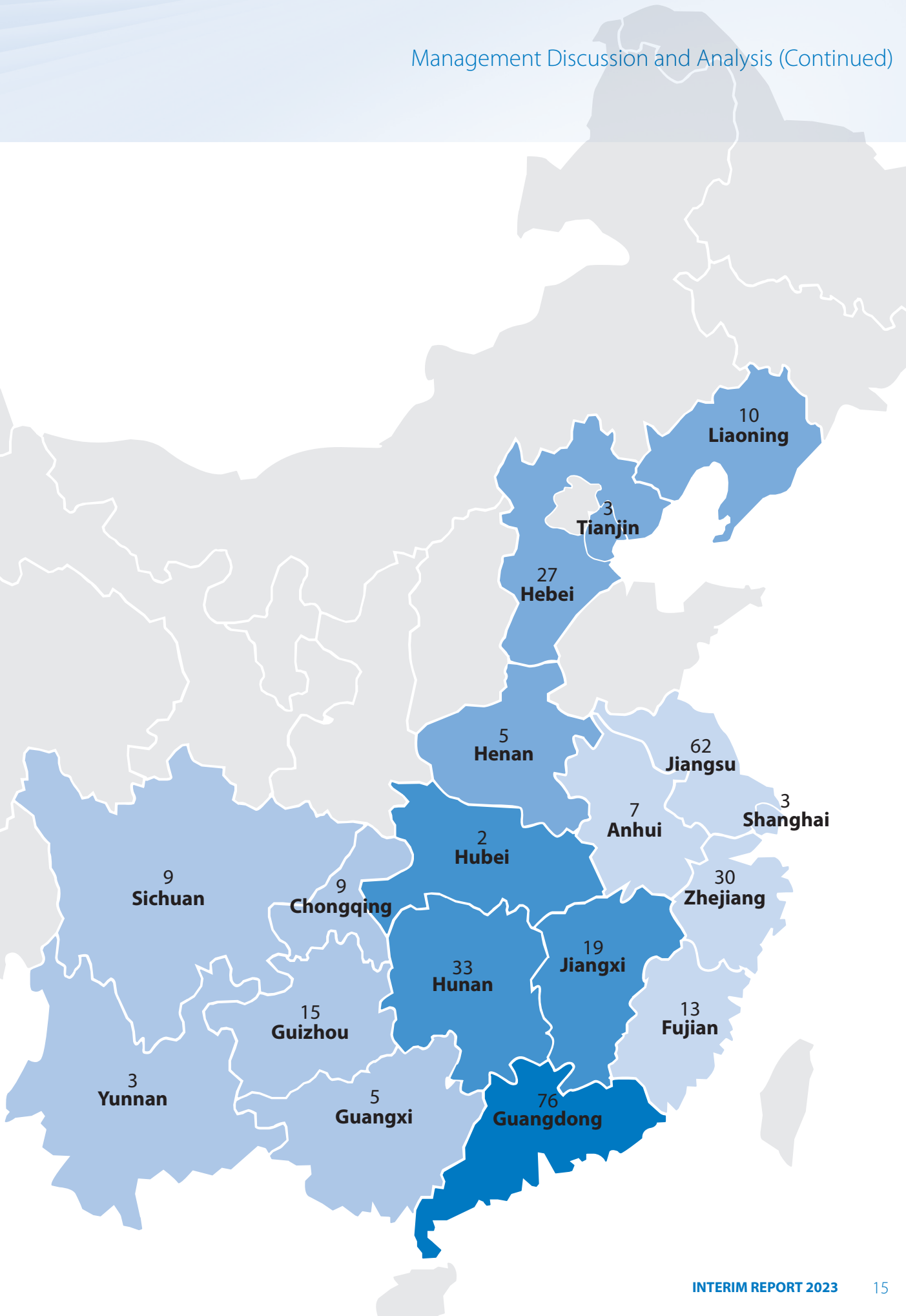
Province-Level
Administrative Units

331

Projects*

* Including 98 projects participated through joint ventures and associates.





PROPERTY MANAGEMENT

In the first half of 2023, the property management services business maintained its steady expansion and quality operations. By focusing on customers' needs and providing professional, smart and exceptional property services, Midea Real Estate Services was ranked Top 22 Property Services Enterprises by Comprehensive Strength among the Top 100 Property Services Companies in China of 2023 as announced in June.

Leveraging on the three-pronged service product supply system of Midea Real Estate Services academies, customer research center and service expert committee, Midea Real Estate Services continued to refine and improve its service capabilities in various sectors. In terms of community services, during the first half of the year, Midea Real Estate Services continued to promote the community quality improvement event with the IP of "Midea Revitalisation Action (美煥行動)", covering 135 communities nationwide and implementing more than 500 renovation items. Underpinning its four service systems of "royalty, enjoyment, joy and pleasure (尊享怡悦®)", Midea Real Estate Services deepened the construction of low-carbon, humanistic and technological communities. In terms of non-residential property management, Midea Real Estate Services has been actively expanding its business and reinforcing its momentum. During the first half of the year, Midea Real Estate Services successfully acquired the Foshan Winone Elevator Industrial Park (佛山菱王電梯產業園), Handan Oriental International Conference Hall (邯鄲東方國際會客廳), Xuzhou Annto Logistics (徐州安得智聯), Wuhu Midea Kitchen Equipment Base (蕪湖美的廚衛基地), etc.. With its quality service capability and rich management experience, Midea Real Estate Services has been recognized by the industry and the market, and was awarded the "2023 Leading Enterprise in Property Services for Industrial Parks in China (2023中國產業園區物業服務領先企業)", and Wuxi Little Swan New Industrial Park (無錫小天鵝新區工業園) served by us was awarded the "2023 Excellent Benchmark Project for Property Management in China (2023中國物業管理卓越標杆項目)".

INVESTMENT AND OPERATION OF COMMERCIAL PROPERTIES

As at 30 June 2023, the Group had a total of 16 commercial property projects, including 13 projects in operation, namely, Foshan Midea Wonderful Square, Foshan Midea Wonderful Street, Guiyang Midea Wonderful Square, Guiyang Midea Wonderful Times, Xuzhou Midea Square, Xuzhou Midea Wonderful Street, Zhenjiang Midea Wonderful Square, Handan Midea Wonderful Square, Zhuzhou Midea Times Square, Foshan Wonderful Apartment, Foshan Nanhai Jiufeng Wonderful Apartment, Foshan Midea Real Estate Headquarters, and Midea Egret Lake Forest Resort.

The three "Wonderful" commercial product lines of the Group have materialised. Foshan Nanhai Midea Real Estate Square Wonderful Apartment are preparing to open for business. Midea Commercial continued to expand its business coverage while deepening its main business. In 2022, Midea Commercial made a foray into the mother and infant market by cooperating with a well-known local maternal and infant health management institution to open a jointly-operated store in the Wonderful Square in Beijiao.

With forward-looking planning, strong investment attraction capacity and innovative operational capabilities, we design vigorous and smart commercial properties for cities to meet the commercial needs of different cities and customer groups.

Midea Egret Lake Forest Resort was named one of the "Provincial Tourism Resorts"; Guiyang Midea Wonderful Times won the "New Non-standard Commercial Benchmark Award of the Year — Silver Award (年度新開非標商業標桿獎銀獎)"; Guiyang Midea Wonderful Square was included in the "List of Excellent Planning and Design Cases" and received the title of "New Urban Commercial Landmark"; and Handan Midea Wonderful Square won the "Industry Potential Star Award".

REAL ESTATE TECHNOLOGIES

Remac Smart Technology

In the first half of 2023, Remac Smart maintained its strategic focus, deepened smart space solutions to steadily promote its businesses based on the quality needs of users and customers. Remac Smart delivered 92 projects in total for 39,000 smart homes and 73 smart communities.

In response to the new consumer group, Remac Smart launched the intelligent full-set installment brand “Remac Smart Selection (睿住智選)”, creating a new model of differentiated retail business. It provides users with “6 Smart Spaces, 12 Lifestyles” smart home products with a comprehensive range of smart products, including smart devices, smart closets, smart furnishings, smart construction materials, smart home appliances, etc.. In addition, Remac Smart Selection made its debut at the China Building Decoration Expo and won the “2023 Top 100 New Products in the Home Construction and Installation Industry (2023大家居建裝行業百大新品)” award. The first Remac Smart Selection flagship store is located in Beijiao, Foshan, creating an intelligent spatial scenario for retail experience, and bringing a new standard of integrated experience for the intelligent full-set installment.

Remac Smart has increased its investment in research and development, constructed a comprehensive spatial intelligence technology product solutions, and has obtained a total of more than 360 intellectual property rights cumulatively, including 120 patents for invention and 117 registered software copyrights. In addition, Remac Smart has reached strategic cooperation with vertical head enterprises in the industry such as Hisense and Aqara, thus continued to strengthen its ecological integration capability.

Remac Building Technology

Adhering to the development trend of “greening, digitisation and industrialisation”, Remac Building Technology has empowered the development of the building industrialisation industry with technology, and has formed a full value chain of products and services, including digital design, intelligent manufacturing, and prefabricated new materials.

Design Technology Industry

In the first half of 2023, Remac TY achieved year-on-year growth rate of 69% for its new third-party business, was awarded the dual titles of “Guangdong Specialised and New SME (廣東省專精特新中小企業)” and “Guangdong Innovative SME (廣東省創新型中小企業)”, and received 74 honorary awards. Through the integrated design practice of “prefabricated construction + digitisation + intelligence”, the unique “Remac TY Comprehensive System of Green Digitalisation Technology for the Whole Life Cycle of Construction (睿住天元建築全生命週期綠色數字化技術綜合體系)” was formed, completing with over 1.56 million sq.m. of digitalised design business, and meeting the demand for carbon emission reduction, smart cities and future communities.

Through the Science and Technology Innovation Centre, Remac TY focuses on the three major segments of greening, digitisation and industrialisation of construction, and achieves strategic cooperation with leading SaaS enterprises in the construction field, to assist in the research and development of integrated products for the design of domestic digital and maintenance buildings, to create a technological future living paradigm, as well as to contribute to achieving the “dual-carbon” goals, and promote the implementation of the “2030 sustainable development agenda”.

Management Discussion and Analysis (Continued)

Green Assembly Industry

Remac Industrialisation continued to deeply cultivate the market in the Greater Bay Area, actively explored the new construction mode of building industrialisation, promoted industrial upgrading, launched MiC integrated space products, and seized the development opportunities in the northern metropolitan in Hong Kong with multiple channels. Remac Industrialisation signed the contract of the first MiC modular integrated construction project in Hong Kong during the first half of the year, and realised breakthrough in Hong Kong's MiC construction field. At the same time, Remac Industrialisation responded quickly to market demand, and developed diversified business scenarios, as well as launching the MiC unit product "Smart Cabin (智慧艙)" to the cultural tourism market, which was welcomed by customers such as campgrounds and B&Bs.

Remac Industrialisation has set up a specialised prefabricated research institute, and actively researched and developed new low-carbon and healthy materials as well as new technologies and techniques. It obtained the certification of CNAS&CMA during the first half of 2023, was included in the Foshan Green Building Materials Directory (佛山市綠色建材名錄), and won 16 awards. In terms of prefabricated interior, Remac Industrialisation has established the core products comprising medium-to-high-end unit bathroom, integrated kitchen and prefabricated wall panels, and has formed the integrated solution of prefabricated decoration for healthy space, equipping Remac Industrialisation with advantageous ability for the integration of core structure and prefabricated interior, thus empowered the overall delivery of MiC integrated space products to provide strong support for the opening up of the market in the Greater Bay Area, Hong Kong and Macao, as well as the global market.

FINANCIAL REVIEW

Revenue

Property Development and Sales

During the Reporting Period, the Group's recognised revenue from property development and sales increased by 14.5% to RMB35,466.74 million from RMB30,971.21 million in the corresponding period of 2022, primarily due to the increase in average selling price recognised. Total GFA recognised amounted to 3.391 million sq.m., remaining flat with the 3.400 million sq.m. in the corresponding period of 2022.

Property Management Services

During the Reporting Period, the Group's revenue derived from property management services increased by 30.0% to RMB724.89 million from RMB557.58 million in the corresponding period of 2022, primarily due to an increase in the GFA of the property under contract management.

Investment and Operation of Commercial Properties

During the Reporting Period, the Group's revenue from investment and operation of commercial properties increased by 6.6% to RMB142.96 million from RMB134.12 million in the corresponding period of 2022, mainly due to the steady recovery and further development of the 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 property development activities, provision of property management services and other business activities. During the Reporting Period, the Group's cost of sales increased by 21.3% to RMB31,542.32 million from RMB25,994.29 million in the corresponding period of 2022, mainly due to the increase in unit costs of certain projects, and increase in provision for impairment of property development projects with indicators of impairment due to downturn in sales in real estate industry.

Gross Profit

During the Reporting Period, the Group's gross profit decreased by 15.5% to RMB4,792.27 million from RMB5,668.62 million in the corresponding period of 2022. The decrease in gross profit was mainly due to the higher unit costs recognised and more provision for impairment of property development projects with indicators of impairment.

Other Income and (Losses)/Gains — Net

During the Reporting Period, the Group's other income and (losses)/gains — net recorded a net loss of RMB110.81 million, which was a net gain of RMB252.34 million in the corresponding period of 2022. The Group's other income and (losses)/gains — net primarily consist of management and consulting service income, government subsidy income, losses on disposal of subsidiaries, losses on disposal of joint ventures and associates, realised and unrealised gains on financial assets at fair value through profit or loss, losses arising from changes in fair value of investment properties and gain on acquisition of an asset at a discounted price. The decrease was mainly due to the decrease in gain on acquisition of an asset at a discounted price, the decrease in management and consulting service income and the increase in losses on disposal of subsidiaries.

Selling and Marketing Expenses

During the Reporting Period, the Group's selling and marketing expenses increased by 20.3% to RMB1,170.62 million from RMB973.13 million in the corresponding period of 2022, primarily due to the increase in amortisation of contract acquisition costs which is in line with the increase in the Group's recognised revenue.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses decreased by 19.5% to RMB767.19 million from RMB953.22 million in the corresponding period of 2022, primarily due to the combined effects of the Group's implementation of strict cost control and enhancement of per capita efficiency, resulting in decrease in administrative expenses.

Finance (Cost)/Income — Net

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

During the Reporting Period, the Group's finance (cost)/income — net recorded a net cost of RMB1.86 million (the corresponding period of 2022: net income of RMB166.26 million), primarily due to decrease in interest income during the Reporting Period.

Profit Attributable to Owners of the Company

During the Reporting Period, profit attributable to owners of the Company decreased by 49.2% to RMB782.10 million from RMB1,538.08 million in the corresponding period of 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB23,816.81 million as at 30 June 2023 (31 December 2022: RMB26,390.87 million), including RMB18,436.81 million in cash and cash equivalents (31 December 2022: RMB21,810.60 million), RMB50.00 million in term deposits with initial terms over three months (31 December 2022: RMB50.00 million), and RMB5,330.00 million in restricted cash (31 December 2022: RMB4,530.27 million) in which pre-sale fund under supervision was RMB4,634.75 million. Property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 30 June 2023, the Group's unused credit facilities from banks were RMB111,784.32 million.

Borrowings and Net Gearing Ratio

As at 30 June 2023, the Group's total borrowings amounted to RMB43,768.62 million. Bank and other borrowings, and corporate bonds were RMB31,396.59 million and RMB12,372.03 million, respectively. As at 30 June 2023, the net gearing ratio was 39.8% (31 December 2022: 43.9%). 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 over three months and restricted cash.

Borrowing Cost

During the Reporting Period, the total borrowing costs of the Group amounted to RMB1,085.15 million, representing a decrease of RMB281.61 million from RMB1,366.76 million for the corresponding period of 2022, mainly because the Group further reduced total borrowing amount during the Reporting Period. During the Reporting Period, the weighted average effective interest rate of the Group's total borrowings was 4.68%.

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 certificates which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 30 June 2023, the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB71,971.17 million (31 December 2022: RMB84,719.42 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 30 June 2023, the Group's guarantee for the loans of joint ventures and associates amounted to RMB8,893.05 million (31 December 2022: RMB10,104.99 million).

Interest Rate Risk

The Group's interest rate risk arises from interest-bearing bank deposits, corporate bonds, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest rate risk. Corporate bonds, bank and other borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Currency Risk

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

Legal Contingencies

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

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

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

On 29 March 2023, Nanjing Midea Property Development Company Limited (南京美的房地產發展有限公司) (as the **"Purchaser"**), Zhenjiang Midea Property Development Company Limited (鎮江美的房地產發展有限公司) (as the existing shareholder) and Midea Real Estate Group Limited (美的置業集團有限公司) (as the guarantor), all of which are indirectly wholly-owned subsidiaries of the Company, entered into an equity transfer agreement with Pingan Real Estate Capital Limited (平安不動產資本有限公司) (as the **"Vendor"**), Shenzhen Chuanglang Enterprise Management Company Limited (深圳市創朗企業管理有限公司) (as the **"Vendor Related Entity"**) and Wuxi Meiting Property Development Company Limited (無錫美亭房地產發展有限公司) (as the **"Target Company"**), pursuant to which: (i) the Vendor agreed to sell, and the Purchaser agreed to acquire 38% of the equity interests in the Target Company (the **"Target Equity Interests"**); and (ii) the Vendor Related Entity agreed to novate, and the Purchaser agreed to accept the novation of, the liability in the principal amount of RMB204,766,210. The consideration was the sum of (i) RMB632,126,717; (ii) the adjustment amount of internal rate of return of the Vendor's relevant investments in the Target Equity Interests; and (iii) the adjustment amount of foreign exchange gains or losses. The Target Company is engaged in the property development business in Wuxi City, Jiangsu Province of the PRC. Upon completion of the acquisition, the Target Company became a wholly-owned subsidiary of the Purchaser. For details, please refer to the Company's announcement dated 29 March 2023.

CHANGES SINCE 31 DECEMBER 2022

Save as disclosed in this report, there were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the Group's annual report for the year ended 31 December 2022.

SUBSEQUENT EVENTS

Scrip Dividend Scheme

On 8 August 2023, the Company allotted and issued 79,460,990 ordinary shares pursuant to the exercise of the scrip dividend option by the eligible shareholders under the Company's scrip dividend scheme in relation to its final dividend for the year ended 31 December 2022 (the "**Scrip Dividend Scheme**"). For details of the Scrip Dividend Scheme, please refer to the circular of the Company dated 7 July 2023.

Ms. Lu Deyan, a controlling shareholder of the Company, through three wholly-owned entities, namely Midea Development Holding (BVI) Limited, Midea Ever Company Limited and Midea Field Company Limited, had exercised the scrip dividend option in part and thus received 78,646,558 new shares and HKD321,702,453.60 in cash in total. As at the date of this report, Ms. Lu Deyan holds the entire equity interest in three of the above-mentioned wholly-owned entities, which in turn hold 1,097,029,727, 30,000,000 and 37,576,736 shares of the Company, respectively (representing approximately 81.13% of the issued share capital of the Company in total).

Issuance of Medium-Term Notes

From 10 to 11 August 2023, Midea Real Estate Group Limited, an indirect wholly-owned subsidiary of the Company (the "**Domestic Issuer**"), publicly issued in the PRC (i) two-year medium-term notes with an aggregate principal amount of RMB500 million at a coupon rate of 4.70%, with the option to adjust the coupon rate by the Domestic Issuer and the option to sell back by the investors at the end of the first year; and (ii) two-year green medium-term notes with an aggregate principal amount of RMB420 million at a coupon rate of 4.90%.

HUMAN RESOURCES

As at 30 June 2023, the Group had employed 10,478 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.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 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**”) as its corporate governance policies and practices.

The Company is committed to achieving a high standard of corporate governance so as to enhance the transparency and accountability to the shareholders of the Company. The Board believes that good corporate governance will contribute to maximising the corporate value of the Company to its shareholders. The Board will continue to review and monitor the procedures in place with reference to Appendix 14 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

During the six months ended 30 June 2023, the Company had complied with the provisions of the CG Code, except for a deviation as specified under the paragraph headed “Chairman and President” below.

THE BOARD

The Board is responsible for laying down the Group’s future development direction, overall strategies and policies, evaluation of the Group’s performance and approval of matters that are of material and substantial in nature. The day-to-day management, administration and operations of the Group are delegated by the Board to the senior management of the Company, who is responsible for implementing the strategies and policies as determined by the Board, and overseeing different businesses and functions of the Group in accordance with their particular areas of expertise.

Board Composition

The Directors who held office during the six months ended 30 June 2023 and up to the date of this interim report were:

Executive Directors

Mr. Hao Hengle (Chairman)

Mr. Wang Quanhui

Mr. Lin Ge

Mr. Zhang Ziliang

Non-executive Directors

Mr. He Jianfeng

Mr. Zhao Jun

Independent non-executive Directors

Mr. Tan Jinsong

Mr. O’Yang Wiley

Mr. Lu Qi

During the six months ended 30 June 2023, the Company had complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board) including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The Directors have no financial, business, family or other material or relevant relationships with each other.

CHAIRMAN AND PRESIDENT

Our Chairman is responsible for formulating the overall strategies and policies of the Company and providing leadership for the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. Our Chairman, as chief executive of the Company, is also delegated the authority by the Board to lead the day-to-day operation and business management of the Group in accordance with the corporate objectives, directions and policies laid down by the Board.

According to code provision C.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2023, 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 by providing constructive challenge and objective judgement to the Board, 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 the 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.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at 30 June 2023, the Audit Committee comprised three members including 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 who possesses the appropriate professional qualifications and accounting and financial management expertise. None of the members of the Audit Committee is a former partner of the auditor of the Company.

The Audit Committee is responsible for, among other things, reviewing and monitoring the integrity of the consolidated financial statements of the Group, reviewing the effectiveness of the risk management and internal control systems of the Group, reviewing the findings from the works carried out by the internal audit department and monitoring the effectiveness of the Group's internal audit function. The Audit Committee is also responsible for making recommendations to the Board on the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor. Before commencement of annual audit, the Audit Committee will discuss with the external auditor the nature and scope of audit, the significant risk analysis and the impact of the change in accounting policies on the financial statements of the Group. The Audit Committee is required to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

AUDIT COMMITTEE (CONTINUED)

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023, including the accounting principles and practices adopted by the Group. In addition, PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

UPDATED INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

There is no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the Company's latest published annual report.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the Model Code during the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

EQUITY-LINKED AGREEMENTS

Save as disclosed below and under "Share-Based Payment" in note 22 to the interim financial information in this report, during the six months ended 30 June 2023, the Company had not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 30 June 2023.

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"). The following is a summary of the principal terms of the 2020 Share Option Scheme:

The purposes of the 2020 Share Option Scheme are to enable the Group to recognise and acknowledge the contributions that any director or proposed director of any member of the Group, and any management, key technician, officer, manager and employee of any member of the Group (the "Eligible Participant(s)") have made or may make to the Group (whether directly or indirectly), remunerate the best possible quality of the Eligible Participants, and attract, retain and motivate the Eligible Participants to continue to contribute to the growth and development of the Group; and provide Eligible Participants with direct economic benefits in order to maintain a long term relationship between the Group and the Eligible Participants.

SHARE OPTION SCHEME (CONTINUED)

The maximum number of shares in respect of which options may be granted under the 2020 Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the total number of shares in issue as at the date of the 2020 AGM (being 123,056,700 shares), unless the Company seeks approval by its shareholders in a general meeting for refreshing the 10% limit under the 2020 Share Option Scheme. The limit on the total number of shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2020 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted if such a grant would result in such 30% limit or maximum permissible limit being exceeded.

The maximum entitlement of each Eligible Participant under the 2020 Share Option Scheme and any other share option schemes of the Company shall not, in any 12-month period up to and including the date of such grant, exceed 1% of the total number of shares of the Company in issue. Any further grant of share options in excess of such limit must be separately approved by its shareholders in a general meeting.

Share options granted under the 2020 Share Option Scheme to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the proposed grantee of such share options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, in aggregate more than 0.1% of the total number of shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HKD5 million, within any 12-month period up to and including the date of such grant, must be subject to approval by its shareholders in a general meeting.

The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share prevailing on the date of grant. Consideration for each grant of share options is HKD1.00 or RMB1.00 (or such other nominal sum in any currency as the Board may determine) and is required to be paid within 28 days from the date of grant of share options, with full payment for the exercise price to be made on exercise of the relevant options.

Subject to 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 (including, without limitation, as to any performance targets which must be satisfied by the Eligible Participant and/or the Company, and any minimum period for which an option must be held, before an option may be exercised, if any). 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 the 2020 Share Option Scheme was approved and adopted by the shareholders of the Company at the 2020 AGM which is before the effective date of the new Chapter 17 of the Listing Rules, any share options to be granted under the 2020 Share Option Scheme going forward (if any) shall be subject to the transitional arrangements and requirements for existing share schemes under the new Chapter 17 of the Listing Rules.

The Board had granted 66,660,000 share options to 193 Eligible Participants on 22 April 2021 (the "**2021 Share Options Grant Date**") under the 2020 Share Option Scheme, which shall be vested subject to the achievement of performance targets as determined by the Board. The fair value of such share options was approximately RMB170.47 million on the 2021 Share Options Grant Date, which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs.

SHARE OPTION SCHEME (CONTINUED)

Movements of the share options granted under the 2020 Share Option Scheme during the six months ended 30 June 2023 were as follows:

Category and name of grantees	Date of grant (Note 1)	Exercisable period (Note 2)	Exercise price per share HKD	Number of share options					Outstanding as at 30 June 2023
				Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors									
Mr. Hao Hengle	22/04/2021	22/04/2023–21/04/2027	18.376	3,850,000	–	–	–	–	3,850,000
Mr. Wang Quanhui	22/04/2021	22/04/2023–21/04/2027	18.376	770,000	–	–	–	–	770,000
Mr. Lin Ge	22/04/2021	22/04/2023–21/04/2027	18.376	616,000	–	–	–	–	616,000
Mr. Zhang Ziliang	22/04/2021	22/04/2023–21/04/2027	18.376	616,000	–	–	–	–	616,000
Mr. Zhao Jun	22/04/2021	22/04/2023–21/04/2027	18.376	770,000	–	–	–	–	770,000
Sub-total				6,622,000	–	–	–	–	6,622,000
Employees of the Group in aggregate	22/04/2021	22/04/2023–21/04/2027	18.376	21,098,000	–	–	–	(1,771,000) (Note 3)	19,327,000
Sub-total				21,098,000	–	–	–	(1,771,000)	19,327,000
Total				27,720,000	–	–	–	(1,771,000)	25,949,000

Notes:

- The closing price immediately before the 2021 Share Options Grant Date (i.e. 21 April 2021) was HKD17.96 per share.
- Subject to satisfaction of the vesting conditions, the first tranche of 40% share options granted on the 2021 Share Options Grant Date shall be exercisable from 22 April 2023 to 21 April 2027, the second tranche of 40% share options shall be exercisable from 22 April 2024 to 21 April 2027 and the third tranche of 20% share options shall be exercisable from 22 April 2025 to 21 April 2027. Such vesting conditions include: (i) achievement of certain financial performance targets with reference to the audited consolidated financial statements of the Company for the year ended 31 December 2021; (ii) the performance assessment results of the respective employing companies of which the grantees relate; (iii) the personal appraisal results of the grantees; and (iv) the minimum period for which an option must be held before an option may be exercised.
- Certain share options shall lapse by reason of cessation of employment during the six months ended 30 June 2023.

During the six months ended 30 June 2023, the Company had not granted any share options and 1,771,000 share options lapsed due to cessation of employment. The number of share options available for grant under the 2020 Share Option Scheme as at 1 January 2023 and 30 June 2023 was 95,336,700 share options and 97,107,700 share options, respectively.

As at 30 June 2023, a total number of 123,056,700 underlying shares (including the share options remained outstanding and yet to be exercised) (representing approximately 8.57% of the issued share capital of the Company as at the date of this interim report) were available for issue under the 2020 Share Option Scheme.

For details, please refer to note 22 to the interim financial information in this report.

RESTRICTED SHARE AWARD SCHEME

A restricted share award scheme managed by the independent 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 following is a summary of the principal terms of the 2021 Share Award Scheme:

The purposes of the 2021 Share Award Scheme are to enable the Group to recognise and acknowledge the contributions that any director or proposed director of any member of the Group, and any management, key technician, officer, manager and employee of any member of the Group (the “**Selected Participant(s)**”) have made or may make to the Group (whether directly or indirectly), remunerate the best possible quality of the Selected Participants, and attract, retain and motivate the Selected Participants to continue to contribute to the growth and development of the Group; and provide Selected Participants with direct economic benefits in order to maintain a long term relationship between the Group and the Selected Participants.

The maximum number of shares which may be awarded under the 2021 Share Award Scheme shall not, in aggregate, exceed 10% of the total number of shares in issue as at the Adoption Date (being 123,056,700 shares). And the maximum number of unvested shares which may be awarded to any one Selected Participant at any time shall not exceed 1% of the total number of shares in issue from time to time.

Subject to the Listing Rules and the terms and conditions of the 2021 Share Award Scheme, the Board may, from time to time, at its absolute discretion, select any Selected Participants to participate in the 2021 Share Award Scheme and set a minimum vesting period for the award shares granted. In determining the Selected Participants, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Selected Participants to the Group.

Subject to any additional consideration imposed from time to time by the Board, a nominal acceptance fee of HKD1.00 or RMB1.00 (or such other nominal sum in any currency as the Board may determine) is required to be paid within 28 days from the date of grant of the share award.

As the 2021 Share Award Scheme was approved and adopted by the Board on the Adoption Date which is before the effective date of the new Chapter 17 of the Listing Rules, any award shares to be granted under the 2021 Share Award Scheme going forward (if any) shall be subject to the transitional arrangements and requirements for existing share schemes under the new Chapter 17 of the Listing Rules.

With a view to encouraging the Selected Participants to contribute to the long term growth and development of the Group, and subject to the nominal acceptance fee, the Board had granted 5,225,000 award shares at nil consideration to 31 Selected Participants on 22 April 2021 (the “**2021 Award Shares Grant Date**”), 8,932,500 award shares at nil consideration to 423 Selected Participants on 13 May 2022 (the “**2022 Award Shares Grant Date**”) and 4,770,000 award shares at nil consideration to 25 Selected Participants on 12 May 2023 (the “**2023 Award Shares Grant Date**”) under the 2021 Share Award Scheme, which shall be vested subject to the achievement of performance targets as determined by the Board.

RESTRICTED SHARE AWARD SCHEME (CONTINUED)

Movements of the award shares granted under the 2021 Share Award Scheme during the six months ended 30 June 2023 were as follows:

Category and name of grantees	Date of grant (Note 1)	Vesting period (Note 2)	Number of award shares					Unvested as at 30 June 2023
			Unvested as at 1 January 2023	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period	
Directors								
Mr. Hao Hengle	13/05/2022	19/04/2023	625,000	–	(500,000)	–	(125,000)	–
	12/05/2023	(Note 3)	–	700,000	–	–	–	700,000
Mr. Wang Quanhui	13/05/2022	19/04/2023	250,000	–	(200,000)	–	(50,000)	–
	12/05/2023	(Note 3)	–	280,000	–	–	–	280,000
Mr. Lin Ge	13/05/2022	19/04/2023	250,000	–	(200,000)	–	(50,000)	–
	12/05/2023	(Note 3)	–	280,000	–	–	–	280,000
Mr. Zhang Ziliang	13/05/2022	19/04/2023	250,000	–	(200,000)	–	(50,000)	–
	12/05/2023	(Note 3)	–	280,000	–	–	–	280,000
Sub-total			1,375,000	1,540,000	(1,100,000)	–	(275,000)	1,540,000
Employees of the Group in aggregate								
	13/05/2022	19/04/2023	7,557,500	–	(4,541,000)	–	(3,016,500)	–
	12/05/2023	(Note 3)	–	3,230,000	–	–	–	3,230,000
Sub-total			7,557,500	3,230,000	(4,541,000)	–	(3,016,500)	3,230,000
Total			8,932,500	4,770,000	(5,641,000)	–	(3,291,500)	4,770,000

Notes:

- Except for the nominal acceptance fee, the award shares are granted at nil consideration. The closing price immediately before the 2022 Award Shares Grant Date (i.e. 12 May 2022) was HKD13.64 per share; and the closing price immediately before the 2023 Award Shares Grant Date (i.e. 11 May 2023) was HKD8.98 per share. The fair value of award shares as at the 2023 Award Shares Grant Date (i.e. 12 May 2023) was HKD8.59 per share, which was determined by taking the closing price of the Company's shares on that date, and the fair value of these award shares was charged to the interim financial information in accordance with HKFRS 2. No adjustment is required for the expected dividends since the grantees are entitled to receive dividends paid during the vesting period. For details, please refer to note 22 to the interim financial information in this report.
- The vesting of the award shares is subject to the achievement of performance targets. This includes (i) achievement of certain financial performance targets, such as the return on invested capital with reference to the audited consolidated financial statements of the Company of the relevant financial year; (ii) the performance assessment results of the respective employing companies of which the grantees relate; and (iii) the personal appraisal results of the grantees taking into account indicators including but not limited to contributions and length of service to the Group. As finally determined by the Board, the award shares granted on the 2022 Award Shares Grant Date had been vested on 19 April 2023. The closing price of the Company's shares immediately before the vesting date (i.e. 18 April 2023) was HKD10.02 per share.
- Subject to satisfaction of the vesting conditions including the achievement of performance targets as mentioned in Note 2 above, the award shares granted on the 2023 Award Shares Grant Date shall be vested on the business day not less than 12 months from the 2023 Award Shares Grant Date (or such other date as determined by the Board).

The number of award shares available for grant under the 2021 Share Award Scheme as at 1 January 2023 and 30 June 2023 was 111,236,700 award shares and 109,758,200 award shares, respectively.

RESTRICTED SHARE AWARD SCHEME (CONTINUED)

During the six months ended 30 June 2023, the Company had granted a total of 4,770,000 award shares to be vested subject to the achievement of performance targets determined by the Board, among which, MRE D Limited, the trustee purchased 940,000 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 538,500 new shares were allotted and issued by the Board on 16 May 2023 to MRE T Limited, another 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 26 May 2022. While 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. MRE D Limited and MRE T Limited shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction.

For details, please refer to the Company's announcements dated 12 May 2023 and 15 May 2023 and note 22 to the interim financial information in this report.

The number of award shares granted under the 2021 Share Award Scheme during the six months ended 30 June 2023 divided by the weighted average number of ordinary shares of the Company in issue during the Reporting Period is 0.35%.

DISCLOSURE OF INTERESTS

Directors' Interests

Save as disclosed below, as at 30 June 2023, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company:

DISCLOSURE OF INTERESTS (CONTINUED)**Directors' Interests (Continued)****Long Positions in the Shares and Underlying Shares of the Company**

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate percentage of shareholding (Note 4)
Mr. Hao Hengle	Beneficial owner	5,885,000 (Note 1)	4,550,000 (Note 2)	10,435,000	0.77%
Mr. Wang Quanhui	Beneficial owner	1,354,000 (Note 1)	1,050,000 (Note 2)	2,404,000	0.18%
Mr. Lin Ge	Beneficial owner	1,154,000 (Note 1)	896,000 (Note 2)	2,050,000	0.15%
Mr. Zhang Ziliang	Beneficial owner	1,154,000 (Note 1)	896,000 (Note 2)	2,050,000	0.15%
Mr. He Jianfeng	Interest of spouse	1,085,959,905 (Note 3)	–	1,085,959,905	80.09%
Mr. Zhao Jun	Beneficial owner	1,000,000 (Note 1)	770,000 (Note 2)	1,770,000	0.13%

Notes:

- These shares comprised of: (i) shares which were transferred by Ms. Lu Deyan, the controlling shareholder of the Company, without additional conditions on 16 June 2021, against payment of a consideration of HKD14.354 per share through participation in a trust scheme managed by an independent trustee; (ii) award shares which were granted by the Company on the 2021 Award Shares Grant Date under the 2021 Share Award Scheme and had been vested on 7 April 2022; and (iii) award shares which were granted by the Company on the 2022 Award Shares Grant Date under the 2021 Share Award Scheme and had been vested on 19 April 2023. For details, please refer to the paragraph headed "Restricted Share Award Scheme" above.
- These underlying shares comprised of: (i) share options which were granted by the Company on the 2021 Share Options Grant Date under the 2020 Share Option Scheme, entitling the grantee(s) to subscribe for shares of the Company at an exercise price of HKD18.376 per share in three tranches within a period of six years from the 2021 Share Options Grant Date; and (ii) award shares which were granted by the Company on the 2023 Award Shares Grant Date under the 2021 Share Award Scheme, entitling the grantee(s) to receive shares of the Company at nil consideration on the business day not less than 12 months from the 2023 Award Shares Grant Date (or such other date as determined by the Board). For details, please refer to the paragraphs headed "Share Option Scheme" and "Restricted Share Award Scheme" above.
- Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu Deyan, a controlling shareholder of the Company. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu Deyan's interest in the Company by virtue of the SFO.
- The percentage has been compiled on the basis of 1,355,950,493 shares of the Company in issue as at 30 June 2023.

Apart from the 2020 Share Option Scheme, the 2021 Share Award Scheme and save as disclosed above, during the six months ended 30 June 2023, neither the Company nor any of its subsidiaries entered into any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS (CONTINUED)

Substantial Shareholders' Interests

Save as disclosed below, as at 30 June 2023, the Directors and chief executive of the Company were not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in the Shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of shareholding (Note 4)
Midea Development Holding (BVI) Limited	Beneficial owner	1,022,259,057	75.39%
Ms. Lu Deyan (Note 1)	Interests of controlled corporations	1,085,959,905	80.09%
Mr. He Xiangjian (Note 2)	Interest held jointly with another person	1,085,959,905	80.09%
Mr. He Jianfeng (Note 3)	Interest of spouse	1,085,959,905	80.09%

Notes:

- Ms. Lu Deyan ("**Ms. Lu**") holds the entire equity interest in each of Midea Development Holding (BVI) Limited ("**Midea Development (BVI)**"), Midea Ever Company Limited ("**Midea Ever**") and Midea Field Company Limited ("**Midea Field**"), and 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 (BVI), Midea Ever and Midea Field by virtue of the SFO.
- Mr. He Xiangjian ("**Mr. He**") 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.
- 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 and is a controlling shareholder of the Company.
- The percentage has been compiled on the basis of 1,355,950,493 shares of the Company in issue as at 30 June 2023.

SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDERS

The following disclosure is made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

On 3 August 2020, Midea Construction (Hong Kong) Limited, an indirectly wholly-owned subsidiary of the Company (as borrower), the Company (as listing guarantor) and certain of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with certain financial institutions (as lenders) for a three-year dual tranche transferrable term loan facility denominated in HKD and USD in an initial amount of HKD1,050 million and USD60 million respectively (the **"2020 Loan"**). In addition to the said initial amount, the 2020 Loan was subsequently increased to HKD1,050 million and USD80 million respectively. As at 30 June 2023, the 2020 Loan had been repaid in full.

On 28 June 2021, Midea Construction (Hong Kong) Limited (as borrower), the Company (as listing guarantor) and certain of its subsidiaries incorporated outside the PRC (as original guarantors) entered into a facility agreement with certain financial institutions (as lenders) for a three-year dual tranche transferrable term loan facility denominated in HKD and USD in an initial amount of HKD3,300 million and USD35 million respectively (the **"2021 Loan"**). As at 30 June 2023, HKD330 million and USD3.5 million out of the 2021 Loan had been repaid in aggregate.

Pursuant to the provisions of the 2021 Loan, if (i) Mr. He and/or Ms. Lu (taking into account their combined shareholdings) jointly do not or cease to, remain as the single largest shareholder of the Company or maintain (directly or indirectly) not less than 51% of all beneficial shareholding interests in the issued share capital and management control of the Company; and/or (ii) Mr. He, Ms. Lu and Midea Development (BVI) collectively cease to, maintain the power to the exercise of 30% or more of the voting rights at general meetings of the Company, or cease to be the controlling shareholders of the Company as such term is used under the Listing Rules, it will be a "Change of Control" upon which the financial institutions may, among other things, require repayment of all or part of the 2021 Loan, together with accrued interest, and all other amounts accrued or outstanding.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (for the corresponding period of 2022: Nil).

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Midea Real Estate Holding Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 35 to 74, which comprises the interim condensed consolidated balance sheet of Midea Real Estate Holding Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2023

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	6	36,334,586	31,662,904
Cost of sales	7	(31,542,320)	(25,994,289)
Gross profit		4,792,266	5,668,615
Other income and (losses)/gains — net	8	(110,808)	252,338
Selling and marketing expenses	7	(1,170,621)	(973,126)
Administrative expenses	7	(767,194)	(953,223)
Net impairment losses on financial assets		(133,718)	(97,086)
Operating profit		2,609,925	3,897,518
Finance income	9	158,234	438,460
Finance costs	9	(160,090)	(272,199)
Finance (costs)/income — net	9	(1,856)	166,261
Share of results of joint ventures and associates	13	142,764	(37,512)
Profit before income tax		2,750,833	4,026,267
Income tax expenses	10	(1,085,337)	(1,417,896)
Profit for the period		1,665,496	2,608,371
Profit attributable to:			
Owners of the Company		782,097	1,538,081
Non-controlling interests		883,399	1,070,290
Total comprehensive income for the period		1,665,496	2,608,371
Total comprehensive income attributable to:			
Owners of the Company		782,097	1,538,081
Non-controlling interests		883,399	1,070,290
		1,665,496	2,608,371
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	11	0.58	1.25
Diluted	11	0.58	1.25

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,186,705	1,233,587
Investment properties	14	4,915,488	4,978,645
Right-of-use assets		307,551	335,009
Intangible assets		258,604	291,027
Properties under development	15	498,126	487,405
Investments in joint ventures	13(a)	12,907,475	13,285,687
Investments in associates	13(b)	11,613,954	11,576,554
Finance lease receivables		34,759	40,825
Deferred income tax assets		5,796,673	5,038,658
Financial assets at fair value through profit or loss	17	409,341	388,062
		37,928,676	37,655,459
Current assets			
Inventories		178,414	164,749
Contract assets and contract acquisition costs	6(a)	2,455,514	2,646,947
Properties under development	15	99,649,847	120,636,988
Completed properties held for sale		19,655,376	18,290,098
Trade and other receivables	16	38,227,047	36,653,229
Prepaid taxes		9,322,765	9,477,341
Financial assets at fair value through profit or loss	17	232,370	23,075
Restricted cash	18	5,329,996	4,530,269
Term deposits with initial terms over three months	18	50,000	50,000
Cash and cash equivalents	18	18,436,816	21,810,599
		193,538,145	214,283,295
Total assets		231,466,821	251,938,754
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	19	4,655,150	5,627,767
Other reserves	20	3,340,791	3,360,760
Retained earnings	20	16,663,298	15,876,293
		24,659,239	24,864,820
Non-controlling interests		25,426,963	25,449,029
Total equity		50,086,202	50,313,849

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	23	6,434,556	8,232,320
Bank and other borrowings	24	24,957,897	26,541,041
Lease liabilities		59,544	90,207
Deferred income tax liabilities		418,419	497,635
		31,870,416	35,361,203
Current liabilities			
Contract liabilities	6(b)	69,243,743	86,139,528
Corporate bonds	23	5,937,475	5,142,229
Bank and other borrowings	24	6,438,689	8,538,962
Lease liabilities		61,555	64,932
Trade and other payables	25	59,411,539	58,359,483
Current income tax liabilities		8,417,202	8,018,568
		149,510,203	166,263,702
Total liabilities		181,380,619	201,624,905
Total equity and liabilities		231,466,821	251,938,754

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Approved by the Board of Directors on 29 August 2023 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital and premium	Other reserves	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022	6,026,594	2,867,664	14,617,462	23,511,720	24,297,901	47,809,621
Comprehensive Income						
Profit for the period	–	–	1,538,081	1,538,081	1,070,290	2,608,371
Total comprehensive income for the period ended 30 June 2022	–	–	1,538,081	1,538,081	1,070,290	2,608,371
Transactions with owners in their capacity as owners:						
Issue of new shares for the purpose of restricted share award scheme	4,227	(4,227)	–	–	–	–
Employee share scheme						
— Value of employee services received	–	24,529	–	24,529	–	24,529
Repurchase of shares for the purpose of restricted share award scheme	–	(21,043)	–	(21,043)	–	(21,043)
Acquisition of subsidiaries which do not contain a business	–	–	–	–	885,777	885,777
Disposal of subsidiaries	–	(1,435)	–	(1,435)	(416,839)	(418,274)
Dividends payable to shareholders	(1,684,552)	1,281,498	–	(403,054)	–	(403,054)
Dividends paid and payable to non-controlling interests	–	–	–	–	(132,127)	(132,127)
Capital injections from non-controlling interests	–	–	–	–	311,917	311,917
Acquisition of equity interests in subsidiaries from non-controlling interests	–	(1,586)	–	(1,586)	(78,160)	(79,746)
Redemption of perpetual capital securities	–	–	–	–	(149,000)	(149,000)
Total transactions with owners	(1,680,325)	1,277,736	–	(402,589)	421,568	18,979
Balance at 30 June 2022	4,346,269	4,145,400	16,155,543	24,647,212	25,789,759	50,436,971

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

		Unaudited					
		Attributable to owners of the Company					
	Note	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		5,627,767	3,360,760	15,876,293	24,864,820	25,449,029	50,313,849
Comprehensive Income							
Profit for the period		-	-	782,097	782,097	883,399	1,665,496
Total comprehensive income for the period ended 30 June 2023		-	-	782,097	782,097	883,399	1,665,496
Transactions with owners in their capacity as owners:							
Issue of new shares for the purpose of restricted share award scheme	19	478	(478)	-	-	-	-
Employee share scheme — Value of employee services received	20	-	19,954	-	19,954	-	19,954
Repurchase of shares for the purpose of restricted share award scheme	20	-	(7,220)	-	(7,220)	-	(7,220)
Disposal of subsidiaries	29	-	(4,908)	4,908	-	(431,552)	(431,552)
Dividends payable to shareholders	19	(973,095)	-	-	(973,095)	-	(973,095)
Dividends paid and payable to non-controlling interests		-	-	-	-	(96,573)	(96,573)
Capital injections from non-controlling interests		-	-	-	-	6,912	6,912
Acquisition of equity interests in subsidiaries from non-controlling interests	28	-	(27,317)	-	(27,317)	(384,252)	(411,569)
Total transactions with owners		(972,617)	(19,969)	4,908	(987,678)	(905,465)	(1,893,143)
Balance at 30 June 2023		4,655,150	3,340,791	16,663,298	24,659,239	25,426,963	50,086,202

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations		4,359,299	2,257,891
Income tax paid		(1,679,682)	(2,675,369)
Interest paid		(1,239,197)	(1,332,940)
Net cash generated from/(used in) operating activities		1,440,420	(1,750,418)
Cash flows from investing activities			
Net cash (outflow)/inflow from acquisition of subsidiaries	30	(156,570)	489,006
Net cash outflow from disposal of subsidiaries	29	(85,801)	(199,728)
Purchases of property, plant and equipment		(34,437)	(25,946)
Purchases of intangible assets		(29,881)	(40,249)
Investments in associates		(15,888)	(506,889)
Proceeds from disposal of joint ventures and associates		–	397,490
Dividends received from joint ventures and associates		18,960	98,933
Net repayment of funds to joint ventures and associates		1,191,184	5,418,779
Proceeds from disposal of property, plant and equipment, investment properties, intangible assets and land use right for own-used properties		68,414	31,804
Payments for financial assets at fair value through profit or loss		(4,539,800)	(5,056,212)
Proceeds from disposal of financial assets at fair value through profit or loss		4,341,237	5,191,200
Interest received		158,234	438,460
Net cash generated from investing activities		915,652	6,236,648
Cash flows from financing activities			
Capital injections from non-controlling interests		6,912	311,917
Payment for redemption of perpetual capital securities		–	(149,000)
Payments for acquisition of additional interests in subsidiaries	28	(218,243)	(59,646)
Proceeds from bank and other borrowings		6,037,709	7,454,976
Repayments of bank and other borrowings		(10,484,016)	(15,991,154)
Proceeds from issue of corporate bonds		1,195,400	2,496,373
Repayment of corporate bonds		(2,204,000)	(1,440,000)
Repurchase of shares for the purpose of restricted share award scheme	22(a)	(7,220)	(21,043)
Principal elements of lease payments		(25,687)	(48,579)
Cash advances with related parties controlled by the Ultimate Controlling Parties, net		19,000	3,760
Dividends paid to non-controlling interests		(52,828)	(132,127)
Net cash used in financing activities		(5,732,973)	(7,574,523)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		21,810,599	26,288,551
Exchange gains on cash and cash equivalents		3,118	18,047
Cash and cash equivalents at end of the period		18,436,816	23,218,305

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Information

1 General information

The Company was incorporated in the Cayman Islands on 29 November 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in property development and sales, property management services and investment and operation of commercial properties in the People's Republic of China (the "**PRC**").

The ultimate holding company of the Company is Midea Development Holding (BVI) Limited ("**Midea Development (BVI)**"), and the ultimate controlling parties of the Company are Mr. He Xiangjian (何享健, "**Mr. He**") and Ms. Lu Deyan (盧德燕, "**Ms. Lu**") (the "**Ultimate Controlling Parties**").

This interim financial information for the six months ended 30 June 2023 (the "**Interim Financial Information**") is presented in Renminbi ("**RMB**"), unless otherwise stated, and was approved by the Board of Directors of the Company (the "**Board**") for issue on 29 August 2023.

2 Basis of presentation and preparation

The Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim financial reporting'. The Interim Financial Information does not include all the notes normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2022 (the "**2022 Financial Statements**"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance, and any public announcements made by the Company during the interim reporting period.

Going concern basis

The business of the Group is subject to certain governmental regulations and macro-economic control measures of the property sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group. In addition, the Group also faced challenges in the pre-sale performance during the period and subsequent to the period end as affected by the downturn of the property market in the PRC.

2 Basis of presentation and preparation (Continued)

Going concern basis (Continued)

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from 30 June 2023, taking into consideration the following plans and measures:

- (i) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of sales proceeds. These measures include but not limited to effective sales promotion activities and closely monitor the process of construction of its property development projects to ensure the construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and are delivered to the customers on schedule as planned, such that the monitored guarantee deposits for the construction of pre-sale properties can be released from the designated bank accounts and become available to the Group to meet its other financial obligations;
- (ii) The Group has available registered quotas of mid-term notes totaling approximately RMB13.8 billion and unutilised uncommitted credit facilities from banks totaling approximately RMB111.8 billion as at 30 June 2023. The directors of the Company believe that the Group would be able to obtain fundings from the issuance of the above mid-term notes and the draw-down from the above credit facilities from banks as and when needed in the next twelve months from 30 June 2023 under the prevailing rules and regulations. The Group will also continue to seek for new debt financing and bank borrowings at cost acceptable to the Group to finance the settlement of its existing financial obligations and future operating costs;
- (iii) The Group will continue to take active measures to control selling and marketing expenses and administrative expenses; and
- (iv) The Group will not commit on significant land acquisitions before securing the necessary funding.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of not less than twelve months from 30 June 2023. The directors of the Company are of the opinion that, considering the anticipated cash flows generated from the Group's operations taking into account the possible changes in its operating performance, its cost control measures, the Group's existing and future plans of land acquisitions, the continued availability of the Group's above registered quotas of mid-term notes and unused credit facilities from banks as well as the Group's ability to raise new financing under the prevailing rules and regulations, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 30 June 2023. Accordingly, the Interim Financial Information has been prepared on a going concern basis.

3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the 2022 Financial Statements and corresponding interim reporting period.

(a) New and amended standard adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2023:

HKFRS 17	Insurance contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction

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

(b) New standards, amendments and interpretations to existing standards have been issued but not yet effective and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sales and lease back	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
HK Interpretation 5 (2020)	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

4 Estimates

The preparation of Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Financial Statements.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the 2022 Financial Statements, and should be read in conjunction with the 2022 Financial Statements.

There have been no significant changes in the risk management policies since 31 December 2022.

5.2 Liquidity risk

Management of the Group aims to maintain 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. 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.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors of the Company consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

5 Financial risk management (Continued)

5.2 Liquidity risk (Continued)

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2023 (Unaudited)					
Corporate bonds	6,433,920	3,248,563	3,610,443	–	13,292,926
Bank and other borrowings	7,829,952	16,724,714	6,176,531	4,950,041	35,681,238
Trade and other payables (excluding salaries payable and other taxes payable)	56,847,647	–	–	–	56,847,647
Lease liabilities	72,794	41,149	39,405	6,972	160,320
	71,184,313	20,014,426	9,826,379	4,957,013	105,982,131
Financial guarantees	73,796,144	3,187,632	3,205,064	675,384	80,864,224
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2022 (Audited)					
Corporate bonds	5,802,687	6,107,136	2,642,613	–	14,552,436
Bank and other borrowings	9,984,724	15,998,858	9,512,675	3,810,752	39,307,009
Trade and other payables (excluding salaries payable and other taxes payable)	55,327,015	–	–	–	55,327,015
Lease liabilities	66,969	50,218	47,638	11,141	175,966
	71,181,395	22,156,212	12,202,926	3,821,893	109,362,426
Financial guarantees	87,470,581	3,113,847	2,763,331	1,476,642	94,824,401

5 Financial risk management (Continued)

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 and 31 December 2022, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2023 (Unaudited)				
Financial assets at fair value through profit or loss	–	–	641,711	641,711
At 31 December 2022 (Audited)				
Financial assets at fair value through profit or loss	–	–	411,137	411,137

- (i) There were no changes in valuation techniques during the period.
- (ii) The Group's finance department performs the valuations of financial assets required for financial reporting purpose, including Level 3 fair values. The financial department reports directly to the executive directors. Discussions of valuation results are held between the executive directors and the financial department at least once every six months, in line with the Group's interim and annual reporting dates.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At January 1	411,137	162,672
Additions	4,539,800	5,356,212
Disposal of subsidiaries	–	(52,700)
Acquisition of subsidiaries	–	180,000
Fair value changes (note 8)	32,011	6,476
Disposals	(4,341,237)	(5,191,200)
At June 30	641,711	461,460

6 Revenue and segment information

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

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

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

For the six months ended 30 June 2023 and 2022, the aggregate revenues, profits or losses or total assets of the business segments other than property development and sales accounted for less than 5% of the total revenues, profits or assets of the Group, therefore, the directors of the Company consider these business segments not reportable and the executive directors assess the Group's performance as a whole. Thus operating segment information is not presented.

Revenue of the Group for the six months ended 30 June 2023 and 2022 is analysed as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Property development and sales	35,466,736	30,971,210
Property management services	724,887	557,575
Investment and operation of commercial properties		
— Property lease	87,945	94,050
— Hotel operations	3,721	4,060
— Cultural-tourism project	51,297	36,009
	36,334,586	31,662,904

Notes to the Interim Financial Information (Continued)

6 Revenue and segment information (Continued)

Represented by:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from property development and sales:		
— Recognised at a point in time	33,480,019	28,492,572
— Recognised over time	1,986,717	2,478,638
	35,466,736	30,971,210
Revenue from rendering of services:		
— Recognised over time	779,905	597,644
Revenue from other sources:		
— Property lease income	87,945	94,050
	36,334,586	31,662,904

Over 95% of the Group's revenue is attributable to the PRC market and over 95% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

(a) Details of contract assets and contract acquisition costs

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract assets related to property development and sales (i)	894,750	1,148,069
Contract acquisition costs (ii)	1,560,764	1,498,878
Total contract assets and contract acquisition costs	2,455,514	2,646,947

- (i) Contract assets related to property development and sales consist of unbilled amount resulting from sale of properties when revenue recognised over time exceeds the amount billed to the property purchasers.
- (ii) Management expects the contract acquisition costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sales contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amount of amortisation was RMB696,558,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB400,691,000). There was no impairment loss in relation to the costs capitalised.

6 Revenue and segment information (Continued)

(b) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract liabilities	69,243,743	86,139,528

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 30 June 2023, RMB6,218,108,000 (31 December 2022: RMB7,706,783,000) 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 period related to carried-forward contract liabilities.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Property development and sales	29,944,116	25,937,984

(c) Unsatisfied contracts related to property development and sales

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Expected to be recognised within one year	60,726,343	69,894,983
Expected to be recognised after one year	12,798,551	21,653,403
	73,524,894	91,548,386

- (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.

Notes to the Interim Financial Information (Continued)

7 Expenses by nature

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of property development and sales —including construction cost, land cost, capitalised interest expenses	29,105,275	24,989,490
Employee benefit expenses	941,711	1,017,372
Marketing and advertising expenses	238,320	247,458
Write-downs of properties under development and completed properties held for sale	1,740,050	380,561
Amortisation of contract acquisition costs	696,558	400,691
Taxes and surcharges	166,260	163,137
Travelling and entertainment expenses	32,052	44,503
Office expenses	16,503	25,320
Depreciation and amortisation	79,300	73,731
Auditor's remuneration — Interim review services	1,400	1,400
Others	462,706	576,975
Total	33,480,135	27,920,638

8 Other income and (losses)/gains — net

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income		
Management and consulting service income	59,001	174,121
Government subsidy income	63,124	10,667
Compensation income	16,365	25,399
	138,490	210,187
Other (losses)/gains — net		
Realised and unrealised gains on financial assets at fair value through profit or loss	32,011	6,476
Losses arising from changes in fair value of investment properties (note 14)	(86,612)	(136,797)
Losses on disposal of subsidiaries (note 29)	(128,400)	(21,550)
Losses on disposal of joint ventures and associates	(63,214)	(13,571)
Losses on disposal of property, plant and equipment and investment properties	(277)	(2,057)
Net foreign exchange (losses)/gains	(6,521)	38,614
Gain on acquisition of an asset at a discounted price	—	165,230
Others	3,715	5,806
	(249,298)	42,151
Other income and (losses)/gains — net	(110,808)	252,338

9 Finance (costs)/income — net

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance costs		
— Interest expenses		
— Bank and other borrowings	(821,681)	(1,119,904)
— Corporate bonds	(261,168)	(242,278)
— Lease liabilities	(2,300)	(4,580)
	(1,085,149)	(1,366,762)
Less:		
— Capitalised interest	1,085,149	1,366,762
	—	—
— Net foreign exchange losses on financing activities	(160,090)	(272,199)
	(160,090)	(272,199)
Finance income		
— Interest income	158,234	438,460
Finance (costs)/income — net	(1,856)	166,261

Notes to the Interim Financial Information (Continued)

10 Income tax expenses

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
— Corporate income tax	1,482,395	1,167,354
— PRC land appreciation tax	454,878	422,284
	1,937,273	1,589,638
Deferred income tax		
— Corporate income tax	(851,936)	(171,742)
	1,085,337	1,417,896

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) The general corporate income tax rate in PRC is 25%. Certain subsidiaries of the Group in the PRC are either supported by Western Development Strategy or qualified as "High and New Technology Enterprise" and thus subject to a preferential income tax rate of 15%.
- (c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales property development and sales less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The overseas holding company had successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax had been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

As at 30 June 2023, the retained earnings of the Group's PRC subsidiaries not yet remitted to their holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB17,545,751,000 (31 December 2022: RMB16,496,683,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimations of demand for overseas funding.

11 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 (note 22).

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	782,097	1,538,081
Weighted average number of ordinary shares in issue (thousands)	1,348,260	1,232,312
Earnings per share — Basic (RMB per share)	0.58	1.25

(b) Diluted

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

The Group has two categories of potential ordinary shares for the six months ended 30 June 2023, which were the restricted shares as mentioned in note 22(a) and the share options as mentioned in note 22(b).

As disclosed in note 22, the restricted shares granted are subject to certain performance conditions. Such performance conditions had not been met as of 30 June 2023, therefore, for the six months ended 30 June 2023, no dilutive shares arising from the restricted shares were included in the calculation of the diluted earnings per share.

A calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. The effect of share options was anti-dilutive because the exercise price of the share options was higher than the market price of the Company's shares as at 30 June 2023.

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

12 Dividends

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Notes to the Interim Financial Information (Continued)

13(a) Investments in joint ventures

The movement of investments in joint ventures are as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At January 1	13,285,687	16,841,500
Additions	269,889	26,297
Transfer to investments in subsidiaries (note 30)	(1,032,520)	(1,258,254)
Disposals	–	(1,272,495)
Dividends received from joint ventures	(50,000)	(493,939)
Share of results	434,419	80,210
At June 30	12,907,475	13,923,319

As at 30 June 2023 and 31 December 2022, there were no significant commitments and contingencies relating to the Group's interests in the joint ventures, while certain borrowings of the joint ventures were guaranteed by the Group (note 26).

13(b) Investments in associates

The movement of investments in associates are as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At January 1	11,576,554	11,442,700
Transfer from investments in subsidiaries	–	91,575
Additions	410,334	1,553,272
Transfer to investments in subsidiaries	–	(1,310,967)
Disposals	(63,214)	(643,760)
Dividends received from associates	(18,065)	(31,041)
Share of results	(291,655)	(117,722)
At June 30	11,613,954	10,984,057

As at 30 June 2023 and 31 December 2022, there were no significant contingencies relating to the Group's interests in the associates, while certain borrowings of the associates were guaranteed by the Group (note 26).

14 Property, plant and equipment and investment properties

	Property, plant and equipment	Investment properties
	RMB'000	RMB'000
Six months ended 30 June 2022 (Unaudited)		
Opening net book amount at 1 January 2022	1,236,426	3,355,218
Additions	54,687	418,625
Fair value changes	–	(136,797)
Disposals	(22,170)	(2,336)
Depreciation	(52,780)	–
Closing net book amount at 30 June 2022	1,216,163	3,634,710
Six months ended 30 June 2023 (Unaudited)		
Opening net book amount at 1 January 2023	1,233,587	4,978,645
Additions	34,437	23,827
Fair value changes	–	(86,612)
Disposals	(17,767)	(372)
Depreciation	(63,552)	–
Closing net book amount at 30 June 2023	1,186,705	4,915,488

Investment properties

There were no changes to the valuation techniques during the period.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2023 and 31 December 2022, the Group had only level 3 investment properties.

15 Properties under development

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Properties under development expected to be completed:		
— Within normal operating cycle included under current assets	99,649,847	120,636,988
— Beyond normal operating cycle included under non-current assets	498,126	487,405
	100,147,973	121,124,393
Properties under development comprise:		
— Construction costs	28,252,411	32,953,975
— Land use rights	69,217,065	84,001,035
— Capitalised interest expenses	5,791,387	6,584,083
	103,260,863	123,539,093
Less: write-down	(3,112,890)	(2,414,700)
	100,147,973	121,124,393

Properties under development were all located in the PRC.

The amounts of RMB69,063,534,000 as at 30 June 2023 (31 December 2022: RMB80,062,934,000) under normal cycle operating classified as current assets were expected to be completed and delivered beyond one year.

The capitalisation rates of general borrowings were 4.83% per annum for the six months ended 30 June 2023 (six months ended 30 June 2022: 4.62% per annum).

As at 30 June 2023, properties under development with net book value of RMB16,706,765,000 (31 December 2022: RMB20,761,269,000) were pledged as collateral for the Group's bank and other borrowings.

16 Trade and other receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Included in current assets:		
Trade receivables — net (note (a))	1,751,134	1,263,313
Other receivables — net (note (b))	35,036,874	33,642,887
Prepayments for land use rights (note (c))	678,850	1,160,639
Other prepayments	760,189	586,390
	38,227,047	36,653,229

(a) Details of trade receivables are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables — related parties	233,198	250,704
Trade receivables — third parties	1,724,310	1,159,873
Less: allowance for impairment	(206,374)	(147,264)
Trade receivables — net	1,751,134	1,263,313

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 90 days	1,054,323	561,136
Over 90 days and within 180 days	153,714	186,579
Over 180 days and within 365 days	308,543	236,488
Over 365 days	440,928	426,374
	1,957,508	1,410,577

The Group's trade receivables are denominated in RMB.

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

16 Trade and other receivables (Continued)**(a) Details of trade receivables are as follows: (Continued)**

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the six months ended 30 June 2023, a provision of RMB59,110,000 (six months ended 30 June 2022: provision of RMB41,022,000) was made against the gross amounts of trade receivables.

(b) Details of other receivables are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amounts due from related parties (note (i))	12,512,209	10,598,427
Amounts due from non-controlling interests (note (ii))	18,059,729	17,651,497
Deposits and others from third parties (note (iii))	5,160,531	6,050,002
	35,732,469	34,299,926
Less: allowance for impairment	(695,595)	(657,039)
Other receivables — net	35,036,874	33,642,887

(i) Amounts due from related parties mainly represented funds provided to certain of the Group's associates and joint ventures in the ordinary course of business for their property development. They are unsecured, interest-free, and repayable on demand.

(ii) Subject to consent of all shareholders of certain property development companies of the Group, idle funds of the property development companies may be transferred to their shareholders in proportion to their respective equity interests in the property development companies for treasury management purpose. Such funds transferred to non-controlling interests of the Group are recognised as amounts due from non-controlling interests. They are interest-free, unsecured and repayable on demand.

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

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

17 Financial assets at fair value through profit or loss

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Investments in wealth management products	232,370	23,075
Equity investments in unlisted companies	390,142	351,959
Others	19,199	36,103
	641,711	411,137
Non-current	409,341	388,062
Current	232,370	23,075
	641,711	411,137

18 Cash and cash equivalents

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash at bank and in hand	23,766,812	26,140,868
Term deposits	50,000	250,000
	23,816,812	26,390,868
Less: restricted cash (note (a))	(5,329,996)	(4,530,269)
Term deposits with initial terms over three months	(50,000)	(50,000)
	18,436,816	21,810,599

- (a) The balance mainly represented unreleased guarantee deposits for construction of pre-sale properties denominated in RMB and placed in designated bank account as at 30 June 2023, and will be released in accordance with certain construction progress milestones.

Cash and deposits are denominated in the following currencies:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Denominated in RMB	23,814,441	26,200,288
Denominated in HKD	1,888	184,343
Denominated in USD	483	6,237
	23,816,812	26,390,868

The conversion of RMB denominated balances into other currencies and the remittance of bank balances and cash out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

19 Share capital and premium

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
Ordinary share of HKD1.00 each upon incorporation		1,000,000,000	1,000,000	–	–	–
Increase in authorised share capital		1,000,000,000	1,000,000	–	–	–
		2,000,000,000	2,000,000	–	–	–
Issued and fully paid						
At 31 December 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		4,887,000	4,887	4,227	–	4,227
Dividends payable to shareholders		–	–	–	(1,684,552)	(1,684,552)
At 30 June 2022 (unaudited)		1,239,249,000	1,239,249	1,048,670	3,297,599	4,346,269
At 31 December 2022 and						
1 January 2023		1,355,411,993	1,355,412	1,147,475	4,480,292	5,627,767
Issue of new shares for the purpose of restricted share award scheme	(a)	538,500	539	478	–	478
Dividends payable to shareholders	(b)	–	–	–	(973,095)	(973,095)
At 30 June 2023 (unaudited)		1,355,950,493	1,355,951	1,147,953	3,507,197	4,655,150

(a) According to the restricted share award scheme of the Company, 538,500 ordinary shares of the Company were issued and allotted to MRE T Limited, a trustee entrusted by the Company, on 16 May 2023 for the purpose of the restricted share award scheme (note 22(a)).

(b) On 24 March 2023, the Board recommended the payment of a final dividend of HK\$0.80 per share for the year ended 31 December 2022 (2021: 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 22 May 2023, with the eligible shareholders being given an option to elect to receive the final dividend all in cash, or all in new shares, or partly in new shares and partly in cash (the “**Scrip Dividend Scheme**”). The election of the shareholders to receive final dividend all or partly in new shares was determined subsequently in July 2023.

20 Other reserves and retained earnings

	Merger reserve	Statutory reserves	Shares held for restricted share award scheme	Others	Total	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	173,000	3,626,011	(11,307)	(920,040)	2,867,664	14,617,462	17,485,126
Profit for the period	-	-	-	-	-	1,538,081	1,538,081
Issue of new shares for the purpose of restricted share award scheme	-	-	(4,227)	-	(4,227)	-	(4,227)
Repurchase of shares for the purpose of restricted share award scheme	-	-	(21,043)	-	(21,043)	-	(21,043)
Shares to be issued in connection with the Scrip Dividend Scheme	-	-	-	1,281,498	1,281,498	-	1,281,498
Acquisition of equity interests in subsidiaries from non-controlling interests	-	-	-	(1,586)	(1,586)	-	(1,586)
Disposal of subsidiaries	-	(1,435)	-	-	(1,435)	-	(1,435)
Employee share scheme — value of employee services received	-	-	-	24,529	24,529	-	24,529
Balance at 30 June 2022 (unaudited)	173,000	3,624,576	(36,577)	384,401	4,145,400	16,155,543	20,300,943
Balance at 1 January 2023	173,000	4,093,543	(36,577)	(869,206)	3,360,760	15,876,293	19,237,053
Profit for the period	-	-	-	-	-	782,097	782,097
Issue of new shares for the purpose of restricted share award scheme (note 22(a))	-	-	(478)	-	(478)	-	(478)
Repurchase of shares for the purpose of restricted share award scheme (note 22(a))	-	-	(7,220)	-	(7,220)	-	(7,220)
Transfer of shares hold for restricted share award scheme upon vesting (note 22(a))	-	-	23,100	(23,100)	-	-	-
Acquisition of equity interests in subsidiaries from non-controlling interests	-	-	-	(27,317)	(27,317)	-	(27,317)
Disposal of subsidiaries	-	(4,908)	-	-	(4,908)	4,908	-
Employee share scheme — value of employee services received (note 22)	-	-	-	19,954	19,954	-	19,954
Balance at 30 June 2023 (unaudited)	173,000	4,088,635	(21,175)	(899,669)	3,340,791	16,663,298	20,004,089

21 Perpetual capital securities

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
As at 1 January	1,280,000	1,429,000
Redemption	–	(149,000)
Ending balance (a)	1,280,000	1,280,000
Distributions (b)	35,591	73,894

- (a) The subordinated unlisted perpetual capital securities (the **"Perpetual Capital Securities"**) were issued by Ningbo Meishan Bonded Port Area Mairui Construction Materials Limited (**"Ningbo Mairui"**), a wholly owned subsidiary of the Group, to certain financial institutions in the PRC.

The payments of interest and principal of the Perpetual Capital Securities are guaranteed by Midea Real Estate Group Limited (**"Midea Real Estate Group"**). They do not have maturity date and the distribution payments can be deferred at the discretion of Ningbo Mairui. The Perpetual Capital Securities are classified as equity instruments and recorded in non-controlling interests in the consolidated balance sheet.

- (b) During the six months ended 30 June 2023, distributions of RMB35,591,000 to the holders of the Perpetual Capital Securities were paid by Ningbo Mairui (six months ended 30 June 2022: RMB38,108,000).

22 Share-based payment

(a) Restricted share award scheme

On 22 April 2021, the Board adopted a restricted share award scheme to among other things, recognise the contributions by, and to attract, motivate and retain, certain directors, or proposed directors, management, key technician, officer, manager and employee of any member of the Group. On 13 May 2022, the Company granted 8,932,500 award shares at nil consideration to 423 eligible participants under the scheme, which are subject to certain performance conditions. As at 30 June 2023, 5,641,000 shares of the Company were vested. On 12 May 2023, the Company granted 4,770,000 award shares at nil consideration to 25 eligible participants under the scheme, which are subject to certain performance conditions.

Pursuant to the rules relating to the restricted share award scheme, 538,500 new shares were issued and allotted to MRE T Limited on 16 May 2023, and MRE D Limited repurchased 940,000 existing ordinary shares in the open market in May 2023. MRE T Limited and MRE D Limited will hold such shares on behalf of the relevant eligible participants on trust, until such shares are vested with the relevant eligible participants in accordance with the scheme rules. MRE T Limited and MRE D Limited are controlled and consolidated by the Group as structured entities and the above new shares issued and existing shares repurchased held by them for the purpose of restricted share award scheme, amounting to RMB478,000 and RMB7,220,000 respectively, are recorded as shares held for restricted share award scheme and included in other reserves at 30 June 2023.

22 Share-based payment (Continued)

(a) Restricted share award scheme (Continued)

The award shares granted to the eligible participants will be vested on 12 May 2024 (or such other date as determined by the Board), provided that the vesting conditions above are satisfied. In case the vesting conditions are not satisfied, the awarded shares granted will lapse.

The fair value of the restricted shares at grant date, HKD8.59 per share, was determined by taking the market price of the Company's shares on that date.

For the six months ended 30 June 2023, the Group recognised RMB13,658,000 of share-based payment expenses for the aforesaid restricted shares award scheme.

The Group has to estimate the expected percentage of eligible participants that will stay within the Group (the "Expected Retention Rate") of the restricted share award scheme in order to determine the amount of share-based payment expenses charged to the consolidated statements of comprehensive income. As at 30 June 2023, the Expected Retention Rate was assessed to be 98%.

The following table presents the movement in shares that held by MRE T Limited and MRE D Limited for the purpose of issuing shares or purchasing existing ordinary shares under restricted share award scheme. Shares issued to eligible participants are recognised on a first-in-first-out basis.

Details	Numbers of shares (thousand)	Equivalent to HK\$'000	Equivalent to RMB'000
Opening balance 1 January 2022	2,345	13,556	11,307
Purchase of shares for share award scheme	1,700	24,795	21,043
Issue of new shares	4,887	4,887	4,227
Balance 30 June 2022 (unaudited)	8,932	43,238	36,577
Opening balance 1 January 2023	8,932	43,238	36,577
Vested during the period	(5,641)	(27,307)	(23,100)
Purchase of shares for share award scheme	940	8,066	7,220
Issue of new shares	539	539	478
Balance 30 June 2023 (unaudited)	4,770	24,536	21,175

(b) Share options

On 22 April 2021, the Company offered to grant a total of 66,660,000 share options to 193 eligible participants, who are certain directors, senior management and employees of the Group. The share options shall entitle the eligible participants to subscribe for a total of 66,660,000 ordinary shares of the Company. Pursuant to the terms of the share option scheme, the options granted are subject to certain performance conditions.

The options granted to the eligible participants will be vested based on the following rates for the relevant financial year, provided that the vesting conditions above are satisfied: (i) 40% of the total number of the share options were vested on 22 April 2023; (ii) 40% of the total number of the share options will be vested 22 April 2024; and (iii) 20% of the total number of the share options will be vested 22 April 2025. If the vesting conditions above have not been fulfilled, the corresponding percentage of the share options granted will lapse.

22 Share-based payment (Continued)

(b) Share options (Continued)

All the options under the share option scheme should be exercisable after vesting but before the expiry of 6 years after the grant date at the exercise price of HKD18.376 per share.

For the six months ended 30 June 2023, the Group recognised share-based payment expenses of RMB6,296,000 for the aforesaid share options.

Movements in the number of share options outstanding are as follows:

	Number of share options	Average exercise price in HKD
As at 1 January 2022	28,105,000	18.376
Forfeited	(385,000)	18.376
As at 30 June 2022 (unaudited)	27,720,000	18.376
As at 1 January 2023	27,720,000	18.376
Forfeited	(1,771,000)	18.376
As at 30 June 2023 (unaudited)	25,949,000	18.376
Vested and exercisable at 30 June 2023	10,379,600	18.376

Share options outstanding at the end of the period have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Numbers of share options outstanding 30 June 2023
22 April 2021	21 April 2027	HKD18.376	25,949,000

The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

As at 30 June 2023, the Expected Retention Rate of the eligible participants granted shares options was assessed to be 93%.

23 Corporate bonds

Corporate bonds as at 30 June 2023 and 31 December 2022 were as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
As at 1 January	13,374,549	10,509,506
Additions	1,195,400	7,731,392
Interests charges	261,168	479,420
Interests paid	(255,086)	(469,769)
Repayment	(2,204,000)	(4,876,000)
Ending balance	12,372,031	13,374,549
Analysed as		
— Current portion	5,937,475	5,142,229
— Non-current portion	6,434,556	8,232,320
	12,372,031	13,374,549

The Group's corporate bonds were repayable as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	5,937,475	5,142,229
Between 1 and 2 years	2,946,158	5,741,767
Between 2 and 5 years	3,488,398	2,490,553
	12,372,031	13,374,549

Notes to the Interim Financial Information (Continued)

24 Bank and other borrowings

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Bank borrowings	23,301,509	28,073,478
Other borrowings	8,095,077	7,006,525
	31,396,586	35,080,003
Included in non-current liabilities:		
— Secured/guaranteed	13,898,243	15,453,455
— Unsecured	15,868,071	18,329,929
Less: current portion of non-current liabilities	(4,808,417)	(7,242,343)
	24,957,897	26,541,041
Included in current liabilities:		
— Secured/guaranteed	453,624	638,630
— Unsecured	1,176,648	657,989
— Current portion of non-current liabilities	4,808,417	7,242,343
	6,438,689	8,538,962
Total	31,396,586	35,080,003

As at 30 June 2023 and 31 December 2022, all of the Group's borrowings were denominated in following currencies:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
RMB	26,225,209	29,890,956
HKD	4,943,764	4,499,552
USD	227,613	689,495
	31,396,586	35,080,003

RMB10,292,819,000 (31 December 2022: RMB11,548,031,000) of the Group's bank and other borrowings as at 30 June 2023 were secured by property, plant and equipment, investment properties, properties under development and completed properties held for sale of the Group with total carrying values of RMB23,304,267,000 (31 December 2022: RMB24,176,949,000).

24 Bank and other borrowings (Continued)

The Group's bank and other borrowings of RMB3,576,427,000 as at 30 June 2023 (31 December 2022: RMB4,045,434,000) were guaranteed by its related parties (note 27(a)), and RMB482,620,000 (31 December 2022: RMB498,620,000) were guaranteed by third parties.

The annual weighted average effective interest rate of bank and other borrowings is 4.83% per annum for the six months ended 30 June 2023 (31 December 2022: 4.65% per annum).

The repayment terms of the bank and other borrowings are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	6,438,689	8,538,962
1 to 2 years	15,925,477	15,004,429
2 to 5 years	5,450,490	8,788,542
Over 5 years	3,581,930	2,748,070
	31,396,586	35,080,003

25 Trade and other payables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables (note (a))	28,345,190	31,485,536
— related parties (note 27(b))	2,398,703	2,974,662
— third parties	25,946,487	28,510,874
Amounts due to related parties (note 27(b))	19,046,347	15,715,676
Amounts due to non-controlling interests (note (b))	3,325,300	3,173,151
Outstanding acquisition considerations payable	912,537	952,564
Deposit payables	693,238	663,394
Accrued expenses	824,380	800,273
Salaries payable	571,144	733,080
Interests payable	363,965	524,095
Other taxes payable	1,992,748	2,299,388
Dividends payable to shareholders (note 19(b))	973,095	–
Other payables (note (c))	2,363,595	2,012,326
	59,411,539	58,359,483

Notes to the Interim Financial Information (Continued)

25 Trade and other payables (Continued)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 90 days	10,340,315	11,309,811
Over 90 days and within 365 days	12,404,865	15,669,673
Over 365 days	5,600,010	4,506,052
	28,345,190	31,485,536

The Group's trade payables as at 30 June 2023 and 31 December 2022 are denominated in RMB.

- (b) Amounts due to non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.
- (c) Other payables mainly represented miscellaneous payments received from property purchasers for various purposes such as obtaining approvals/certificates from government authorities.

26 Guarantees

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	71,971,174	84,719,415
Guarantees to joint ventures and associates in respect of borrowings (note (b))	8,893,050	10,104,986
	80,864,224	94,824,401

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal titles and take possession of the related properties. The above guarantees are to be discharged 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 properties.
- (b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

27 Related party transactions

The ultimate holding company of the Company is Midea Development (BVI), and the Ultimate Controlling Parties of the Company are Mr. He and Ms. Lu.

(a) Transactions with related parties

The Group had the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(i) Entities controlled by the Ultimate Controlling Parties		
Rendering of property management services	26,432	18,714
Management and consulting service income	19,932	29,403
Purchase of home appliances and smart home technology products	84,859	77,758
Interest expenses on loans from related parties	37,113	52,555
Receiving guarantees in respect of borrowings	3,576,427	5,929,460
Licensing fees	4,440	4,034
Guarantee fees	24,747	16,720
Selling of materials, equipment and other services	–	627
(ii) Entities controlled by certain directors		
Management and consulting service income	1,248	142
Rendering of property management services	444	–
(iii) Joint ventures		
Management and consulting service income	91,622	136,353
Providing guarantees in respect of borrowings	5,464,072	7,354,096
Selling of materials, equipment and other services	32,672	89,155
Purchase of materials, equipment and other services	51,280	33,735
Purchase of home appliances and smart home technology products	3,336	5,900
Rendering of property management services	15,353	19,627
(iv) Associates		
Providing guarantees in respect of borrowings	3,428,978	3,634,192
Management and consulting service income	61,106	23,440
Rendering of property management services	14,050	13,129
Selling of materials, equipment and other services	2,719	3,235

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

27 Related party transactions (Continued)**(b) Balances with related parties**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
(i) Joint ventures		
Amounts due from related parties	7,885,770	7,105,180
Amounts due to related parties	10,986,617	7,552,596
(ii) Associates		
Amount due from related parties	4,649,663	3,586,676
Amount due to related parties	8,162,989	8,261,986
(iii) Entities controlled by the Ultimate Controlling Parties		
Amounts due from related parties	56,239	85,133
Amounts due to related parties	2,136,697	2,745,910
(iv) Entities controlled by certain directors and/or their close family members		
Amounts due from related parties	795	595
Amounts due to related parties	158,747	129,846
(v) Analysis on amounts due from related parties:		
Trade	233,198	250,704
Non-trade	12,359,269	10,526,880
(vi) Analysis on amounts due to related parties:		
Trade	2,398,703	2,974,662
Non-trade	19,046,347	15,715,676

Amounts due from/to related parties are unsecured, interest-free, and repayable on demand.

27 Related party transactions (Continued)**(c) Loans from an entity controlled by the Ultimate Controlling Parties**

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Beginning of the period	42,803	290,000
Loans advanced	2,995,293	2,630,186
Loans repayments	(1,093,493)	(2,630,186)
End of the period	1,944,603	290,000

The interest rate of loans from related parties is 5.24% per annum, and the terms of the loans were between 12 to 24 months.

(d) Key management compensation

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Key management compensation		
— Salaries and other employee benefits	3,280	3,475
— Pension costs	121	120
— Fees	272	256
— Share-based payment expenses	4,904	7,350
	8,577	11,201

28 Transactions with non-controlling interests

During the six months ended 30 June 2023, the Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total consideration of RMB411,569,000. The differences between the carrying amounts of non-controlling interests acquired and consideration paid and payable are set out below:

	Six months ended 30 June 2023 RMB'000 (Unaudited)
Total carrying amounts of non-controlling interests acquired	384,252
Less: Consideration paid to non-controlling interests	(218,243)
Consideration offset by amounts due from non-controlling interests	(193,326)
Total difference recognised within equity	(27,317)

29 Disposal of subsidiaries

During the current period, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposal are as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)
Disposal consideration	
— Cash received	53,000
— Consideration offset against other payables	233,324
	286,324
Cash and cash equivalents	(138,801)
Restricted cash	(53,894)
Trade and other receivables	(483,246)
Prepaid taxes	(70,461)
Properties under development and completed properties held for sale	(1,151,040)
Contract assets and contract acquisition costs	(16,403)
Deferred income tax assets	(14,705)
Trade and other payables	307,936
Contract liabilities	770,683
Others	3,655
Total net assets disposed of	(846,276)
Non-controlling interest disposed of	431,552
	(414,724)
Losses on disposal	(128,400)
Cash proceeds from disposal, net of cash disposed of	
— Cash received	53,000
— Cash and cash equivalents of the subsidiaries disposed of	(138,801)
Net cash outflow on disposal	(85,801)

30 Acquisition of a subsidiary

During the six months ended 30 June 2023, the Group acquired a property development company and obtained control of the company. The directors of the Company applied the optional test to identify concentration of fair value as prescribed by HKFRS 3 "Business Combination" and considered that the acquired set of activities and assets of the subsidiary individually are not businesses. Accordingly, the above acquisition of a subsidiary was accounted for as acquisitions of assets and the consideration for the acquisition was allocated to the individual assets acquired and liabilities assumed of the acquired company on the acquisition date.

Details of the acquisitions are as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)
Purchase consideration	
— Investments in joint ventures (note 13(a))	1,032,520
— Cash paid	509,893
— Consideration offset against other receivables	204,766
— Outstanding and included in other payables	32,786
Total consideration	1,779,965
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	353,323
Trade and other receivables	580,448
Prepaid taxes	140,342
Properties under development and completed properties held for sale	2,014,574
Contract assets and contract acquisition costs	17,536
Bank and other borrowings	(602,800)
Trade and other payables	(133,151)
Contract liabilities	(586,599)
Others	(3,708)
Total identifiable net assets	1,779,965
Less: non-controlling interests	—
Net assets acquired	1,779,965
Payments of acquisition of subsidiary, net of cash acquired	
— Cash paid	(509,893)
— Cash and cash equivalents of the subsidiary acquired	353,323
Net cash outflow on acquisition	(156,570)

31 Subsequent events

In July and August 2023, the Group redeemed the outstanding corporate bonds with total principal amounts of RMB2,100,000,000 at a redemption price equal to 100% of the principal amount of the corporate bonds as of the redemption date.

On 10 August 2023, the Group issued mid-term notes in an aggregate principal amount of RMB500,000,000 with a coupon rate of 4.70% for a term of 2 years. At the end of the first year, the Group has the option to adjust the coupon rate, and investors have the option to sell their bonds back. From 10 to 11 August 2023, the Group issued green mid-term notes in an aggregate principal amount of RMB420,000,000 with a coupon rate of 4.90% for a term of 2 years.

On 8 August 2023, in connection with the Scrip Dividend Scheme (note 19(b)), the Company allotted and issued 79,460,990 new ordinary shares at an issue price of HKD6.956 per share, totalling approximately HKD552,731,000. The remaining dividend payable amounting to approximately HKD532,030,000 has been paid in cash as at the same date.

EXECUTIVE DIRECTORS

Mr. Hao Hengle (Chairman and President)
Mr. Wang Quanhui
Mr. Lin Ge
Mr. Zhang Ziliang

NON-EXECUTIVE DIRECTORS

Mr. He Jianfeng
Mr. Zhao Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Jinsong
Mr. O'Yang Wiley
Mr. Lu Qi

AUDIT COMMITTEE

Mr. Tan Jinsong (Chairman)
Mr. Zhao Jun
Mr. O'Yang Wiley

REMUNERATION COMMITTEE

Mr. O'Yang Wiley (Chairman)
Mr. Hao Hengle
Mr. Zhao Jun
Mr. Tan Jinsong
Mr. Lu Qi

NOMINATION COMMITTEE

Mr. Hao Hengle (Chairman)
Mr. Tan Jinsong
Mr. Lu Qi

AUTHORISED REPRESENTATIVES

Mr. Hao Hengle
Mr. Lin Ge

JOINT COMPANY SECRETARIES

Ms. Wan Jingli (appointed on 23 May 2023)
Ms. Chan Bo Shan

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
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Grand Cayman KY1-9008, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISER

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88 Queensway
Hong Kong

PRINCIPAL BANKS IN THE MAINLAND CHINA (IN ALPHABETICAL ORDER)

Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank Corporation
China Everbright Bank Company Limited
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
China Zheshang Bank Co., Ltd.
Guangdong Shunde Rural Commercial Bank Company Limited
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd.
Ping An Bank Co., Ltd.
Postal Savings Bank of China Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.

PRINCIPAL BANKS IN HONG KONG, CHINA (IN ALPHABETICAL ORDER)

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Company Limited, Hong Kong Branch
China Minsheng Banking Corporation Limited,
Hong Kong Branch
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
Hua Xia Bank Company Limited, Hong Kong Branch
Ping An Bank Company Limited
Tai Fung Bank Limited
The Bank of East Asia, Limited

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