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MIDEA REAL ESTATE HOLDING LIMITED

美的置業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3990)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2023, the Group's revenue, gross profit, profit and total comprehensive income amounted to RMB73,564.50 million, RMB8,483.57 million and RMB2,125.07 million respectively.
- For the year ended 31 December 2023, core net profit* amounted to RMB2,256.45 million. Core net profit attributable to owners of the Company** amounted to RMB1,029.72 million.
- As at 31 December 2023, the Group's asset-liability ratio (after deducting advances) was 67.3%, net gearing ratio was 35.8%, and cash to short-term debt ratio was 1.44.
- As at 31 December 2023, the total interest-bearing liabilities of the Group were RMB38.07 billion, representing a year-on-year decrease of 21.4%. For the year ended 31 December 2023, the weighted average effective interest rate of the Group's total borrowings was 4.80%.
- For the year ended 31 December 2023, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB65.85 billion.

FINAL DIVIDEND

For the year ended 31 December 2023, basic and diluted earnings per share attributable to owners of the Company amounted to RMB0.66. The Board has recommended the payment of a final dividend of HK\$0.36 per share for the year ended 31 December 2023, payable in cash.

* 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.

The board of directors (the “**Board**” or the “**Director(s)**”) of Midea Real Estate Holding Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023, with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	73,564,495	73,630,848
Cost of sales	3	<u>(65,080,929)</u>	<u>(62,324,407)</u>
Gross profit		8,483,566	11,306,441
Other income and other losses — net	4	351,243	351,084
Selling and marketing expenses	3	(2,505,649)	(2,367,284)
Administrative expenses	3	(1,572,573)	(2,150,283)
Net impairment losses on financial assets		<u>(449,980)</u>	<u>(308,858)</u>
Operating profit		4,306,607	6,831,100
Finance income	5	315,372	440,125
Finance costs	5	(65,140)	(483,871)
Finance income/(costs) — net	5	250,232	(43,746)
Share of results of joint ventures and associates		<u>(69,861)</u>	<u>100,651</u>
Profit before income tax		4,486,978	6,888,005
Income tax expenses	6	<u>(2,361,910)</u>	<u>(3,311,232)</u>
Profit for the year		<u>2,125,068</u>	<u>3,576,773</u>
Profit attributable to:			
Owners of the Company		913,584	1,726,363
Non-controlling interests		<u>1,211,484</u>	<u>1,850,410</u>
Total comprehensive income for the year		<u>2,125,068</u>	<u>3,576,773</u>

		Year ended 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Total comprehensive income attributable to:			
Owners of the Company		913,584	1,726,363
Non-controlling interests		1,211,484	1,850,410
		<u>2,125,068</u>	<u>3,576,773</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	7	<u>0.66</u>	<u>1.34</u>
Diluted	7	<u>0.66</u>	<u>1.34</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,090,198	1,233,587
Investment properties		6,199,032	4,978,645
Right-of-use assets		273,854	335,009
Intangible assets		257,158	291,027
Properties under development		545,409	487,405
Investments in joint ventures		12,221,842	13,285,687
Investments in associates		11,525,105	11,576,554
Finance lease receivables		36,102	40,825
Deferred income tax assets		6,399,468	5,038,658
Financial assets at fair value through profit or loss	10	383,709	388,062
		<u>38,931,877</u>	<u>37,655,459</u>
Current assets			
Inventories		149,360	164,749
Contract assets and contract acquisition costs	2(a)	1,838,072	2,646,947
Properties under development		75,375,606	120,636,988
Completed properties held for sale		22,359,352	18,290,098
Trade and other receivables	9	34,180,070	36,653,229
Prepaid taxes		8,553,171	9,477,341
Financial assets at fair value through profit or loss	10	50,000	23,075
Restricted cash		2,538,626	4,530,269
Term deposits with initial terms over three months		50,000	50,000
Cash and cash equivalents		17,553,071	21,810,599
		<u>162,647,328</u>	<u>214,283,295</u>
Total assets		<u><u>201,579,205</u></u>	<u><u>251,938,754</u></u>

		As at 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	<i>11</i>	5,150,983	5,627,767
Other reserves		4,126,269	3,360,760
Retained earnings		16,032,062	15,876,293
		<u>25,309,314</u>	<u>24,864,820</u>
Non-controlling interests		<u>24,809,433</u>	<u>25,449,029</u>
Total equity		<u>50,118,747</u>	<u>50,313,849</u>
LIABILITIES			
Non-current liabilities			
Corporate bonds		6,632,220	8,232,320
Bank and other borrowings		19,202,605	26,541,041
Lease liabilities		43,931	90,207
Deferred income tax liabilities		306,102	497,635
		<u>26,184,858</u>	<u>35,361,203</u>
Current liabilities			
Corporate bonds		6,246,470	5,142,229
Bank and other borrowings		5,987,669	8,538,962
Lease liabilities		54,197	64,932
Contract liabilities	<i>2(b)</i>	44,391,799	86,139,528
Trade and other payables	<i>12</i>	59,525,590	58,359,483
Current income tax liabilities		9,069,875	8,018,568
		<u>125,275,600</u>	<u>166,263,702</u>
Total liabilities		<u>151,460,458</u>	<u>201,624,905</u>
Total equity and liabilities		<u>201,579,205</u>	<u>251,938,754</u>

1. BASIS OF PREPARATION

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

The consolidated financial statements of the Group have been prepared in accordance with HKFRS as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of HKCO Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

1.2 Historical cost convention

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

1.3 New and amended standards adopted by the Group

The group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

HKFRS 17	Insurance contract
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
Amendments to HKAS 12	International tax reform — Pillar two model rules

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

1.4 New and amended standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group, so summarised below.

		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
HK Interpretation 5 (2020)	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 16	Lease liability in sales and lease back	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no material impact on the financial performance and position of the Group in the current or future reporting period and on foreseeable future transactions is expected when they become effective.

2. 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

During the year, 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 each of the years ended 31 December 2023 and 2022 is analysed as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	<i>RMB'000</i>
Property development and sales	71,679,140	72,192,121
Property management services	1,521,957	1,142,112
Investment and operation of commercial properties		
— Property lease income	250,204	195,407
— Hotel operation	8,451	8,254
— Cultural-tourism project	104,743	92,954
	<u>73,564,495</u>	<u>73,630,848</u>

Represented by:

	Year ended 31 December	
	2023	2022
	RMB'000	<i>RMB'000</i>
Revenue from property development and sales:		
— Recognised at a point in time	69,692,423	67,111,369
— Recognised over time	1,986,717	5,080,752
	<u>71,679,140</u>	<u>72,192,121</u>
Revenue from rendering of services:		
— Recognised over time	1,635,151	1,243,320
Revenue from other sources:		
— Property lease income	250,204	195,407
	<u>73,564,495</u>	<u>73,630,848</u>

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

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

(a) **Details of contract assets and contract acquisition costs:**

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contract assets related to property development and sales (i)	533,746	1,148,069
Contract acquisition costs (ii)	1,304,326	1,498,878
Total contract assets and contract acquisition costs	1,838,072	2,646,947

- (i) Contract assets related to property development and sales consist of unbilled amount resulting from sales of properties when revenue recognised over time exceeds the amount billed to the property purchasers.
- (ii) Management expects the contract acquisition costs, primarily sales commissions and stamp duty paid/payable, as a result of obtaining the property sales contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. The amounts of amortisation were RMB1,592,805,000 for the year ended 31 December 2023 (2022: RMB1,019,803,000). There was no impairment loss in relation to the costs capitalised.

(b) **Contract liabilities**

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contract liabilities	44,391,799	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 31 December 2023, RMB3,811,659,000 (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 year related to carried-forward contract liabilities.

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
Property development and sales	<u>58,087,021</u>	<u>57,411,558</u>

(c) Unsatisfied contracts related to property development and sales

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Expected to be recognised within one year	44,335,405	69,894,983
Expected to be recognised after one year	<u>3,396,674</u>	<u>21,653,403</u>
	<u>47,732,079</u>	<u>91,548,386</u>

The unsatisfied contracts amounts of RMB44,335,405,000 as at 31 December 2023 expected to be recognised within one year was calculated based on the Group's pre-sales contracts signed up to 31 December 2023.

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

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of property development and sales—including construction cost, land cost, capitalised interest expenses	59,564,130	59,246,511
Write-downs of properties under development and completed properties held for sale	4,121,361	1,854,886
Employee benefit expenses	1,839,348	2,261,821
Marketing and advertising expenses	429,334	684,240
Amortisation of contract acquisition costs (note 2(a))	1,592,805	1,019,803
Bank charges	158,896	266,630
Taxes and surcharges	354,122	481,173
Travelling and entertainment expenses	81,128	99,313
Office expenses	45,826	63,088
Professional service and consulting fees	67,978	104,976
Depreciation and amortisation	132,516	153,385
Auditor's remuneration	7,874	7,280
— Annual audit services	7,000	7,000
— Non-audit services	874	280
Others	763,833	598,868
Total	69,159,151	66,841,974

4. OTHER INCOME AND OTHER LOSSES — NET

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Management and consulting service income	381,317	371,780
Government subsidy income	70,064	77,987
Compensation income	42,959	48,282
	<u>494,340</u>	<u>498,049</u>
Other losses — net		
Realised and unrealised gains on financial assets at FVPL	55,490	8,684
Losses arising from changes in fair value of and transfer to investment properties	(149,769)	(281,754)
Losses on disposal of subsidiaries	(163,499)	(47,868)
(Losses)/gains on disposal of joint ventures and associates	(63,026)	35,105
Losses on disposal of property, plant and equipment, investment properties, land use right for own-used properties and intangible assets	(737)	(9,347)
Net foreign exchange (losses)/gains	(31,029)	20,880
Gain on acquisition of an asset at a discounted price	—	165,230
Others	209,473	(37,895)
	<u>(143,097)</u>	<u>(146,965)</u>
Other income and other losses — net	<u><u>351,243</u></u>	<u><u>351,084</u></u>

5. FINANCE INCOME/(COSTS) — NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance costs		
— Interest expenses		
— Bank and other borrowings	(1,608,852)	(2,103,053)
— Corporate bonds	(522,733)	(479,420)
— Lease liabilities	(3,256)	(7,513)
	<u>(2,134,841)</u>	<u>(2,589,986)</u>
Less:		
— Capitalised interest	<u>2,134,841</u>	<u>2,589,986</u>
	<u>—</u>	<u>—</u>
— Net foreign exchange losses on financing activities	<u>(65,140)</u>	<u>(483,871)</u>
	<u>(65,140)</u>	<u>(483,871)</u>
Finance income		
— Interest income	<u>315,372</u>	<u>440,125</u>
Finance income/(costs) — net	<u><u>250,232</u></u>	<u><u>(43,746)</u></u>

6. INCOME TAX EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax:		
— Corporate income tax	2,743,923	2,721,597
— Withholding income tax on profits distributed	230,874	—
— LAT	965,238	1,876,873
	<u>3,940,035</u>	<u>4,598,470</u>
Deferred income tax		
— Corporate income tax	(1,543,125)	(1,287,238)
— Withholding income tax on profits to be distributed in future	(35,000)	—
	<u>(1,578,125)</u>	<u>(1,287,238)</u>
	<u><u>2,361,910</u></u>	<u><u>3,311,232</u></u>

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	4,486,978	6,888,005
Tax calculated at PRC corporate income tax rate of 25%	1,121,745	1,722,001
Effects of share of post-tax results of joint ventures and associates	17,465	(25,163)
Different tax rates applicable to certain subsidiaries of the Group	(39,333)	(9,556)
Income not subject to tax	(19,649)	(103,999)
Expenses not deductible for tax	38,313	306,557
LAT deductible for calculation of income tax purpose	(241,310)	(469,218)
Tax losses for which no deferred income tax assets were recognised	323,567	13,737
Withholding income tax	195,874	–
LAT	965,238	1,876,873
Income tax expenses	2,361,910	3,311,232

Note:

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

7. Earnings per share

(a) Basic

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

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (<i>RMB'000</i>):	913,584	1,726,363
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,381,299	1,285,410
Earnings per share — Basic (<i>RMB per share</i>)	0.66	1.34

(b) Diluted

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

The Group has two categories of potential ordinary shares in the year ended 31 December 2023 which were the restricted shares and the share options.

The restricted shares granted are subject to certain performance conditions. Such performance conditions had not been met as of 31 December 2023, therefore, for the year ended 31 December 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 31 December 2023.

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (<i>RMB'000</i>)	913,584	1,726,363
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,381,299	1,285,410
Adjustments for restricted shares (<i>thousands</i>)	—	3,078
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	1,381,299	1,288,488
Earnings per share — Diluted (<i>RMB per share</i>)	0.66	1.34

8. DIVIDENDS

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends	<u>468,287</u>	<u>968,599</u>

The Board has recommended the payment of a final dividend of HK\$0.36 per share (2022: HK\$0.80 per share) for the year ended 31 December 2023 out of the share premium account of the Company.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Included in current assets:		
Trade receivables — net (<i>note (a)</i>)	1,690,713	1,263,313
Other receivables — net (<i>note (b)</i>)	31,747,005	33,642,887
Prepayments for land use rights (<i>note (c)</i>)	183,621	1,160,639
Other prepayments	<u>558,731</u>	<u>586,390</u>
	<u>34,180,070</u>	<u>36,653,229</u>

As at 31 December 2023 and 2022, the fair value of trade and other receivables approximated their carrying amounts.

(a) Details of trade receivables are as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables — related parties	147,910	250,704
Trade receivables — third parties	<u>1,772,633</u>	<u>1,159,873</u>
	<u>1,920,543</u>	<u>1,410,577</u>
Less: allowance for impairment	<u>(229,830)</u>	<u>(147,264)</u>
Trade receivables — net	<u>1,690,713</u>	<u>1,263,313</u>

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 90 days	776,112	561,136
Over 90 days and within 180 days	217,852	186,579
Over 180 days and within 365 days	507,972	236,488
Over 365 days	418,607	426,374
	<u>1,920,543</u>	<u>1,410,577</u>

The Group's trade receivables were denominated in RMB.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the year ended 31 December 2023, a provision of RMB82,566,000 (2022: RMB34,135,000) was made against the gross amounts of trade receivables.

(b) Details of other receivables are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Amounts due from related parties (<i>note (i)</i>)	11,367,437	10,598,427
Amounts due from non-controlling interests (<i>note (ii)</i>)	16,994,095	17,651,497
Deposits and others from third parties (<i>note (iii)</i>)	4,373,875	6,050,002
	<u>32,735,407</u>	<u>34,299,926</u>
Less: allowance for impairment	<u>(988,402)</u>	<u>(657,039)</u>
Other receivables — net	<u>31,747,005</u>	<u>33,642,887</u>

(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 were mainly related to acquisition of land use rights which will be reclassified to properties under development when land certificates were obtained.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Investments in wealth management products	50,000	23,075
Equity investments in unlisted companies (<i>note(a)</i>)	371,000	351,959
Others	12,709	36,103
	<u>433,709</u>	<u>411,137</u>
Non-current	383,709	388,062
Current	50,000	23,075
	<u>433,709</u>	<u>411,137</u>

- (a) The investments mainly represent unlisted equity investments in various industries. The fair value of the Group's investment in unlisted companies was determined by the management mainly using market approach by reference to the recent appraisal of the value of the shares of unlisted companies, where available, or the price to earnings multiples of comparable listed companies in the domestic capital market or based on direct comparison approach by making reference to recent transaction prices of similar deals.

11. SHARE CAPITAL AND PREMIUM

	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
Note					
Authorised					
Ordinary share of HKD1.00 each upon incorporation	1,000,000,000	1,000,000	-	-	-
Increase in authorised share capital	<u>1,000,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Issued and fully paid					
At 31 December 2021 and 1 January 2022	<u>1,234,362,000</u>	<u>1,234,362</u>	<u>1,044,443</u>	<u>4,982,151</u>	<u>6,026,594</u>
Issue of new shares for the purpose of restricted share award scheme	4,887,000	4,887	4,227	-	4,227
Issue of new shares as a result of scrip dividend	116,162,993	116,163	98,805	(98,805)	-
Dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>(403,054)</u>	<u>(403,054)</u>
At 31 December 2022 and 1 January 2023	<u>1,355,411,993</u>	<u>1,355,412</u>	<u>1,147,475</u>	<u>4,480,292</u>	<u>5,627,767</u>
Issue of new shares for the purpose of restricted share award scheme	(a) 538,500	539	478	-	478
Issue of new shares as a result of scrip dividend	(b) 79,460,990	79,461	71,280	(71,280)	-
Dividends	(b) <u>-</u>	<u>-</u>	<u>-</u>	<u>(477,262)</u>	<u>(477,262)</u>
At 31 December 2023	<u>1,435,411,483</u>	<u>1,435,412</u>	<u>1,219,233</u>	<u>3,931,750</u>	<u>5,150,983</u>

- (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.
- (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 election of the shareholders to receive final dividend all or partly in new shares had been determined as of 26 July 2023. On 8 August 2023, the final dividend was settled by cash of approximately RMB477,262,000 and issue of 79,460,990 shares of the Company, with total market value of approximately RMB495,822,000.

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables (<i>note (a)</i>)	28,992,496	31,485,536
— related parties	2,925,464	2,974,662
— third parties	26,067,032	28,510,874
Amounts due to related parties	20,848,347	15,715,676
Amounts due to non-controlling interests (<i>note (b)</i>)	2,492,647	3,173,151
Outstanding acquisition considerations payable	848,586	952,564
Deposit payables	691,068	663,394
Accrued expenses	619,247	800,273
Salaries payable	650,545	733,080
Interest payable	334,521	524,095
Other taxes payable	1,555,178	2,299,388
Other payables (<i>note (c)</i>)	2,492,955	2,012,326
	<u>59,525,590</u>	<u>58,359,483</u>

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 90 days	9,331,137	11,309,811
Over 90 days and within 365 days	13,390,297	15,669,673
Over 365 days	6,271,062	4,506,052
	<u>28,992,496</u>	<u>31,485,536</u>

The Group's trade and other payables as at 31 December 2023 and 2022 were denominated in RMB.

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

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW FOR 2023

Annual Results

I. Industry Overview

2023 was a year for real estate enterprises to mitigate risks and explore new business models. This year, the real estate market reached a critical “crossroad” — the “light” of optimism flashed sporadically, “recovery” still needed time, and “confidence” had yet to be restored.

After the worse came to the worst, things reversed and turned for the better. Looking forward, the demand for housing is gradually shifting to housing upgrade. In an ever-changing and competitive market, the developmental trajectory of the industry is returning to the fundamentals. There is no miracle in the market economy. No industry operates in isolation. Similarly, one cannot successfully run an enterprise without accounting for emerging industry trends and making adjustments to corporate strategies accordingly. Only by remaining alert to market developments, staying agile and making timely adjustments can we march through the challenging path of this generation in a steady manner.

II. Business Review

The Group always respects the market, self-monitor at all times and continuously seeks to find its niche in this era of revolution. Steady and long-term development was the main keynote of the Group’s operation in 2023.

(I) Stabilise the fundamentals and consolidate internal strength

Continuous and smooth financing: Creditworthiness is the backbone of our corporate development. The Group believes that corporate credit is crucial for survival of an enterprise. In holding such belief, it adheres to the idea of long-termism, promotes a trustworthy brand, and maintains high credibility as a private real estate enterprise. In 2023, the Group became the first private real estate enterprise to obtain Credit Risk Mitigation Warrant (CRMW), a certificate jointly acknowledged by three renowned institutions, namely, China Bond Insurance, Bank of Communications and CITIC Securities, which issued five tranches of medium-term notes with an aggregate sum of RMB4.62 billion for the year.

Orderly deleveraging: Triggers for market volatility are impossible to predict with precision. Despite this, the Group is equipped with the simplest mechanisms against market volatility: adding buffer, safeguarding our bottom line, and strengthening our resilience against risks. As at the end of the reporting period, the total amount of interest-bearing liabilities of the Group was RMB38.07 billion, representing a decrease of RMB10.39 billion as compared with that of the same period last year. The Group's net gearing ratio was 35.8%, cash to short-term debt ratio was 1.44, and asset-liability ratio after deducting advances was 67.3%. The "Three Red Lines" remained green. The Group's financing costs remained low and the weighted average financing cost was 4.80%, which was outstanding among the private peers.

Steady optimisation of land reserves: Guided by the policy of "intensive development in focused areas and strategy upgrade", the Group maintained its investment focus on the first- and second-tier cities with high potential, and optimised its investment portfolio in an orderly manner to facilitate the evolutionary process in urban areas. During the reporting period, the Group acquired five land parcels including Guangzhou, Changsha, Foshan with an investment cost of RMB2.24 billion and an additional inventory value of approximately RMB7.00 billion by virtue of its sensitivity to the market as well as its prudent and pragmatic investment strategy.

The Group has substantially stopped acquiring new land in lower-tier cities for five year since 2019. It has also continued to optimise the structure of land reserves and actively promote the clearing of inventories in lower-tier cities for three years since 2021. The Group has completed a total of 45 equity projects, including the acquisition of 21 project with an additional attributable inventory value of RMB9.84 billion; exiting from 24 projects with a decreasing attributable inventory value of RMB3.27 billion. As at the end of the reporting period, the Group had in essence exited from the cities such as Dali, Liuzhou, Zhongshan, Zhoushan, Taizhou, Shijiazhuang and Taizhou.

Stable and high-quality delivery: We understand that the most anticipated thing for a homeowner is returning home. Delivery reflects the capabilities of premium real estate enterprises in property transactions. In assessing their capabilities, customer satisfaction is the ultimate criterion for this assessment. As a model private enterprise in real estate, the Group always follows the national policy guidelines, striving not only to deliver on time, but also to improve delivery standards and reshape delivery capabilities so as to maintain the brand and build confidence within the industry. In 2023, a total of 140 projects or more than 90,000 units were delivered in a stable and high-quality manner.

(II) Accumulation of strength and seeking progress while maintaining stability

Concentrating on developing excellent products: Product competitiveness is a key indicator of capabilities of an enterprise, and it is also the life of an enterprise. Creating value for better life of customers is the mission of product research and development of real estate enterprises. In terms of customer positioning, the Group will focus on providing improved products for families with medium and high payment ability in first-and second-tier cities with high potential. In terms of core product strategy, our products are technology-driven, health and green-oriented to provide customers with a positive, convenient and highly stable living experience. In terms of the construction system, relying on its strong foundation in manufacturing, the Group shows the ingenious quality it has seen and gained through placard acceptance, key point control and sophisticated detail-oriented craftsmanship, so as to provide customers with a sense of security in a down-to-earth manner.

Standing at the new development stage, the Group considers “high quality, new technology and good service” as the three major standards of a “good house”, strives to meet the demand for improvement, strengthens the core technical capabilities of products and pays attention to the application of new techniques, new materials and new technologies in a bid to form a highly recognisable product symbol.

Devoted service to improve quality: Professional service is also the core product competitiveness. With the strategy of “service+” and the focus on residential business, Midea Real Estate Services, one of the business lines of the Group, has jointly developed a beautiful living community with the property owners, established a good reputation for quality and provided heartfelt services. As at the end of the reporting period, Midea Real Estate Services had a contracted area of 90.32 million sq.m. and an area under management of 65.35 million sq.m., continuously achieving a score of over 89 in terms of property owners’ perceived satisfaction. It has been investing in community renewal for a long time, and has implemented more than 400 community renovations and upgraded the software and hardware of developed communities with a focus on the upgrade of community entrances, garden road greening, underground garages and activity venues, so as to upgrade the quality of the community and maintain the appearance of the community. The Group is committed to providing not only high-quality products and services, but also a good user experience in the neighborhood throughout the whole life cycle. Through continuous community activities such as “Orange Life Festival” (橙意生活節) and “Spring Festival Gala for Property Owners” (業主春晚), we built a close connection among property owners and echo their yearning for a better life with perfect sincerity.

Meanwhile, Midea Real Estate Services actively makes use of its abundant resources, expands into different value chains and diversified fields in an orderly manner, explores ways to enter into industries with business value such as industrial parks, hospitals and universities, and expands into diversified fields such as group meals, new energy and healthcare gradually establishing a multi-dimensional service ecosystem and consolidating the asset-light operation platform with stable cash flow.

Creating the future with technology: With the heart of people’s livelihood in the industry, we will consolidate the value chain of new real estate. Remac Building Technology, one of the business lines of the Group, focuses on the industrialisation, digitalisation and green transformation for upgrade of the construction industry, adheres to technological innovation and research and development of new materials, cultivates and develops a green composite product matrix of “PC + MIC + industrialised components and materials”, builds prefabricated buildings with full value chain services, and promotes a better life of green residences. As at the end of the reporting period, the accumulated production capacity of the green prefabricated industry exceeded 130,000 cubic metres and external projects accounted for 98.2%. Based on the market strategy of “cultivating in the Greater Bay Area, focusing on Hong Kong and Macau and taking the opportunity to go overseas”, while maintaining the business of the Greater Bay Area, Remac Building Technology actively

expanded its presence in Hong Kong, Macau and developed overseas markets. In January and May 2023, Remac Building Technology won the first order for the supply of prefabricated components and MiC modular products in Hong Kong respectively. In September of the same year, it established a joint venture with Marbox, a well-established prefabricated construction channel provider in Hong Kong, to actively cooperate with real estate construction enterprises in Hong Kong and deploy government-led livelihood programmes.

Meanwhile, Remac Smart Technology is committed to becoming a smart space solution provider. It has initially completed the whole-house intelligent digital intelligence platform and the hardware layout of seven categories of whole-house intelligence system, and further improved its ecological capabilities. As at the end of the reporting period, we had delivered to approximately 51,000 households, ranking the top in the industry in terms of market share.

III. Future Prospects

The development of a corporation is inextricably linked to the environment of a particular time. What kind of enterprise will Media Real Estate become in the future? This is what we have been thinking about. The Group is well aware that the nature of the real estate industry is people's livelihood, focusing on good products, improving operation services, solidly deploying in the field of construction industrialisation and spatial intelligence industry and consolidating the industrial foundation, so as to build the endogenous momentum of the real estate industry chain with the "development + operation + technology" model in a high-quality, achievable and sustainable way.

In 2024, it may be the bottom of economic growth, and it may also be a year of opportunity to lay the foundation for future industrial transformation. Beryl Markham (柏瑞爾·馬卡姆) once said in *West With The Night* (《夜航西飛》), "While the future lives in a cloud, formidable from a distance. The cloud clears as you enter it!" An enterprise inevitably has to actively participate and compete in the market economy. The Group has always maintained its entrepreneurial mentality, paid attention to the long-term perspective and strategic planning. It spent utmost efforts in executing every matter pragmatically. We shall have a strong determination and work steadfastly towards achieving our goals. We will harvest success. We will have infinite possibilities!

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the year, the Group recorded revenue of RMB73,564.50 million (2022: RMB73,630.85 million), representing a year-on-year decrease of 0.1%. Operating profit amounted to RMB4,306.61 million (2022: RMB6,831.10 million), representing a year-on-year decrease of 37.0%. Profit for the year amounted to RMB2,125.07 million (2022: RMB3,576.77 million), representing a year-on-year decrease of 40.6%. Core net profit for the year decreased by 41.7% to RMB2,256.45 million (2022: RMB3,870.19 million). Core net profit attributable to owners of the Company decreased by 47.7% to RMB1,029.72 million (2022: RMB1,968.99 million). Profit attributable to owners of the Company amounted to RMB913.58 million (2022: RMB1,726.36 million), representing a decrease of 47.1% from last year. Basic and diluted earnings per share reached RMB0.66 (2022: RMB1.34).

Land Reserves

As at 31 December 2023, the total GFA of the Group's land reserves reached 28.16 million sq.m., comprising 327 property development projects. These land reserves are located in five major regions namely the Greater Bay Area, the Yangtze River Delta Economic Region, Midstream of Yangtze River Economic Region, Beijing-Tianjin-Hebei Economic Region and Southwest Economic Region.

FINANCIAL REVIEW

Revenue

Property Development and Sales

During the year, the Group's recognised revenue from property development and sales of RMB71,679.14 million, which remained flat as compared with that of RMB72,192.12 million in 2022.

Property Management Services

During the year, the Group's revenue derived from property management services increased by 33.3% to RMB1,521.96 million from RMB1,142.11 million in 2022, mainly due to an increase in the GFA under management.

Investment and Operation of Commercial Properties

During the year, the Group's revenue from investment and operation of commercial properties increased by 22.5% to RMB363.40 million from RMB296.62 million in 2022, mainly due to the gradual and steady recovery and further development of property rental business and cultural-tourism project with the end of the pandemic in China.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from the property development activities, the provision of property management services and other business activities. During the year, the Group's cost of sales increased by 4.4% to RMB65,080.93 million from RMB62,324.41 million in 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 year, the Group's gross profit decreased by 25.0% to RMB8,483.57 million from RMB11,306.44 million in 2022, mainly due to the higher unit costs of projects recognised and increase in provision for impairment of property development projects with indicators of impairment during the year.

Other Income and Other Losses — Net

During the year, the Group's other income and other losses — net remained flat at RMB351.24 million as compared with that of RMB351.08 million in 2022, mainly due to the combined effect of the increase in losses on disposal of subsidiaries and the decrease in losses arising from changes in fair value of investment properties during the year. The above other income and other losses primarily consist of management and consultancy service income, government subsidy income, losses on disposal of subsidiaries, (losses)/gains from disposal of joint ventures and associates, realised and unrealised gains on financial assets at fair value through profit or loss and losses arising from changes in fair value of investment properties, etc.

Selling and Marketing Expenses

During the year, the Group's selling and marketing expenses increased by 5.8% to RMB2,505.65 million from RMB2,367.28 million in 2022, mainly due to the increase in amortisation of contract acquisition costs.

Administrative Expenses

During the year, the Group's administrative expenses decreased by 26.9% to RMB1,572.57 million from RMB2,150.28 million in 2022. During the year, the Group implemented stringent cost control measures and boosted per capita efficiency, resulting in a decrease in administrative expenses.

Finance Income/(Cost) — Net

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

During the year, the Group's finance income — net amounted to RMB250.23 million, while the Group recorded a net finance cost of RMB43.75 million in 2022, mainly due to the decrease in exchange loss on financing activities arising from the foreign currency borrowings of overseas wholly-owned subsidiaries of the Group as compared with that of last year.

Profit Attributable to Owners of the Company

During the year, profit attributable to owners of the Company amounted to RMB913.58 million, representing a decrease of 47.1% from RMB1,726.36 million in 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB20,141.70 million as at 31 December 2023 (31 December 2022: RMB26,390.87 million), including RMB17,553.07 million in cash and cash equivalents (31 December 2022: RMB21,810.60 million), RMB50.00 million in term deposits with initial terms of over three months (31 December 2022: RMB50.00 million) and RMB2,538.63 million in restricted cash (31 December 2022: RMB4,530.27 million). Several property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 31 December 2023, the Group's pre-sale proceeds under supervision amounted to RMB1,769.71 million. As at 31 December 2023, the Group's unused credit facilities from banks were approximately RMB119,772.01 million.

Borrowings and Net Gearing Ratio

As at 31 December 2023, the Group's total borrowings amounted to RMB38,068.96 million. Bank and other borrowings, and corporate bonds were RMB25,190.27 million and RMB12,878.69 million, respectively. As at 31 December 2023, the net gearing ratio was 35.8% (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 of over three months and restricted cash.

Borrowing Costs

During the year, the total borrowing costs of the Group amounted to RMB2,131.59 million, representing a decrease of RMB450.88 million from RMB2,582.47 million in 2022, mainly due to the lower level of total borrowings and the lower borrowing cost resulting from the increase in the proportion of low-cost financing during the year.

Contingent Liabilities and Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees were issued from the date of grant of the relevant mortgage loans, and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 31 December 2023, the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB61,869.80 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 31 December 2023, the Group's guarantee for the loans of joint ventures and associates amounted to RMB6,575.98 million (31 December 2022: RMB10,104.99 million).

Commitments

As at 31 December 2023, the Group's capital expenditure commitments amounted to RMB8.97 million (31 December 2022: RMB10.77 million).

Interest Rate Risk

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

Credit risk

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

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

Liquidity risk

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

Currency Risk

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

Legal Contingencies

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

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 year.

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.

SUBSEQUENT EVENTS

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) (as 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) (as the “**Vendor**”) and Ningbo Meirui Real Estate Development Limited (寧波市美睿房地產發展有限公司) (as 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 has been 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. Upon completion of the acquisition, the Company indirectly holds 100% equity interests in the Project Company. For details, please refer to the Company’s announcement dated 9 January 2024.

Issuance of Medium-Term Notes

On 30 January 2024, Midea Real Estate Group Limited, an indirect wholly-owned subsidiary of the Company, publicly issued two-year medium-term notes in the PRC with an aggregate principal amount of RMB1.44 billion at a coupon rate of 4.96%.

HUMAN RESOURCES

As at 31 December 2023, the Group had employed 10,152 full time employees, most of whom were based in the PRC. Employee’s remuneration includes salaries, bonuses and other cash subsidies. The remuneration and bonuses of the employees are determined based on the Group’s remuneration and welfare policies, the performance of the employees, the profitability of the Group and market level. The Group will also provide employees with comprehensive welfare plans and career development opportunities, including social insurances, housing provident funds, commercial insurance as well as internal and external training opportunities.

In addition, the Group had granted certain share options and award shares for the purpose of providing incentives to eligible participants of the Group. For details, please refer to the sections headed “Share Option Scheme” and “Restricted Share Award Scheme” below.

SHARE OPTION SCHEME

A share option scheme was approved and adopted by the shareholders of the Company at the Company's annual general meeting held on 29 May 2020 (the "**2020 AGM**"), which is valid and effective for a period of 10 years commencing on the date of the 2020 AGM and ending 28 May 2030 (the "**2020 Share Option Scheme**"). Subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time (the "**Listing Rules**") and the terms and conditions of the 2020 Share Option Scheme, the Board may in its absolute discretion specify such conditions as it thinks fit when making such an offer to an eligible participant. The exercise period shall not be more than 10 years from the date upon which any particular share options are granted in any event.

As 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 number of share options available for grant under the 2020 Share Option Scheme as at 1 January 2023 and 31 December 2023 was 95,336,700 share options and 97,107,700 share options, respectively.

As at 31 December 2023, a total of 25,949,000 share options remain outstanding and exercisable in three tranches subject to the vesting conditions of the 2020 Share Option Scheme. The Company had not granted any share options during the year ended 31 December 2023.

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**"). 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.

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.

The number of award shares available for grant under the 2021 Share Award Scheme as at 1 January 2023 and 31 December 2023 was 111,236,700 award shares and 109,758,200 award shares, respectively.

During the year ended 31 December 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. The fair value of award shares as at the date of grant (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.

For details, please refer to the Company's announcements dated 12 May 2023 and 15 May 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 year ended 31 December 2023.

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 year ended 31 December 2023.

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 year ended 31 December 2023.

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

According to code provision C.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 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 where potential conflicts of interests of other Directors arise.

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

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

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2023. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group, the risk management and internal control systems, and the financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

ANNUAL GENERAL MEETING

The notice of the annual general meeting of the Company will be published on the Company’s website at <http://www.mideadc.com> and the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> in due course.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.36 per share for the year ended 31 December 2023 (the “**Final Dividend**”) (2022: HK\$0.80 per share with an option for scrip dividend). Subject to the approval of the shareholders at the annual general meeting of the Company and the compliance with the Companies Act of the Cayman Islands, the Final Dividend will be payable in cash to the shareholders of the Company on or about 15 July 2024.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at <http://www.mideadc.com> and the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>. The 2023 annual report will be available on the aforesaid websites in due course.

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

Hong Kong, 27 March 2024

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