MIDEA REAL ESTATE HOLDING LIMITED
美的置業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3990)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue, gross profit, and total comprehensive income amounted to RMB25,134.11 million, RMB2,321.03 million and RMB596.18 million respectively.

- During the Reporting Period, core net profit* amounted to RMB642.47 million. Core net profit attributable to owners of the Company** amounted to RMB418.56 million.

- As at 30 June 2024, the total interest-bearing liabilities of the Group were RMB37.11 billion, representing a decrease of 2.5% compared to the end of last year. During the Reporting Period, the weighted average effective interest rate of the Group's total borrowings was 4.54%.

- During the Reporting Period, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB20.21 billion.

* "Core net profit" represents profit excluding the post-tax profit or loss arising from changes in fair value of investment properties and the post-tax expenses arising from equity-settled share-based payment transactions.

** "Core net profit attributable to owners of the Company" represents profit attributable to owners of the Company excluding the post-tax profit or loss arising from changes in fair value of investment properties and the post-tax expenses arising from equity-settled share-based payment transactions.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (for the corresponding period of 2023: Nil).

The board of directors (the "**Board**" or the "**Director(s)**") of Midea Real Estate Holding Limited (the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**"), with the comparative figures for the corresponding period of 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**25,134,114**	36,334,586
Cost of sales	*4*	**(22,813,088)**	(31,542,320)
Gross profit		**2,321,026**	4,792,266
Other income and losses — net	*5*	**84,930**	(110,808)
Selling and marketing expenses	*4*	**(1,130,566)**	(1,170,621)
Administrative expenses	*4*	**(586,758)**	(767,194)
Net impairment losses on financial assets		**(337,308)**	(133,718)
Operating profit		**351,324**	2,609,925
Finance income	*6*	**94,010**	158,234
Finance costs	*6*	**(187,666)**	(160,090)
Finance costs — net	*6*	**(93,656)**	(1,856)
Share of results of joint ventures and associates		**966,253**	142,764

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Profit before income tax		**1,223,921**	2,750,833
Income tax expenses	*7*	**(627,742)**	(1,085,337)
Profit for the period		**596,179**	1,665,496
Profit attributable to:			
Owners of the Company		**375,869**	782,097
Non-controlling interests		**220,310**	883,399
Total comprehensive income for the period		**596,179**	1,665,496
Total comprehensive income attributable to:			
Owners of the Company		**375,869**	782,097
Non-controlling interests		**220,310**	883,399
		596,179	1,665,496
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	*8*	**0.26**	0.58
Diluted	*8*	**0.26**	0.58

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 2024** *RMB'000*	Audited 31 December 2023 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,116,490**	1,090,198
Investment properties		**6,143,347**	6,199,032
Right-of-use assets		**292,547**	273,854
Intangible assets		**255,628**	257,158
Properties under development		**567,067**	545,409
Investments in joint ventures		**12,535,660**	12,221,842
Investments in associates		**11,650,102**	11,525,105
Finance lease receivables		**28,254**	36,102
Deferred income tax assets		**7,375,783**	6,399,468
Financial assets at fair value through profit or loss	*11*	**354,682**	383,709
		40,319,560	38,931,877
Current assets			
Inventories		**97,348**	149,360
Contract assets and contract acquisition costs	*3(a)*	**1,598,557**	1,838,072
Properties under development		**55,577,629**	75,375,606
Completed properties held for sale		**25,058,904**	22,359,352
Trade and other receivables	*10*	**34,399,769**	34,180,070
Prepaid taxes		**8,358,554**	8,553,171
Financial assets at fair value through profit or loss	*11*	**97,730**	50,000
Restricted cash		**2,027,821**	2,538,626
Term deposits with initial terms over three months		**50,000**	50,000
Cash and cash equivalents		**11,412,169**	17,553,071
		138,678,481	162,647,328
Total assets		**178,998,041**	201,579,205

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	12	**4,680,494**	5,150,983
Other reserves		**4,110,512**	4,126,269
Retained earnings		**16,407,931**	16,032,062
		25,198,937	25,309,314
Non-controlling interests		**21,949,151**	24,809,433
Total equity		**47,148,088**	50,118,747
LIABILITIES			
Non-current liabilities			
Corporate bonds		**10,615,799**	6,632,220
Bank and other borrowings		**17,405,140**	19,202,605
Lease liabilities		**46,074**	43,931
Deferred income tax liabilities		**347,354**	306,102
		28,414,367	26,184,858
Current liabilities			
Contract liabilities	3(b)	**29,770,226**	44,391,799
Corporate bonds		**3,448,839**	6,246,470
Bank and other borrowings		**5,635,393**	5,987,669
Lease liabilities		**50,924**	54,197
Trade and other payables	13	**55,404,974**	59,525,590
Current income tax liabilities		**9,125,230**	9,069,875
		103,435,586	125,275,600
Total liabilities		**131,849,953**	151,460,458
Total equity and liabilities		**178,998,041**	201,579,205

NOTES

1 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 2023 (the "**2023 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

Since 2021, the property market in the PRC has continued to decline and there has been no sign of recovery. As a result, the Group's pre-sale performance continued to decline during the period and subsequent to the six months ended 30 June, which had an adverse impact on the Group's cash flows and gave rise to certain pressure on the Group's liquidity.

In view of these 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 2024, 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 ("**PUD**") and completed properties held for sale ("**PHS**"), 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 property development and sales business of the Group (the "**PD&S Business**") to meet its other financial obligations;

(ii) The Group has certain available registered quotas of domestic corporate bonds and mid-term notes, unutilised uncommitted credit facilities from banks and unutilised loan facilities from its related party as at 30 June 2024. The directors of the Company believe that the Group would be able to obtain fundings from the issuance of the above domestic corporate bonds, mid-term notes and the draw-down from the above credit facilities from banks and the loan facilities from its related party as and when needed in the next twelve months from 30 June 2024 under the prevailing rules and regulations. The controlling shareholder has confirmed its present intention to provide continuing financial support to the Company so as to enable the Company to meet all of its financial obligations when they fall due and to enable the Company to carry on its business without a significant curtailment of operations for 14 months since 30 June 2024;

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

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

(v) As announced on 23 June 2024 and 16 August 2024, the Company is proposing the distribution in specie of the PD&S Business and Mr. He, Ms. Lu and Midea Development (BVI) (together, the "**Controlling Shareholders**") have undertaken to certain implementations, to facilitate the distribution mentioned above which is expected to be completed by the end of October 2024. The shares of the Company will continue to be listed on the Stock Exchange and the Company will continue to operate the retained business, which is primarily asset-light upon the completion of distribution.

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 2024. 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 business including contemplating distribution of PD&S business, and the continued availability of the Group's registered quotas of domestic corporate bonds, mid-term notes, unutilised credit facilities from banks and unutilised loan facilities from the Group's related party and the financial support from the Controlling Shareholders, 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 2024. Accordingly, the Interim Financial Information has been prepared on a going concern basis.

2 MATERIAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2023 Financial Statements and corresponding interim reporting period.

(a) New and amended standard adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning or after 1 January 2024:

Amendments to HKAS 1	Classification of liabilities as current or non-current
Amendments to HKAS 1	Non-current liabilities with covenants
Amendments to HKFRS 16	Lease liability in sales and lease back
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements
HK Interpretation 5 (2020)	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

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 21	Lack of exchangeability	1 January 2025
Amendment to HKFRS 9 and HKFRS 7	Classification and measurement of financial instruments	1 January 2026
HKFRS 18	Presentation and disclosure in financial statements	1 January 2027
HKFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027
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.

3 REVENUE AND SEGMENT INFORMATION

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

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

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

For the six months ended 30 June 2024 and 2023, 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 2024 and 2023 is analysed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Property development and sales	**24,104,751**	35,466,736
Property management services	**840,101**	724,887
Investment and operation of commercial properties		
— Property lease	**152,017**	87,945
— Hotel operations	**4,064**	3,721
— Cultural-tourism project	**33,181**	51,297
	25,134,114	36,334,586

Represented by:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from property development and sales:		
— Recognised at a point in time	**24,104,751**	33,480,019
— Recognised over time	**–**	1,986,717
	24,104,751	35,466,736
Revenue from rendering of services:		
— Recognised over time	**877,346**	779,905
Revenue from other sources:		
— Property lease income	**152,017**	87,945
	25,134,114	36,334,586

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 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Contract assets related to property development and sales (i)	**427,708**	533,746
Contract acquisition costs (ii)	**1,170,849**	1,304,326
Total contract assets and contract acquisition costs	**1,598,557**	1,838,072

(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 RMB745,953,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB696,558,000). There was no impairment loss in relation to the costs capitalised.

(b) Contract liabilities

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

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Contract liabilities	**29,770,226**	44,391,799

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 2024, RMB2,595,450,000 (31 December 2023: RMB3,811,659,000) 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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Property development and sales	**19,500,814**	29,944,116

(c) Unsatisfied contracts related to property development and sales

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expected to be recognised within one year	**27,350,388**	44,335,405
Expected to be recognised after one year	**4,609,810**	3,396,674
	31,960,198	47,732,079

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

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of property development and sales —including construction cost, land cost, capitalised interest expenses	**20,092,739**	29,105,275
Employee benefit expenses	**782,371**	941,711
Marketing and advertising expenses	**196,530**	238,320
Write-downs of properties under development and completed properties held for sale	**1,976,279**	1,740,050
Amortisation of contract acquisition costs	**745,953**	696,558
Taxes and surcharges	**104,803**	166,260
Travelling and entertainment expenses	**27,623**	32,052
Office expenses	**8,267**	16,503
Depreciation and amortisation	**67,165**	79,300
Auditor's remuneration		
— Interim review services	**1,400**	1,400
Others	**527,282**	462,706
Total	**24,530,412**	33,480,135

5 OTHER INCOME AND LOSSES — NET

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Management and consulting service income	**119,576**	59,001
Government subsidy income	**6,160**	63,124
Compensation income	**32,423**	16,365
	158,159	138,490
Other losses — net		
Realised and unrealised gains on financial assets at fair value through profit or loss	**3,236**	32,011
Losses arising from changes in fair value of investment properties	**(64,133)**	(86,612)
Losses on disposal of subsidiaries	**–**	(128,400)
Losses on disposal of joint ventures and associates	**–**	(63,214)
Losses on disposal of property, plant and equipment and investment properties	**(408)**	(277)
Net foreign exchange losses	**(25,548)**	(6,521)
Others	**13,624**	3,715
	(73,229)	(249,298)
Other income and losses — net	**84,930**	(110,808)

6 FINANCE COSTS — NET

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
— Interest expenses		
— Bank and other borrowings	**(653,074)**	(821,681)
— Corporate bonds	**(286,713)**	(261,168)
— Lease liabilities	**(3,552)**	(2,300)
	(943,339)	(1,085,149)
Less:		
— Capitalised interest	**774,051**	1,085,149
	(169,288)	–
— Net foreign exchange losses on financing activities	**(18,378)**	(160,090)
	(187,666)	(160,090)
Finance income		
— Interest income	**94,010**	158,234
	(93,656)	(1,856)

7 INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Corporate income tax	**834,599**	1,482,395
— Withholding income tax on profits distributed	**5,679**	–
— PRC land appreciation tax	**726,867**	454,878
	1,567,145	1,937,273
Deferred income tax		
— Corporate income tax	**(933,724)**	(851,936)
— Withholding income tax on profits to be distributed in future	**(5,679)**	–
	627,742	1,085,337

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.

8 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000):*	**375,869**	782,097
Weighted average number of ordinary shares in issue *(thousands)*	**1,430,642**	1,348,260
Earnings per share — Basic *(RMB per share)*	**0.26**	0.58

(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 2024, which were the restricted shares and the share options.

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 2024.

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

9 DIVIDENDS

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in current assets:		
Trade receivables — net *(note (a))*	**2,038,079**	1,690,713
Other receivables — net *(note (b))*	**31,499,186**	31,747,005
Prepayments for land use rights *(note (c))*	**201,762**	183,621
Other prepayments	**660,742**	558,731
	34,399,769	34,180,070

(a) Details of trade receivables are as follows:

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Trade receivables — related parties	**148,411**	147,910
Trade receivables — third parties	**2,182,652**	1,772,633
	2,331,063	1,920,543
Less: allowance for impairment	**(292,984)**	(229,830)
Trade receivables — net	**2,038,079**	1,690,713

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

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Within 90 days	**938,232**	776,112
Over 90 days and within 180 days	**207,125**	217,852
Over 180 days and within 365 days	**647,358**	507,972
Over 365 days	**538,348**	418,607
	2,331,063	1,920,543

The Group's trade receivables are denominated in RMB.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the six months ended 30 June 2024, a provision of RMB63,127,000 (six months ended 30 June 2023: provision of RMB59,110,000) was made against the gross amounts of trade receivables.

(b) Details of other receivables are as follows:

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Amounts due from related parties *(note (i))*	**13,159,102**	11,367,437
Amounts due from non-controlling interests *(note (ii))*	**15,617,089**	16,994,095
Deposits and others from third parties *(note (iii))*	**3,991,947**	4,373,875
	32,768,138	32,735,407
Less: allowance for impairment	**(1,268,952)**	(988,402)
Other receivables — net	**31,499,186**	31,747,005

(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.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Investments in wealth management products	**97,730**	50,000
Equity investments in unlisted companies	**354,682**	371,000
Others	**–**	12,709
	452,412	433,709
Non-current	**354,682**	383,709
Current	**97,730**	50,000
	452,412	433,709

12 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 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		538,500	539	478	–	478
Dividends payable to shareholders		–	–	–	(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
At 31 December 2023 and 1 January 2024		1,435,411,483	1,435,412	1,219,233	3,931,750	5,150,983
Dividends payable to shareholders	*(a)*	–	–	–	(470,489)	(470,489)
At 30 June 2024 (unaudited)		1,435,411,483	1,435,412	1,219,233	3,461,261	4,680,494

(a) On 27 March 2024, the Board recommended the payment of a final dividend of HK$0.36 per share for the year ended 31 December 2023 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 24 May 2024, with the dividend will be paid in cash.

13 TRADE AND OTHER PAYABLES

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Trade payables *(note (a))*	**23,587,476**	28,992,496
— related parties	**1,309,004**	2,925,464
— third parties	**22,278,472**	26,067,032
Amounts due to related parties	**22,065,955**	20,848,347
Amounts due to non-controlling interests *(note (b))*	**3,075,233**	2,492,647
Outstanding acquisition considerations payable	**871,756**	848,586
Deposit payables	**517,641**	691,068
Accrued expenses	**662,749**	619,247
Salaries payable	**488,529**	650,545
Interests payable	**465,199**	334,521
Other taxes payable	**1,022,485**	1,555,178
Dividends payable to shareholders	**470,489**	–
Other payables *(note (c))*	**2,177,462**	2,492,955
	55,404,974	59,525,590

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

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Within 90 days	**4,988,832**	9,331,137
Over 90 days and within 365 days	**11,078,664**	13,390,297
Over 365 days	**7,519,980**	6,271,062
	23,587,476	28,992,496

The Group's trade payables as at 30 June 2024 and 31 December 2023 are denominated in RMB.

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

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

BUSINESS REVIEW AND OUTLOOK

I. INDUSTRY OVERVIEW

2024 is halfway over. The global political and economic situation remains severe. The real estate market is still undergoing deep adjustments. As a participant in the industry, we will inevitably experience pains, but only by fully understanding the objective laws of the cycle can we correctly face reality and actively seek change.

Under the long-term mechanism of 'houses are for living in, not for speculation', actively exploring new models of real estate development, building good houses and providing good services is the only way to promote high-quality development of the real estate industry. It is also an inevitable choice for enterprises seeking new development space.

II. STRATEGY RESHAPING

The Group has been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since October 2018 and will be listed for 6 years. With the support of the listing platform, the Group's various businesses have developed rapidly, and its financial situation remains healthy and stable. As at the end of the reporting period, the Group cumulatively issued 3 tranches of medium-term notes totaling RMB4.12 billion, the total interest-bearing liabilities amounted to RMB37.1 billion, representing a decrease of RMB6.66 billion as compared to the corresponding period of last year. The net gearing ratio was 50.1%, the cash to short-term debt ratio was 1.26, and the asset-liability ratio after excluding advance receipts was 67.8%. The Three Red Lines remain in the green zone. The weighted average finance cost continued to remain low at 4.54%.

To reduce debt and the credit risk associated with the heavy asset attributes of real estate development business, the Group proposes to reorganise the real estate development business and separate it from the Group by way of the distribution in specie. Please refer to the subsection headed "Distribution in Specie and the Proposed Distribution" below for details.

Staying true to our original aspiration, exploring new models of real estate development: If the restructuring is successfully completed, the Group will establish a business model of "entrusted development and construction + property management services + asset operation + real estate technology". The essence of the business has not been changed, and it will focus more on people's livelihood industries, continuing to deeply cultivate the entire value chain of real estate development with low leverage and light assets, and exploring new models in real estate to create greater value for the society.

Returning to operation, creating high-quality products and services: If the restructuring is successfully completed, the Group will no longer bear large debts and will rely on rapid deleveraging to truly return to operation. In the future, we will also focus on new tracks in the real estate industry under the new normal, committed to building good houses, comprehensively exploring the post-construction delivery market, striving to improve property management service quality, enhancing asset operation and management capabilities, and solidly laying out the fields of building industrialisation and intelligent space decoration.

III. BUSINESS STRATEGY

With the support from the Controlling Shareholders[#], the Group can not only lay a more solid foundation but can also achieve a more stable and long-term development in the future. Maintaining an entrepreneurial mindset, always respecting the market, focusing on the long-term perspective and strategic vision, and implementing pragmatic operations are the values that the Group is committed to.

1. Property management services: Solid residential service fundamentals, anchoring on core business

Midea Real Estate Services, serving as an important carrier for the Group's brand value creation and backend service capabilities of the development value chain, it adheres to the value guideline of 'Original Aspiration and Craftsmanship, Quality Leads to Beauty,' insists on service-oriented principles, continuously refines details with the craftsmanship spirit of the manufacturing industry, and provides a warm living space.

In recent years, benefiting from the timely delivery of the Group's developed properties, the property management scale has also been steadily improving. As at the end of the Reporting Period, Midea Real Estate Services had a contracted area of 92.18 million sq.m. and an area under management of 69.89 million sq.m.. If the restructuring is successfully completed, stable and high-quality delivery will remain one of the most important tasks for the Controlling Shareholders and the Group, which will undoubtedly provide a good guarantee for the development of Midea Real Estate Services.

On the basis of consolidating the fundamentals of residential properties, leveraging the strong industry chain resource advantages of the Controlling Shareholders, Midea Real Estate Services extended its management business to industrial parks, medical care and wellness sectors. As at the end of the Reporting Period, Midea Real Estate Services had 45 industrial parks under management with an area of 7.21 million sq.m.. Additionally, by the end of April of this year, it officially started to provide services to Heyou Hospital (和佑醫院) and Hetai Elderly Care Center (和泰養老中心) under the Controlling Shareholders. Based on the three core business sectors of residential, industrial parks and medical care and wellness, Midea Real Estate Services will incubate standardised and quickly replicable value-added tracks, such as group meals and logistics services, to build a product system and comprehensive operation capability of 'basic services + value-added operations.'

[#] "Controlling Shareholders" means the controlling shareholders of the Company, namely Mr. He Xiangjian (何享健), Ms. Lu Deyan (盧德燕) and Midea Development Holding (BVI) Limited

Consolidating the fundamentals of residences, anchoring on three core formats, and incubating value-added sectors, focusing efforts on building service capabilities for the entire life cycle, and gradually forging market-oriented competitiveness from within to outside, Midea Real Estate Services' development space will also be sufficiently broad.

2. Asset Operation: Integrating quality assets, combining light and heavy assets to consolidate and innovate

The real estate industry is gradually transitioning from an incremental development era to a stock operation era, which is an inevitable trend. Based on this, we will integrate high-quality commercial and industrial parks, strengthen asset operation capabilities, and layout the asset management field. The Group believes that this not only aligns with new opportunities in the real estate industry's development but also builds a strategic framework with expandable space for the Group's longer-term development.

Midea Real Estate Commercial, adhering to the concept of 'revitalising urban life', covers urban complexes and characteristic commercial streets, community neighborhood commerce and long-term rental apartments, forms the four product lines of Wonderful Square, Wonderful Times, Wonderful Street, and Wonderful Apartment. As at the end of the Reporting Period, the Group had 13 commercial properties in operation, 10 of which are operating malls, and 3 are long-term rental apartments, with an operating area exceeding 0.70 million square meters, and focused on creating the "Wonderful" line commercial benchmarks. Among them, Foshan Wonderful Square has been in operation for 5 years, and its commercial operations have entered a mature stage, with a NOI Margin (operating profit margin) reaching 76%, which is at an excellent level in the industry. Guiyang Wonderful Square and Guiyang Wonderful Times have been open for nearly 2 years and are still in a critical nurturing period. At this stage, the main goal is consumer introduction. With gradual improvement of business combinations and continuous enhancement of operating conditions, the operation will reach a stable growth phase and enter the growth period.

In addition, the Group plans to incorporate 5 self-owned commercial entities into the Midea Real Estate Commercial segment to establish a business model combining light and heavy asset operation and management. In the short term, Midea Real Estate Commercial will solidify its product strength with self-owned commercial properties, focusing on creating operational value and accumulating brand reputation. Looking forward, it will also seize market opportunities and actively expand high-quality light asset commercial projects through whole leasing or joint operations.

Midea Real Estate Property Development focuses on creating distinctive themed industrial parks centered around smart homes, new materials and green environmental protection industries. The Group plans to integrate the ownership (or usage rights) and operational rights of its 3 industrial parks to supplement the commercial formats and build a more comprehensive asset operation and management system. In addition, it will actively leverage financial tools such as REITs in the future to adopt the asset manager model, improve the asset allocation structure, and further explore the value chain stock market opportunities in the real estate industry.

3. Real Estate Technology: Firmly leading in product excellence, leveraging building industrialisation to build good houses

REMAC ASPACE, the Group based on the background of domestic building industrialisation upgrades and deep cultivation of the real estate industry value chain, deploying the design technology industry with ‘ Remac TY’ as the main body, the green prefabricated industry ecosystem relying on ‘Remac industrialisation’, and the space intelligence industry with ‘Remac Smart’ as the carrier, all centered around building good houses and providing green full value chain business scenario services.

Adhering to technological innovation, research and development of new materials and new products, focusing on products, deeply cultivating the Guangdong-Hong Kong-Macao Greater Bay Area, are the fundamental strategy for the current development of REMAC ASPACE. In terms of the prefabricated main structure, based on PC components (prefabricated concrete building) products, we integrate design and closely follow the market for self-product iteration, thereby evolving into the MIC (modular integrated construction) series products. Over 90% of the construction processes are completed in the factory. Through intelligent production and meticulous assembly, the construction of the entire building is completed. In terms of prefabricated interior decoration, we focus on low-carbon decorative materials, modular components, and smart home products to create green, healthy, and intelligent full-dimensional solutions for indoor spaces. At present, REMAC ASPAC has established 3 industrial parks in Foshan, Huizhou and Jiangmen, and successfully obtained ISO three-system, Hong Kong QSPSC, Hong Kong 5S certifications, with an annual production capacity of 0.15 million cubic meters. As at the end of the Reporting Period, REMAC ASPAC achieved a signed contract amount of HKD320 million within the year. Among them, Hong Kong and Macau business has achieved a signed contract amount of HKD130 million during the Reporting Period.

REMAC ASPACE , as the real estate technology track continuously nurtured by the Group, has proactively adjusted its product and market strategies in response to the domestic real estate development cycle. It has timely reduced its market share in the domestic PC component (prefabricated concrete building) market and actively expanded into the markets of Hong Kong, Macau, and developed overseas countries. The overall development is on a stable and positive trend. Focusing on the MIC (modular integrated construction) series products in Hong Kong, we are expanding into the prefabricated interior decoration market. The scope of our business is no longer limited to commercial housing but extends to all buildings. The future market prospects for the Group remain promising.

4. Entrusted Development and Construction: Focusing on existing stock resources and actively promoting external expansion

For entrusted development and construction, the Group plans to add a new business segment to undertake the full-chain development management of real estate development assets that will be held after the restructuring is completed, covering the entire process or phased development management services such as property design, development, planning and construction, and sales. Under the premise of deleveraging, we further aim at the new topic of how to create 'good products, good value', guided by technology, health, and energy saving, steadily and solidly deepen the basic skills of operation, learn from the manufacturing industry, and seek productivity from professional refined management.

Entrusted construction business is not unfamiliar to the Group. In the past few years, the Group has continuously provided engineering construction management services to public hospitals, schools, and various properties or business premises related to recreation and sports, medical and office functions, and has received positive feedback from the market. In the future, apart from undertaking the entrusted construction business of the Controlling Shareholders, we will also actively explore third-party entrusted construction services. By integrating resources through project management, exporting brands and standards, we will create value for clients with customised solutions and high-quality services.

IV. FUTURE PROSPECT

Currently, the real estate industry is still oscillating at the bottom of a major cycle, and going through the cycle is an important challenge faced by every company. For the Group, if this restructuring is successfully completed, it will be able to simplify its business composition in the future and focus on asset-light, service-oriented businesses. This shift in business focus will reduce its exposure to cyclical risks in the real estate market. Leveraging its years of professional experience in the entire value chain of real estate, it can achieve higher profit margins, providing all shareholders with more reasonable returns.

All past events are just a prelude, all future events are full of promise. If the restructuring is successfully completed, a more sustainable business model will be created in the future, a pragmatic and resilient corporate culture, and the support and commitment of the Controlling Shareholders, which is enough to make Midea Real Estate a better and more promising listed company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the Reporting Period, the Group recorded revenue of RMB25,134.11 million (the corresponding period of 2023: RMB36,334.59 million), representing a decrease of 30.8% as compared to the corresponding period of last year. Operating profit amounted to RMB351.32 million (the corresponding period of 2023: RMB2,609.93 million), representing a decrease of 86.5% as compared to the corresponding period of last year. Profit for the Reporting Period amounted to RMB596.18 million (the corresponding period of 2023: RMB1,665.50 million), representing a decrease of 64.2% as compared to the corresponding period of last year. Core net profit for the Reporting Period decreased by 63.3% to RMB642.47 million (the corresponding period of 2023: RMB1,750.41 million), and core net profit attributable to owners of the Company decreased by 51.1% to RMB418.56 million. Profit attributable to owners of the Company reached RMB375.87 million (the corresponding period of 2023: RMB782.10 million), representing a decrease of 51.9% as compared to the corresponding period of last year. Basic and diluted earnings per share reached RMB0.26 (the corresponding period of 2023: RMB0.58).

CONTRACTED SALES

During the Reporting Period, the Group and its joint ventures and associates recorded contracted sales of approximately RMB20.21 billion with a total contracted sales GFA of approximately 1,773 thousand sq.m..

LAND RESERVES

As at 30 June 2024, the total GFA of the Group's land reserves* amounted to approximately 25.00 million sq.m., comprising 315 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-TianjinHebei Economic Region and Southwest Economic Region.

FINANCIAL REVIEW

Revenue

Property Development and Sales

During the Reporting Period, the Group's recognised revenue from property development and sales decreased by 32.0% to RMB24,104.75 million from RMB35,466.74 million in the corresponding period of 2023, primarily due to the decrease in GFA recognised. Total GFA recognised amounted to 2.277 million sq.m., representing a decrease of 32.9% as compared with 3.391 million sq.m. in the corresponding period of 2023.

Property Management Services

During the Reporting Period, the Group's revenue derived from property management services increased by 15.9% to RMB840.10 million from RMB724.89 million in the corresponding period of 2023, 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 32.4% to RMB189.26 million from RMB142.96 million in the corresponding period of 2023, mainly due to the development of property rental business and cultural-tourism projects.

* The total GFA of property land reserves held by the Group's joint ventures/associates has been discounted on a pro-rata basis of equity.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from property development activities, provision of property management services and other business activities. During the Reporting Period, the Group's cost of sales decreased by 27.7% to RMB22,813.09 million from RMB31,542.32 million in the corresponding period of 2023, mainly due to the decrease in recognised revenue from property development and sales during the period.

Gross Profit

During the Reporting Period, the Group's gross profit decreased by 51.6% to RMB2,321.03 million from RMB4,792.27 million in the corresponding period of 2023. 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 — Net

During the Reporting Period, the Group's other income and losses — net recorded a gain of RMB84.93 million, which was a net loss of RMB110.81 million in the corresponding period of 2023. The Group's other income and losses — net primarily consist of management and consulting service income, compensation income, losses on disposal of subsidiaries, gains/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. The increase was mainly due to the combined effect of the increase in management and consulting service income and the decrease in losses on disposal of subsidiaries.

Selling and Marketing Expenses

During the Reporting Period, the Group's selling and marketing expenses recorded RMB1,130.57 million, which remained flat as compared with that of RMB1,170.62 million in the corresponding period in 2023.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses decreased by 23.5% to RMB586.76 million from RMB767.19 million in the corresponding period of 2023, 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 — Net

The Group's finance cost — 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 — net was RMB93.66 million, while the Group recorded a net finance cost of RMB1.86 million in the corresponding period of 2023, mainly due to the increase in interest expenses and decrease in interest income during the Reporting Period.

Share of results of joint ventures and associates

During the Reporting Period, the Group's share of results of joint ventures and associates was RMB996.25 million, compared to the change of RMB142.76 million in the corresponding period of 2023, primarily due to the concentrated delivery of certain joint venture and associate projects during the period, resulting in an increase in net profit of joint ventures and associates.

Profit Attributable to Owners of the Company

During the Reporting Period, profit attributable to owners of the Company decreased by 51.9% to RMB375.87 million from RMB782.10 million in the corresponding period of 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB13,489.99 million as at 30 June 2024 (31 December 2023: RMB20,141.70 million), including RMB11,412.17 million in cash and cash equivalents (31 December 2023: RMB17,553.07 million), RMB50.00 million in term deposits with initial terms over three months (31 December 2023: RMB50.00 million), and RMB2,027.82 million in restricted cash (31 December 2023: RMB2,538.63 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 2024, the Group's pre-sale fund under supervision was RMB1,490.88 million. As at 30 June 2024, the Group's unused credit facilities from banks were RMB118,564.00 million.

Borrowings and Net Gearing Ratio

As at 30 June 2024, the Group's total borrowings amounted to RMB37,105.17 million. Bank and other borrowings, and corporate bonds were RMB23,040.53 million and RMB14,064.64 million, respectively. As at 30 June 2024, the net gearing ratio was 50.1% (31 December 2023: 35.8%). The increase in net gearing ratio was mainly due to the decrease in the Group's total cash and bank deposits at the end of the period as compared to the end of the previous year. The net gearing ratio is calculated based on net borrowings divided by total equity. Net borrowings were calculated as total amount of borrowings less cash and cash equivalents and restricted cash.

Borrowing Cost

During the Reporting Period, the total borrowing costs of the Group amounted to RMB943.34 million, representing a decrease of RMB141.81 million from RMB1,085.15 million for the corresponding period of 2023, mainly because the Group further reduced total borrowing amount and the lower borrowing cost resulting from the increase in the proportion of low-cost financing during the Reporting Period.

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 2024, the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB47,074.27 million (31 December 2023: RMB61,869.80 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 30 June 2024, the Group's guarantee for the loans of joint ventures and associates amounted to RMB4,877.86 million (31 December 2023: RMB6,575.98 million).

Interest Rate Risk

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

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.

Acquisition of 50% Equity Interests in the Project Company

On 9 January 2024, Ningbo Meishan Bonded Port Area Yongfeng Real Estate Development Limited (寧波梅山保稅港區甬豐房地產開發有限公司) (the "**Purchaser**") and Ningbo Meishan Midea Real Estate Development Limited (寧波市梅山美的房地產發展有限公司) (as an existing shareholder holding 50% equity interests in the Project Company), all of which are indirect wholly-owned subsidiaries of the Company, entered into an equity transfer agreement with Hangzhou Lixuan Commerce Services Limited (杭州利烜商務服務有限公司) (the "**Vendor**") and Ningbo Meirui Real Estate Development Limited (寧波市美睿房地產發展有限公司) (the "**Project Company**"), pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire 50% equity interests in the Project Company at a consideration of RMB400.0 million. The consideration shall be settled by the Purchaser by assuming a debt of RMB400.0 million owed by the Vendor to the Project Company. The Project Company is engaged in property development business in Ningbo City, Zhejiang Province, the PRC. The acquisition was completed on 11 January 2024. As at the date of this announcement, the Company indirectly holds 100% equity interests in the Project Company. For details, please refer to the Company's announcement dated 9 January 2024.

Distribution in Specie and the Proposed Distribution

On 23 June 2024, the Company announced that it is proposing the implementation of the distribution in specie (the "**Distribution in Specie**") of the shares (the "**PrivateCo Shares**") of a direct wholly-owned subsidiary of the Company, Midea Construction (BVI) Limited (美的建業(英屬維京群島)有限公司) (the "**PrivateCo**"), by the Company to its shareholders (the "**DIS-Electing Shareholders**") with a cash alternative (the "**Cash Alternative**") to be provided by the Company to its shareholders (the "**Cash-Electing Shareholders**") opting not to receive the PrivateCo Shares, pursuant to which the Company will internally reorganise its property development and sales business of the Group, which excludes commercial properties and industrial parks owned and operated by the Group (the "**PD&S Business**") to being held by the PrivateCo and forming the PrivateCo and its subsidiaries (the "**PrivateCo Group**"), and separate the PrivateCo Group from the Group by way of the Distribution in Specie of the PrivateCo Shares (the "**Proposed Distribution**").

Under the Proposed Distribution:

- the Distribution in Specie shall be conducted on the basis of one PrivateCo Share for every share of the Company; and

- a cash consideration of HK$5.90 under the Cash Alternative shall be payable to the Cash-Electing Shareholders for every share of the Company held by them, the amount of which represents approximately a premium of 57.3% over the closing price of HK$3.75 per share as quoted on the Stock Exchange on the last trading day prior to 23 June 2024.

In order to facilitate the Proposed Distribution, the Controlling Shareholders have undertaken to (i) elect, accept and hold the PrivateCo Shares under the Distribution in Specie based on their shareholding level in the Company as of the record date in full (i.e., without electing for the Cash Alternative); and (ii) in respect of the PrivateCo Shares not taken on by the Cash-Electing Shareholders (if any), acquire or arrange for their wholly-owned subsidiary(ies) to acquire from the Company such PrivateCo Shares on or around the time of completion of the Proposed Distribution, by paying to the Company a consideration equivalent to the amount of the Cash Alternative payable/paid by the Company to the Cash-Electing Shareholders (namely, the Possible Disposal).

The Proposed Distribution and the Possible Disposal are subject to the requisite approval of the independent shareholders of the Company at the extraordinary general meeting of the Company to be convened on 2 September 2024. If the requisite approval is obtained and the Proposed Distribution and the Possible Disposal are completed, the PrivateCo Group will cease to be subsidiaries of the Company and will be held by the Controlling Shareholders (or their wholly-owned subsidiary(ies)) and the DIS-Electing Shareholders through holding the PrivateCo Shares, and the Company will continue to operate the retained business, including the property management service business, the commercial property and industrial park business, the real estate technology business and the construction project management business (the "**Retained Business**") and the shares of the Company will continue to be listed on the Stock Exchange.

The Proposed Distribution has the objective of enabling the shareholders of the Company to realise their investments in the Company and reduce their exposure to investment risks in relation to the shares of the Company with respect to the PD&S Business, and at the same time the Company can focus on developing the Retained Business.

For details, please refer to the Company's announcement dated 23 June 2024 and circular dated 16 August 2024.

CHANGES SINCE 31 DECEMBER 2023

Save as disclosed in this announcement, there were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the Group's annual report for the year ended 31 December 2023.

SUBSEQUENT EVENTS

Save as disclosed in "Distribution in Specie and the Proposed Distribution" above, there were no significant subsequent events of the Group.

HUMAN RESOURCES

As at 30 June 2024, the Group had employed 9,593 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 paragraphs headed "2020 Share Option Scheme" and "2021 Share Award Scheme" below.

TERMINATION OF THE 2020 SHARE OPTION SCHEME AND THE 2021 SHARE AWARD SCHEME AND ADOPTION OF THE 2024 SHARE OPTION SCHEME AND THE 2024 SHARE AWARD SCHEME

With effect from 1 January 2023, Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time (the "**Listing Rules**") has been amended and it applies to both share option schemes and share award schemes. In this connection, there are certain changes to Chapter 17 of the Listing Rules that would eventually entail substantial revisions to the share option scheme which was approved and adopted by the shareholders of the Company at the Company's annual general meeting held on 29 May 2020 (the "**2020 Share Option Scheme**") and the share award scheme managed by the independent trustee(s) which was approved and adopted by the Board on 22 April 2021 (the "**2021 Share Award Scheme**").

In view of such amendments, the shareholders of the Company at the Company's annual general meeting held on 24 May 2024 had approved the termination of the 2020 Share Option Scheme and the 2021 Share Award Scheme, and the adoption of a new share option scheme (the "**2024 Share Option Scheme**") and a new share award scheme (the "**2024 Share Award Scheme**") (collectively, the "**2024 Share Schemes**").

2020 Share Option Scheme

The Board had granted 66,660,000 share options to 193 eligible participants at an exercise price of HK$18.376 per share on 22 April 2021 under the 2020 Share Option Scheme. Subject to satisfaction of the vesting conditions including the achievement of performance targets, the first tranche of 40% share options 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. Please refer to the Company's announcement dated 22 April 2021 for details.

During the period from 1 January 2024 to 24 May 2024 (i.e., the date of termination of the 2020 Share Option Scheme), the Company had not granted any share options. The number of share options available for grant under the 2020 Share Option Scheme as at 1 January 2024 and 24 May 2024 was 97,107,700 and 97,107,700, respectively.

As at 30 June 2024, a total of 23,423,400 share options remain outstanding and exercisable in three tranches subject to the vesting conditions of the 2020 Share Option Scheme.

The 2020 Share Option Scheme was terminated on 24 May 2024 and no further share option may be granted thereunder. Nevertheless, all outstanding share options granted prior to such termination and not then exercised shall continue to be in full force and effect in accordance with the 2020 Share Option Scheme. Please refer to the Company's circular dated 29 April 2024 for details.

2021 Share Award Scheme

The Board had granted 5,225,000 award shares at nil consideration to 31 eligible participants on 22 April 2021, 8,932,500 award shares at nil consideration to 423 eligible participants on 13 May 2022 and 4,770,000 award shares at nil consideration to 25 eligible participants on 12 May 2023 under the 2021 Share Award Scheme, which shall be vested subject to satisfaction of the vesting conditions, including the achievement of performance targets as determined by the Board. Please refer to the Company's announcements dated 22 April 2021, 13 May 2022 and 12 May 2023 for details.

The Board had on 27 March 2024 determined a total of 4,770,000 award shares granted on 12 May 2023 shall be lapsed as the vesting conditions were not satisfied.

During the period from 1 January 2024 to 24 May 2024 (i.e., the date of termination of the 2021 Share Award Scheme), the Company had not granted any award shares. The number of award shares available for grant under the 2021 Share Award Scheme as at 1 January 2024 and 24 May 2024 was 109,758,200 and 109,758,200, respectively.

As at 24 May 2024, there was no outstanding award share under the 2021 Share Award Scheme. The 2021 Share Award Scheme was terminated on 24 May 2024 and no further share award may be granted thereunder.

2024 Share Schemes

The 2024 Share Schemes are valid and effective for a period of 10 years commencing on 24 May 2024 and ending 23 May 2034, subject to early termination. Subject to the Listing Rules and the terms and conditions of the 2024 Share Schemes, the Board may in its absolute discretion specify such conditions as it thinks fit when making such an offer to an eligible participant.

The total number of new shares which may be issued in respect of all share options and share awards that may be granted under the 2024 Share Schemes and any other schemes involving the issue or grant of share options or award shares or similar rights over new Shares by the Company would be no more than 143,541,148 shares, representing no more than approximately 10% of the total number of shares in issue as at the date on which the 2024 Share Schemes were adopted by the shareholders of the Company at the Company's annual general meeting held on 24 May 2024.

The number of share options available for grant under the 2024 Share Option Scheme and/or award shares available for grant under the 2024 Share Award Scheme as at 24 May 2024 and 30 June 2024 was 143,541,148 and 143,541,148, respectively.

Given that the outstanding share options granted under the 2020 Share Option Scheme were historical grants made by the Company and the terms and conditions of such outstanding share options will remain unchanged, such outstanding share options will not be counted towards the abovementioned mandate limit.

During the period from 24 May 2024 to 30 June 2024, the Company had not granted any share options under the 2024 Share Option Scheme and/or award shares under the 2024 Share Award Scheme. As at 30 June 2024, there was no outstanding share option under the 2024 Share Option Scheme and/or award share under the 2024 Share Award Scheme.

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 2024.

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 C3 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 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules during the six months ended 30 June 2024.

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 2024, 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, the Board believes that vesting both roles of chairman and president in Mr. Hao facilitates the execution of the Group's long-term strategic aims and achieving its operations and business objectives, thereby maximising the effectiveness of the Group's operations.

The Board believes that this structure is in the best interest of the Company, and that this situation will not impair the balance of power and authority between the Board and the management of the Company because the Board comprises nine experienced and high-calibre individuals with demonstrated integrity, of which three are independent non-executive Directors, and they will take the lead where potential conflicts of interests of other Directors arise.

Further, major decisions of the Board are collectively made by way of majority voting. Therefore, major decisions must be made in consultation with members of the Board and appropriate committees. The Group had engaged an external internal control consultant to perform evaluation on top ten risks annually so as to identify, review and mitigate potential risks that may affect the Group's operation management. Senior management and/or external professional consultants are also invited to attend Board and committee meetings from time to time to provide adequate, accurate, clear, complete and reliable information to members of the Board for consideration in a timely manner.

The Board will nevertheless review the effectiveness of this structure and the Board composition from time to time.

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024, 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 2024 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (for the corresponding period of 2023: Nil).

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website at http://www.mideadc.com and the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk. The 2024 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 16 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Hao Hengle, Mr. Wang Dazai, Mr. Wang Quanhui and Mr. Lin Ge; the non-executive directors of the Company are Mr. He Jianfeng and Mr. Zhao Jun; and the independent non-executive directors of the Company are Mr. Tan Jinsong, Mr. O'Yang Wiley and Mr. Lu Qi.