

美的置業控股有限公司

MIDEA REAL ESTATE HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3990

2024

INTERIM REPORT

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Company Profile

Midea Real Estate Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**” or “**Midea Real Estate**”) (Stock Code: 3990.HK) is a listed company of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and one of the top 100 private enterprises in Guangdong Province, whose shares are included in the constituents of indexes such as Hang Seng Stock Connect Hong Kong Index. Founded in 2004, the Group, guided by the development positioning as a “Smart Healthy Life Service Provider”, has built comprehensive development ecology of “development + operation + real estate technology”, and continued to move steadily towards high-quality development.

Leveraging the manufacturing foundation and good reputation of the brand, the Company has always regarded the nature of real estate industry as people’s livelihood. Based on the residential development business, the Company strives to follow the policy of “intensive development in focused areas and strategy upgrade”, focuses on the layout of first-and second-tier cities with high potential in the future, targets the middle-class and high-net-worth improved customers, adheres to the principle of “high quality, new technology and good service” for quality improvement, and focuses on our customers to create a wonderful living experience with technology intelligence, green and energy conservation, health and multi-function.

For the operation business of property management services and commercial management, the Company focused on strengthening its light-asset operation capabilities, developed third-party business through innovated operation, and maintained good relationship with customers to achieve quality growth. For the real estate technology industry in which the Company adopts its strategies for transformation and upgrade, we closely adhere to the needs of the whole life cycle for good houses, good communities and good services, promote the development of green prefabricated industries and smart space industries, and rely on the key driving force of technological innovation, so as to continuously promote the transformation and upgrading of the Company’s industrial ecology to industrialisation, digitalisation and green.

In the future, Midea Real Estate will continue to adhere to long-term development, consolidate its industrial foundation, and create greater value for the society in a high-quality, achievable and sustainable way.

Financial Overview

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	Change
Revenue (RMB million)	25,134.1	36,334.6	-30.8%
Gross profit (RMB million)	2,321.0	4,792.3	-51.6%
Net profit (RMB million)	596.2	1,665.5	-64.2%
Core net profit* (RMB million)	642.5	1,750.4	-63.3%
Profit attributable to owners of the Company (RMB million)	375.9	782.1	-51.9%
Core net profit attributable to owners of the Company** (RMB million)	418.6	855.7	-51.1%
Basic earnings per share (RMB)	0.26	0.58	-55.2%

BALANCE SHEET HIGHLIGHTS

	As at	As at	Change
	30 June 2024	31 December 2023	
Total assets (RMB million)	178,998.0	201,579.2	-11.2%
Total cash and bank deposits (RMB million)	13,490.0	20,141.7	-33.0%
Short-term borrowings (RMB million)	9,084.2	12,234.1	-25.7%
Long-term borrowings (RMB million)	28,020.9	25,834.8	8.5%
Total equity (RMB million)	47,148.1	50,118.7	-5.9%
Total liabilities/total assets	73.7%	75.1%	-1.5%
Net gearing ratio	50.1%	35.8%	14.3%

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

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

Dear shareholders,

I am pleased to present to you the interim report of the Group for the six months ended 30 June 2024 (the "Reporting Period").

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 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 RMB4.14 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%.

However, historical performance is not indicative of future possibilities. 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.

* The "cash to short-term debt ratio" had excluded restricted funds.

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.'

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.

[#] "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

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.

APPRECIATION

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

Hao Hengle

Chairman, Executive Director and President

16 August 2024

Hong Kong

Management Discussion and Analysis

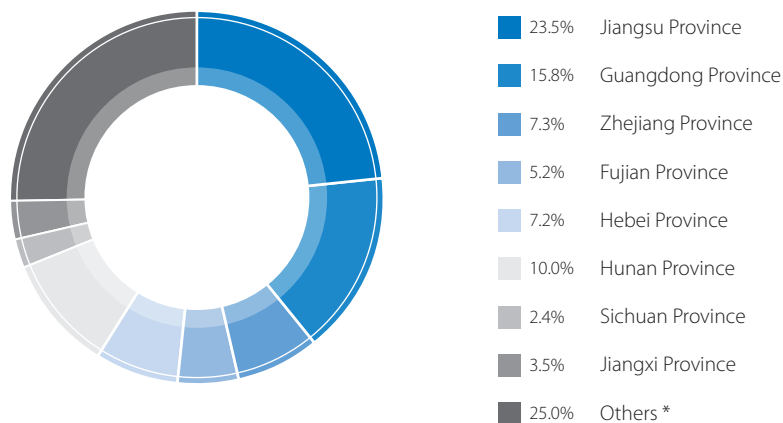
OVERALL PERFORMANCE

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

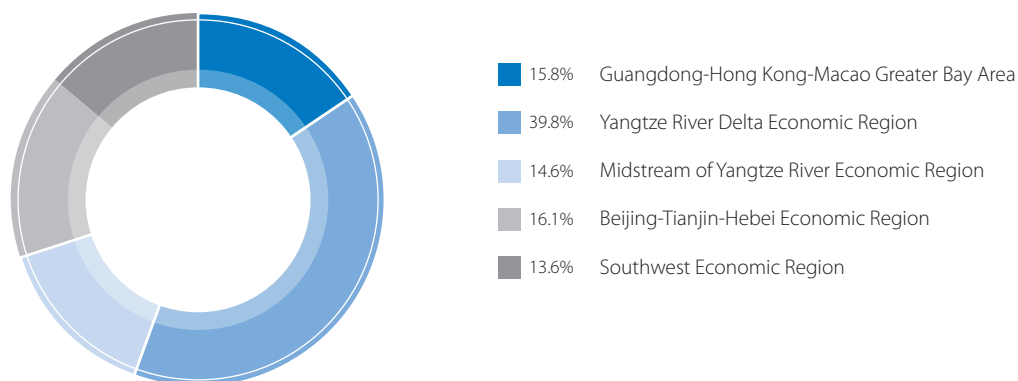
During the Reporting Period, the Group and its joint ventures and associates recorded contracted sales of approximately RMB20.21 billion with a total contracted sales GFA of approximately 1,773 thousand sq.m..

DISTRIBUTION MAP OF CONTRACTED SALES BY PROVINCE



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

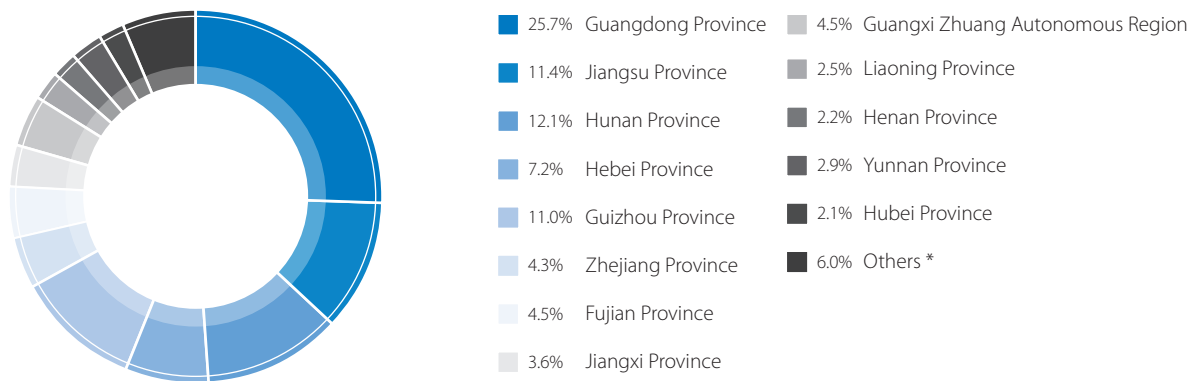
DISTRIBUTION MAP OF CONTRACTED SALES BY REGION



LAND RESERVES

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-Tianjin-Hebei Economic Region and Southwest Economic Region.

DISTRIBUTION MAP OF LAND RESERVES BY PROVINCE



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

REGIONAL DISTRIBUTION MAP BY PROJECT STATUS

Guangdong-Hong Kong-Macao Greater Bay Area



Yangtze River Delta Economic Region



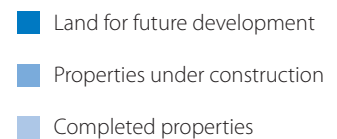
Midstream of Yangtze River Economic Region



Beijing-Tianjin-Hebei Economic Region



Southwest Economic Region



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

Management Discussion and Analysis (Continued)

LAND RESERVES BY CITY (AS AT 30 JUNE 2024)

Property developed by our subsidiaries

Region	City	No. of projects	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	Land Reserves (Square metres)
Guangdong — Hong Kong — Macao Greater Bay Area	Foshan	28	1,161,071	786,224	1,358,881	3,306,177
	Yangjiang	2	107,930	121,855	539,440	769,225
	Maoming	1	90,307	1,626	464,149	556,082
	Heyuan	2	173,418	26,924		200,343
	Guangzhou	4	130,652	23,138		153,790
	Huizhou	2	134,153			134,153
	Zhaoqing	4	79,422			79,422
	Jiangmen	2	75,347			75,347
	Dongguan	1	14,479			14,479
	Zhongshan	3	20,496			20,496
	Sub-total	49	1,987,276	959,768	2,362,470	5,309,513
Yangtze River Delta Economic Region	Xuzhou	12	388,118	342,148	417,974	1,148,239
	Quanzhou	8	284,857	468,115	226,723	979,695
	Yangzhou	2	76,098	283,660	164,413	524,171
	Jinhua	6	75,199			75,199
	Ningbo	9	248,319			248,319
	Wenzhou	1		243,960		243,960
	Zhenjiang	3	81,128	145,630		226,757
	Wuxi	4	23,646	89,554		113,200
	Nanjing	3	29,693			29,693
	Changzhou	2	39,577	951		40,528
	Suzhou	3	22,398			22,398
	Shanghai	2	43,794			43,794
	Hangzhou	2	19,503			19,503
	Fuyang	1	9,285			9,285
	Nantong	1	7,500			7,500
	Taizhou	1	597			597
	Hefei	1	12,471			12,471
Taizhou	1	522			522	
	Sub-total	62	1,362,707	1,574,018	809,109	3,745,834

Management Discussion and Analysis (Continued)

Region	City	No. of projects	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	Land Reserves (Square metres)
Midstream of Yangtze River Economic Region	Xiangtan	3	80,399	186,806	639,977	907,182
	Changsha	8	182,238	243,237	275,110	700,585
	Zhuzhou	10	247,073	117,802	247,893	612,768
	Wuhan	2	234,396	135,092	144,463	513,951
	Ganzhou	2	103,573	76,359		179,932
	Chenzhou	2	31,414	126,941		158,355
	Yueyang	2	48,043	71,651		119,694
	Nanchang	3	114,577	90,798		205,374
	Hengyang	2	46,569	1,506	171,521	219,596
	Shangrao	3	70,531			70,531
	Jiujiang	2	43,677			43,677
	Sub-total	39	1,202,490	1,050,192	1,478,964	3,731,646
Beijing — Tianjin — Hebei Economic Region	Handan	17	373,069	971,692	81,144	1,425,906
	Shenyang	9	175,587	264,719	107,290	547,596
	Zhengzhou	2	32,535	131,395	128,265	292,194
	Xingtai	6	44,934	275,869		320,803
	Luoyang	2	14,193	209,690		223,883
	Tianjin	1	19,388	36,975		56,363
	Kaifeng	1	23,702		0	23,702
	Sub-total	38	683,408	1,890,340	316,699	2,890,447
Southwest Economic Region	Guiyang	8	669,803	587,038	590,239	1,847,080
	Zunyi	7	214,374	430,618	214,370	859,363
	Kunming	3	323,892	290,859	110,531	725,282
	Wuzhou	1	30,265	119,955	595,710	745,931
	Chengdu	3	54,070	253,648		307,718
	Nanning	3	74,260	168,048	51,252	293,560
	Chongqing	5	196,692	83,774		280,466
	Leshan	1	28,726			28,726
	Meishan	2	9,874			9,874
	Sub-total	33	1,601,956	1,933,942	1,562,102	5,098,000

Management Discussion and Analysis (Continued)

Properties held by joint ventures/associated companies*

Region	City	No. of projects	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	Land Reserves (Square metres)
Guangdong — Hong Kong — Macao Greater Bay Area	Foshan	12	77,501	343,328	110,462	531,291
	Jiangmen	4	71,208	25,839		97,047
	Zhuhai	2	29,609	51,230		80,839
	Dongguan	1	4,908	80,829		85,737
	Maoming	1	25,673	10,306	51,804	87,783
	Huizhou	1		42,852	13,161	56,013
	Guangzhou	2	14,778	54,336	16,868	85,982
	Sub-total	23	223,677	608,720	192,295	1,024,692
Yangtze River Delta Economic Region	Wuxi	6	129,294	115,950	32,247	277,490
	Xuzhou	6	58,729	157,470	6,190	222,388
	Fuyang	2	69,242	76,500	45,318	191,060
	Shaoxing	2	103,025	144,250		247,275
	Wenzhou	2	12,900			12,900
	Fuzhou	4	90,159	38,786		128,945
	Jinhua	2	7,337	177,843		185,181
	Hefei	2	71,893			71,893
	Nanjing	4	20,322	3,610		23,932
	Suzhou	2	18,418			18,418
	Changzhou	1	67,991	2,918		70,909
	Quanzhou	1	2,340			2,340
	Shanghai	1	56,597			56,597
	Ningbo	1	4,045			4,045
	Yangzhou	1	37,086	2,285		39,371
	Nantong	1	11,440	23,640		35,080
	Zhenjiang	2	6,177			6,177
Hangzhou	1	16,882			16,882	
Zhoushan	1	2,253			2,253	
	Sub-total	42	786,129	743,252	83,755	1,613,136

Management Discussion and Analysis (Continued)

Region	City	No. of projects	Completed Saleable and Rentable GFA (Square metres)	GFA under Development (Square metres)	Planned GFA to be Developed in the Future (Square metres)	Land Reserves (Square metres)
Midstream of Yangtze River Economic Region	Nanchang	7	83,531	100,815	89,824	274,171
	Changsha	3	84,418	19,962		104,380
	Changde	2	21,009	30,910	103,100	155,019
	Ganzhou	1	15,490	48,237	25,104	88,831
	Zhuzhou	1	11,890			11,890
	Jiujiang	1	12,186			12,186
	Sub-total	15	228,524	199,924	218,029	646,476
Beijing — Tianjin — Hebei Economic Region	Handan	2	17,623			17,623
	Tianjin	2	30,869	52,899		83,768
	Shenyang	1	41,594	1,471	23,164	66,228
	Xingtai	1	3,036			3,036
	Sub-total	6	93,122	54,369	23,164	170,655
Southwest Economic Region	Chongqing	4	56,224	26,467	99,877	182,568
	Chengdu	3	23,031	69,744	42,978	135,754
	Nanning	1	4,161	31,420	25,181	60,762
	Sub-total	8	83,416	127,631	168,036	379,084
	Total	315	8,252,705	9,142,156	7,214,622	24,609,483*

* 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.

PROPERTIES DISTRIBUTION MAP

5

Economic
Regions

18

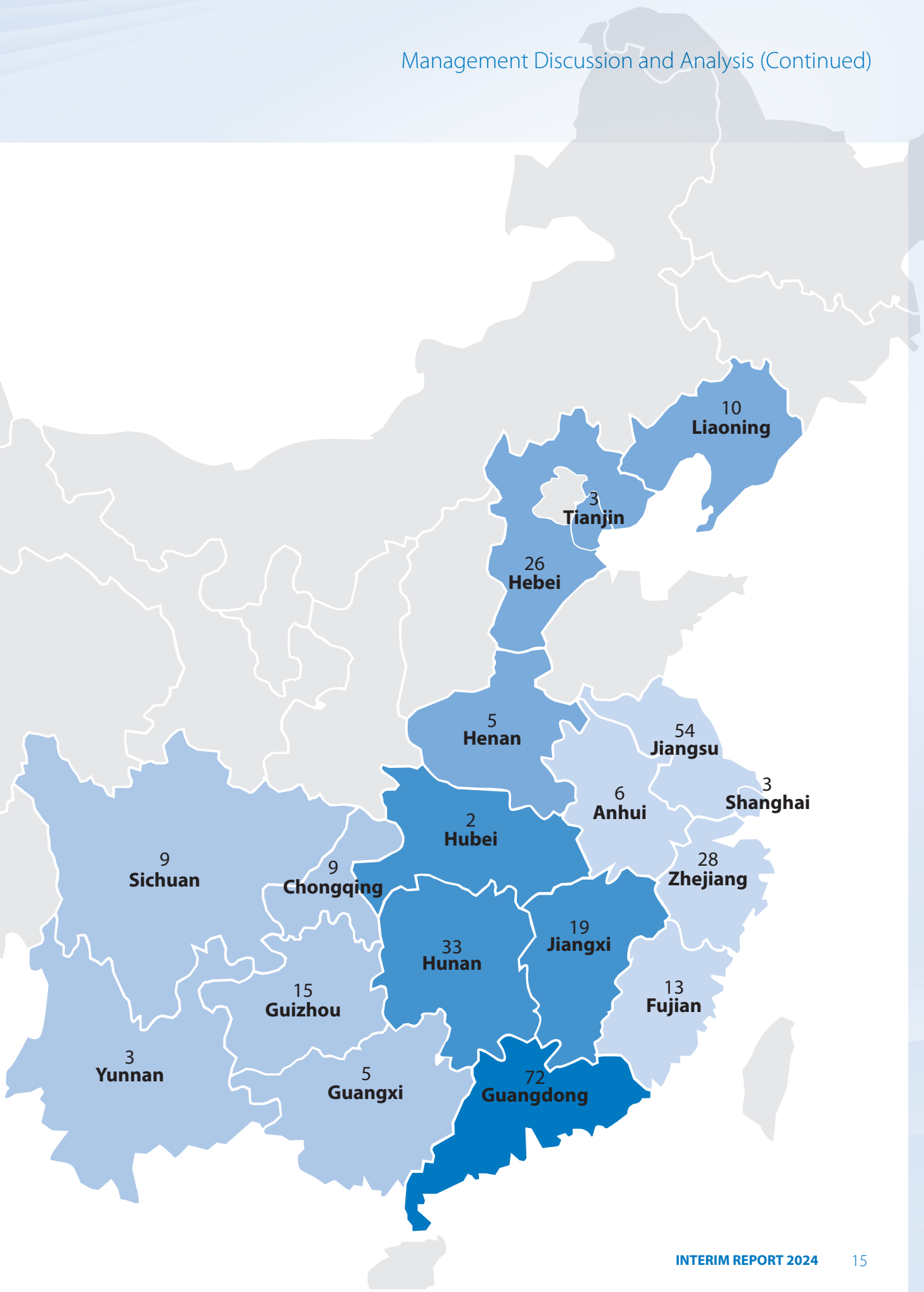
Province-Level
Administrative Units

315

Projects*

* Including 94 projects participated through joint ventures and associates.





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.

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 during the period.

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 RMB966.25 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.

Management Discussion and Analysis (Continued)

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 (杭州利煇商務服務有限公司) (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 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. The acquisition was completed on 11 January 2024. As at the date of this report, 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 (excluding certain commercial properties and industrial parks owned and operated by the Group, the **"Retained Operation"**) (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
- the Cash Alternative of HK\$5.90 per share 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).

Management Discussion and Analysis (Continued)

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 Operation and the remaining 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 (together with the Retained Operation, 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 report, there were no other significant changes in the Group’s financial position or from the information disclosed under the section headed “Management Discussion and Analysis” in the Group’s annual report for the year ended 31 December 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.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time (the “**Listing Rules**”) as its corporate governance policies and practices.

The Company is committed to achieving a high standard of corporate governance so as to enhance the transparency and accountability to the shareholders of the Company. The Board believes that good corporate governance will contribute to maximising the corporate value of the Company to its shareholders. The Board will continue to review and monitor the procedures in place with reference to Appendix C1 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

During the six months ended 30 June 2024, the Company had complied with the provisions of the CG Code, except for a deviation as specified under the paragraph headed “Chairman and President” below.

THE BOARD

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

Board Composition

The Directors who held office during the six months ended 30 June 2024 and up to the date of this interim report were:

Executive Directors

Mr. Hao Hengle (Chairman and President)
Mr. Wang Dazai (appointed on 11 June 2024)
Mr. Wang Quanhui
Mr. Lin Ge
Mr. Zhang Ziliang (resigned on 11 June 2024)

Non-executive Directors

Mr. He Jianfeng
Mr. Zhao Jun

Independent non-executive Directors

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

During the six months ended 30 June 2024, the Company had complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board) including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

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

CHAIRMAN AND PRESIDENT

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

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

AUDIT COMMITTEE

The Audit Committee was established by the Board on 12 September 2018 with written terms of reference revised and adopted on 1 January 2019 in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at 30 June 2024, the Audit Committee comprised three members including two independent non-executive Directors, Mr. Tan Jinsong (chairman of the Audit Committee) and Mr. O'Yang Wiley, and one non-executive Director, Mr. Zhao Jun. Mr. Tan Jinsong is the independent non-executive Director who possesses the appropriate professional qualifications and accounting and financial management expertise. None of the members of the Audit Committee is a former partner of the auditor of the Company.

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

AUDIT COMMITTEE (CONTINUED)

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 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.

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

Save as otherwise set out below, there is no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the Company's latest published annual report.

Appointment of Mr. Wang Dazai (王大在)

Mr. Wang Dazai, aged 47, was appointed as an executive Director of the Company with effect from 11 June 2024. Mr. Wang is currently the executive president of Midea Real Estate Group Limited (美的置業集團有限公司), the principal subsidiary of the Company. He primarily assists Mr. Hao Hengle, the Chairman, Executive Director and President of the Company, in handling the day-to-day operations and business affairs of the Group. Since joining the Group in April 2018, Mr. Wang has served various positions in Midea Real Estate Group Limited, including: (i) deputy general manager of the strategic investment centre; (ii) general manager of the Yuegui regional company; and (iii) general manager of the Central regional company. Mr. Wang has also assumed multiple directorships in other subsidiaries of the Company, including, among others, Zhengzhou Midea Real Estate Development Co., Ltd. (鄭州市美的房地產開發有限公司), Hangzhou Midea Real Estate Development Co., Ltd. (杭州美的房地產發展有限公司) and Ningbo Meishan Midea Real Estate Development Co., Ltd. (寧波市梅山美的房地產發展有限公司).

Mr. Wang graduated from Sun Yat-sen University (中山大學) in the PRC in 1998 with a bachelor's degree of Economics in International Business Management, and further obtained an executive master degree of Business Administration in 2010.

Information Update on Mr. He Jianfeng (何劍鋒)

Mr. He Jianfeng has resigned as a non-executive director of Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333) on 2 July 2024.

Information Update on Mr. Zhao Jun (趙軍)

Mr. Zhao Jun has been appointed as a non-executive director of Midea Group Co., Ltd. (美的集團股份有限公司) (Shenzhen Stock Exchange: 000333) on 2 July 2024 and resigned as the supervisor of Midea Group Co., Ltd. on the same day.

Information Update on Mr. Tan Jinsong (譚勁松)

Mr. Tan Jinsong has resigned as an independent non-executive director of Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司) (Stock Exchange: 1551) on 15 March 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.

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.

EQUITY-LINKED AGREEMENTS

Save as disclosed below and under “Share-Based Payment” in note 22 to the interim financial information in this report, during the six months ended 30 June 2024, the Company had not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 30 June 2024.

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 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 2020 Share Option Scheme was valid and effective for a period of 10 years commencing on 29 May 2020 and ending 28 May 2030. Pursuant to the resolution passed by the shareholders of the Company at the Company’s annual general meeting held on 24 May 2024, the 2020 Share Option Scheme was terminated and no further share option may be granted thereunder. 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 announcement dated 22 April 2021 and the Company’s circular dated 29 April 2024 for details.

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

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

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 (CONTINUED)

2020 Share Option Scheme (Continued)

The maximum number of shares in respect of which options may be granted under the 2020 Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the total number of shares in issue as at 29 May 2020 (being 123,056,700 shares, representing approximately 8.57% of the total number of shares in issue as at the date of this report), unless the Company seeks approval by its shareholders in a general meeting for refreshing the 10% limit under the 2020 Share Option Scheme. The limit on the total number of shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2020 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted if such a grant would result in such 30% limit or maximum permissible limit being exceeded.

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

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

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

Subject to the Listing Rules and the terms and conditions of the 2020 Share Option Scheme, the Board may in its absolute discretion specify such conditions as it thinks fit when making such an offer to a SOS Eligible Participant (including, without limitation, as to any performance targets which must be satisfied by the SOS Eligible Participant and/or the Company, and any minimum period for which an option must be held, before an option may be exercised, if any). The exercise period shall not be more than 10 years from the date upon which any particular share options are granted in any event.

The board had granted 66,660,000 share options to 193 SOS Eligible Participants at an exercise price of HK\$18.376 per share on 22 April 2021 (the **"2021 Share Options Grant Date"**) 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. The fair value of such share options was approximately RMB170.47 million on the 2021 Share Options Grant Date, which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs.

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 (CONTINUED)

2020 Share Option Scheme (Continued)

Movements of the share options granted under the 2020 Share Option Scheme during the six months ended 30 June 2024 were as follows:

Category and name of grantees	Date of grant (Note 1)	Exercisable period (Note 2)	Exercise price per share HK\$	Number of share options					Outstanding as at 30 June 2024
				Outstanding as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors									
Mr. Hao Hengle	22/04/2021	22/04/2023– 21/04/2027	18.376	3,850,000	–	–	–	–	3,850,000
Mr. Wang Dazai (appointed on 11 June 2024)	22/04/2021	22/04/2023– 21/04/2027	18.376	616,000	–	–	–	–	616,000
Mr. Wang Quanhui	22/04/2021	22/04/2023– 21/04/2027	18.376	770,000	–	–	–	–	770,000
Mr. Lin Ge	22/04/2021	22/04/2023– 21/04/2027	18.376	616,000	–	–	–	–	616,000
Mr. Zhao Jun	22/04/2021	22/04/2023– 21/04/2027	18.376	770,000	–	–	–	–	770,000
Mr. Zhang Ziliang (resigned on 11 June 2024)	22/04/2021	22/04/2023– 21/04/2027	18.376	616,000	–	–	–	–	616,000
Sub-total				7,238,000	–	–	–	–	7,238,000
Employees of the Group in aggregate	22/04/2021	22/04/2023– 21/04/2027	18.376	18,711,000	–	–	–	(2,525,600) (Note 3)	16,185,400
Sub-total				18,711,000	–	–	–	(2,525,600)	16,185,400
Total				25,949,000	–	–	–	(2,525,600)	23,423,400

Notes:

- The closing price immediately before the 2021 Share Options Grant Date (i.e. 21 April 2021) was HK\$17.96 per share.
- Subject to satisfaction of the vesting conditions, the first tranche of 40% share options granted on the 2021 Share Options Grant Date shall be exercisable from 22 April 2023 to 21 April 2027, the second tranche of 40% share options shall be exercisable from 22 April 2024 to 21 April 2027 and the third tranche of 20% share options shall be exercisable from 22 April 2025 to 21 April 2027. Such vesting conditions include: (i) achievement of certain financial performance targets with reference to the audited consolidated financial statements of the Company for the year ended 31 December 2021; (ii) the performance assessment results of the respective employing companies of which the grantees relate; (iii) the personal appraisal results of the grantees; and (iv) the minimum period for which an option must be held before an option may be exercised.
- Certain share options shall lapse by reason of cessation of employment during the six months ended 30 June 2024.

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, and upon its full exercise, each representing approximately 6.77% of the total number of shares in issue as at the date of this interim report.

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.

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

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 (CONTINUED)

2021 Share Award Scheme

The 2021 Share Award Scheme was valid and effective for a period of 10 years commencing on 22 April 2021 and ending 21 April 2031. Pursuant to the resolution passed by the shareholders of the Company at the Company's annual general meeting held on 24 May 2024, the 2021 Share Award Scheme was terminated and no further share award may be granted thereunder.

The following is a summary of the principal terms of the 2021 Share Award Scheme:

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

The maximum number of shares which may be awarded under the 2021 Share Award Scheme shall not, in aggregate, exceed 10% of the total number of shares in issue as at 22 April 2021 (being 123,056,700 shares, representing approximately 8.57% of the total number of shares in issue as at the date of this report). And the maximum number of unvested shares which may be awarded to any one Selected Participant at any time shall not exceed 1% of the total number of shares in issue from time to time.

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

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

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 (the "**2023 Award Shares Grant Date**") under the 2021 Share Award Scheme, which shall be vested subject to satisfaction of the vesting conditions, including the length of service and 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, and the Company's circular dated 29 April 2024 for details.

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 (CONTINUED)

2021 Share Award Scheme (Continued)

Movements of the award shares granted under the 2021 Share Award Scheme during the six months ended 30 June 2024 were as follows:

Category and name of grantees	Date of grant (Note 1)	Vesting period (Note 2)	Number of award shares					Unvested as at 30 June 2024
			Unvested as at 1 January 2024	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period	
Directors								
Mr. Hao Hengle	12/05/2023	(Note 3)	700,000	–	–	–	(700,000)	–
Mr. Wang Dazai (appointed on 11 June 2024)	12/05/2023	(Note 3)	280,000	–	–	–	(280,000)	–
Mr. Wang Quanhui	12/05/2023	(Note 3)	280,000	–	–	–	(280,000)	–
Mr. Lin Ge	12/05/2023	(Note 3)	280,000	–	–	–	(280,000)	–
Mr. Zhang Ziliang (resigned on 11 June 2024)	12/05/2023	(Note 3)	280,000	–	–	–	(280,000)	–
Sub-total			1,820,000	–	–	–	(1,820,000)	–
Employees of the Group in aggregate	12/05/2023	(Note 3)	2,950,000	–	–	–	(2,950,000)	–
Sub-total			2,950,000	–	–	–	(2,950,000)	–
Total			4,770,000	–	–	–	(4,770,000)	–

Notes:

- Except for the nominal acceptance fee, the award shares are granted at nil consideration. The closing price immediately before the 2023 Award Shares Grant Date (i.e. 11 May 2023) was HK\$8.98 per share. The fair value of award shares as at the 2023 Award Shares Grant Date (i.e. 12 May 2023) was HK\$8.59 per share, which was determined by taking the closing price of the Company's shares on that date, and the share-based payment expense of these award shares was charged to the interim financial information in accordance with HKFRS 2. No adjustment is required for the final dividends for the year ended 31 December 2023 since the grantees are entitled to receive dividends paid during the vesting period. For details, please refer to note 22 to the interim financial information in this report.
- The vesting of the award shares is subject to the achievement of performance targets. This includes (i) achievement of certain financial performance targets, such as the return on invested capital with reference to the audited consolidated financial statements of the Company of the relevant financial year; (ii) the performance assessment results of the respective employing companies of which the grantees relate; and (iii) the personal appraisal results of the grantees taking into account indicators including but not limited to contributions and length of service to the Group.
- Subject to satisfaction of the vesting conditions including the achievement of performance targets as mentioned in Note 2 above, the award shares granted on the 2023 Award Shares Grant Date shall be vested on the business day not less than 12 months from the 2023 Award Shares Grant Date (or such other date as determined by the Board). However, the Board had on 27 March 2024 determined a total of 4,770,000 award shares granted on the 2023 Award Shares Grant Date 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, each representing approximately 7.65% of the total number of shares in issue as at the date of this interim report.

As at 24 May 2024, there was no outstanding award share under the 2021 Share Award Scheme.

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

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 (CONTINUED)

2024 Share Schemes

Duration, Purposes and Eligible Participants of the 2024 Share Schemes

The 2024 Share Schemes were approved and adopted by the shareholders of the Company at the Company's annual general meeting held on 24 May 2024 (the "**Adoption Date**"), which is valid and effective for a period of 10 years commencing on the Adoption Date and ending 23 May 2034. The following is a summary of the principal terms of the 2024 Share Schemes:

The purposes of the 2024 Share Schemes are to enable the Group to (a) recognise and acknowledge the contributions that a director (including executive, non-executive and independent non-executive director) and an employee (whether full time or part time) of any member of the Group (including persons who are granted share options or award shares under the 2024 Share Option Scheme and the 2024 Share Award Scheme, respectively, as an inducement to enter into employment contracts with such companies) (the "**Eligible Participant(s)**") have made or may make to the Group (whether directly or indirectly), remunerate the best possible quality of the Eligible Participants, and attract, retain and motivate the Eligible Participants to continue to contribute to the growth and development of the Group; and (b) provide Eligible Participants with direct economic benefits in order to maintain a long term relationship between the Group and the Eligible Participants.

In determining the basis of eligibility of each Eligible Participant, the Board shall take into account of factors including but not limited to the experience of the Eligible Participant on the Group's businesses, the length of service of the Eligible Participant with the Group, the individual performance, time commitment, responsibilities or employment conditions with reference to the prevailing market practice and industry standard and the individual contribution or potential contribution to the development and future growth of the Group.

Scheme Mandate Limit

The total number of new shares which may be issued in respect of all share options and award shares 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 (the "**Other Schemes**") would be no more than 143,541,148 shares (the "**Scheme Mandate Limit**"), representing approximately 10% of the total number of shares in issue as at the Adoption Date and as at the date of this report. The Company may seek approval by the shareholders in general meeting for "refreshing" the Scheme Mandate Limit after 3 years from the date of shareholders' approval for the last refreshment (or the Adoption Date) or, in the case where refreshment is made within the 3 years period, approval by shareholders with the controlling shareholders and their close associates abstaining from voting in favour of the relevant resolutions.

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 Scheme Mandate Limit.

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 (CONTINUED)

2024 Share Schemes (Continued)

Maximum Entitlement of Each Eligible Participant

The maximum number of new shares issued or to be issued pursuant to the share options and share awards granted or to be granted to each Eligible Participant under the 2024 Share Schemes and any Other Schemes shall not, in any 12 months period up to and including the date of such grant (excluding any share options and/or award shares lapsed in accordance with the terms of the 2024 Share Schemes or any Other Schemes), exceed 1% of the total number of shares of the Company in issue as at the date of such grant. Any further grant of share options and/or award shares in excess of such limit must be separately approved by its shareholders in a general meeting in accordance with the Listing Rules.

Any grant of share options and/or award shares to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of such share options and/or award shares).

If the Board is to grant award shares of new shares to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates would result in the new shares issued and to be issued in respect of all award shares granted (regardless of under the 2024 Share Award Scheme or any Other Schemes but excluding any award shares lapsed in accordance with the terms of the 2024 Share Award Scheme) to such person in any 12 months period up to and including the date of such grant representing in aggregate over 0.1% of the shares in issue or such percentage as prescribed by the Listing Rules from time to time, such further grant of award shares of new shares must be approved by its shareholders in a general meeting in accordance with the Listing Rules.

If the Board is to grant share options and/or award shares to a substantial shareholder of the Company or an independent non-executive Director or their respective associates which would result in the new shares issued and to be issued in respect of all share options and/or award shares under the 2024 Share Schemes and any Other Schemes (excluding any share options and/or award shares lapsed in accordance with the terms of the relevant schemes) to such person in any 12 months' period up to and including the date of such grant representing in aggregate over 0.1% of the shares in issue or such percentage as prescribed by the Listing Rules from time to time, such further grant of share options and/or award shares must be approved by its shareholders in a general meeting in accordance with the Listing Rules.

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 (CONTINUED)

2024 Share Schemes (Continued)

Grant of Share Options and Award Shares

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.

Grantees to whom share options shall be granted, are entitled to subscribe for the number of shares at the exercise price as determined on the date of grant. The basis for determining the exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share prevailing on the date of grant. Consideration for acceptance of each grant of share options is HK\$1.00 or RMB1.00 (or such other nominal sum in any currency as the Board may determine) and is required to be paid within 28 days from the date of grant of share options, with full payment for the exercise price to be made on exercise of the relevant options. The share options may be exercised in whole or in part within the relevant exercise period, being such period as determined and notified by the Board to the Grantee which shall not be more than 10 years from the date of grant.

Unless the Board determines otherwise, no purchase price is to be paid by the Eligible Participants upon vesting of the award shares under the 2024 Share Award Scheme. However, a nominal acceptance fee of HK\$1.00 or RMB1.00 (or such other nominal sum in any currency as the Board may determine) is required to be paid within 28 days from the date of grant of the share award.

Vesting of Share Options and Award Shares

Vesting of share options and share awards will be subject to performance targets, if any, to be satisfied by the Eligible Participants as determined by the Board from time to time. The performance targets may comprise a mixture of attaining satisfactory key performance indicators components (such as the business performance and financial performance of the Group or departmental and individual performance based on the annual performance assessment results) which may vary among the Eligible Participants. The finance department of the Company shall be responsible for compiling a performance appraisal report on statistics relating Group-level performance targets and the human resources department shall be responsible for compiling a performance appraisal report based on the Group's performance appraisal results and the individual performance appraisal results, which will be submitted to the Board for consideration and approval. For the avoidance of doubt, the performance targets are not applicable to independent non-executive Directors.

The vesting period in respect of share options and share awards for new shares held by the Eligible Participant must be at least 12 months, unless otherwise determined at the Board's sole and absolute discretion under certain specified circumstances.

A clawback mechanism shall be imposed for the Company to recover or withhold any remuneration (which may include share options and share awards granted) to any Eligible Participants in the event of serious misconduct, a material misstatement in the Company's financial statements or other circumstances.

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 (CONTINUED)

2024 Share Schemes (Continued)

Administration of the 2024 Share Schemes

The 2024 Share Option Scheme and the 2024 Share Award Scheme shall be subject to the administration of the Board, whose decision shall be final, conclusive and binding on all parties.

Trustee(s) were appointed to administer the 2024 Share Award Scheme. The trustee(s) holding unvested shares of the 2024 Share Award Scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

Please refer to the Company's circular dated 29 April 2024 for details of the 2024 Share Schemes.

During the period from 24 May 2024 to 30 June 2024, the Company had not granted any share option or award share under the 2024 Share Schemes. The number of share options and award shares available for grant under the 2024 Share Schemes as at 24 May 2024 and 30 June 2024 was 143,541,148 and 143,541,148, respectively, each representing approximately 10% of the total number of shares in issue as at the date of this interim report.

As at 30 June 2024, there was no outstanding share option or award share granted under the 2024 Share Schemes.

DISCLOSURE OF INTERESTS

Directors' Interests

Save as disclosed below, as at 30 June 2024, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company:

Long Positions in the Shares and Underlying Shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate percentage of shareholding (Note 4)
Mr. Hao Hengle	Beneficial owner	5,885,000 (Note 1)	3,850,000 (Note 2)	9,735,000	0.68%
Mr. Wang Dazai (appointed on 11 June 2024)	Beneficial owner	840,400 (Note 1)	616,000 (Note 2)	1,456,400	0.10%
Mr. Wang Quanhui	Beneficial owner	1,354,000 (Note 1)	770,000 (Note 2)	2,124,000	0.15%
Mr. Lin Ge	Beneficial owner	1,154,000 (Note 1)	616,000 (Note 2)	1,770,000	0.12%
Mr. He Jianfeng	Interest of spouse	1,164,606,463 (Note 3)	–	1,164,606,463	81.13%
Mr. Zhao Jun	Beneficial owner	1,000,000 (Note 1)	770,000 (Note 2)	1,770,000	0.12%
Mr. Zhang Ziliang (resigned on 11 June 2024)	Beneficial owner	1,154,000 (Note 1)	616,000 (Note 2)	1,770,000	0.12%

Notes:

- These shares comprised of: (i) shares which were transferred by Ms. Lu Deyan, the controlling shareholder of the Company, without additional conditions on 16 June 2021, against payment of a consideration of HK\$14.354 per share through participation in a trust scheme managed by an independent trustee; and/or (ii) award shares which were granted by the Company and had been vested to the grantee(s) under the 2021 Share Award Scheme. For details, please refer to the paragraph headed “2021 Share Award Scheme” above.
- These underlying shares comprised of share options which were granted by the Company on the 2021 Share Options Grant Date under the 2020 Share Option Scheme, entitling the grantee(s) to subscribe for shares of the Company at an exercise price of HK\$18.376 per share in three tranches within a period of six years from the 2021 Share Options Grant Date. For details, please refer to the paragraph headed “2020 Share Option Scheme” above.
- Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu Deyan, a controlling shareholder of the Company. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu Deyan’s interest in the Company by virtue of the SFO.
- The percentage has been compiled on the basis of 1,435,411,483 shares of the Company in issue as at 30 June 2024.

Apart from the 2020 Share Option Scheme, the 2021 Share Award Scheme and save as disclosed above, during the six months ended 30 June 2024, neither the Company nor any of its subsidiaries entered into any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS (CONTINUED)

Substantial Shareholders' Interests

Save as disclosed below, as at 30 June 2024, the Directors and chief executive of the Company were not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in the Shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of shareholding (Note 4)
Midea Development Holding (BVI) Limited	Beneficial owner	1,097,029,727	76.43%
Ms. Lu Deyan (Note 1)	Interests of controlled corporations	1,164,606,463	81.13%
Mr. He Xiangjian (Note 2)	Interest held jointly with another person	1,164,606,463	81.13%
Mr. He Jianfeng (Note 3)	Interest of spouse	1,164,606,463	81.13%

Notes:

- Ms. Lu Deyan ("**Ms. Lu**") holds the entire equity interest in each of Midea Development Holding (BVI) Limited ("**Midea Development (BVI)**"), Midea Ever Company Limited ("**Midea Ever**") and Midea Field Company Limited ("**Midea Field**"), and these companies in turn hold 1,097,029,727, 30,000,000 and 37,576,736 shares of the Company, respectively. Therefore, Ms. Lu is deemed to be interested in the shares of the Company held by Midea Development (BVI), Midea Ever and Midea Field by virtue of the SFO.
- Mr. He Xiangjian ("**Mr. He**") and Ms. Lu are parties acting-in-concert. Therefore, Mr. He is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO and is a controlling shareholder of the Company. However, as confirmed by Mr. He and Ms. Lu in the deed of acting-in-concert dated 14 May 2018 entered into between Mr. He and Ms. Lu, Mr. He does not hold any economic interest (including the right to dividend) in the Group.
- Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu's interest in the Company by virtue of the SFO and is a controlling shareholder of the Company.
- The percentage has been compiled on the basis of 1,435,411,483 shares of the Company in issue as at 30 June 2024.

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).

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Midea Real Estate Holding Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 36 to 74, which comprises the interim condensed consolidated balance sheet of Midea Real Estate Holding Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2024 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 16 August 2024

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	6	25,134,114	36,334,586
Cost of sales	7	(22,813,088)	(31,542,320)
Gross profit		2,321,026	4,792,266
Other income and losses — net	8	84,930	(110,808)
Selling and marketing expenses	7	(1,130,566)	(1,170,621)
Administrative expenses	7	(586,758)	(767,194)
Net impairment losses on financial assets		(337,308)	(133,718)
Operating profit		351,324	2,609,925
Finance income	9	94,010	158,234
Finance costs	9	(187,666)	(160,090)
Finance costs — net	9	(93,656)	(1,856)
Share of results of joint ventures and associates	13	966,253	142,764
Profit before income tax		1,223,921	2,750,833
Income tax expenses	10	(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	11	0.26	0.58
Diluted	11	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	14	1,116,490	1,090,198
Investment properties	14	6,143,347	6,199,032
Right-of-use assets		292,547	273,854
Intangible assets		255,628	257,158
Properties under development	15(a)	567,067	545,409
Investments in joint ventures	13(a)	12,535,660	12,221,842
Investments in associates	13(b)	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	17	354,682	383,709
		40,319,560	38,931,877
Current assets			
Inventories		97,348	149,360
Contract assets and contract acquisition costs	6(a)	1,598,557	1,838,072
Properties under development	15(a)	55,577,629	75,375,606
Completed properties held for sale	15(b)	25,058,904	22,359,352
Trade and other receivables	16	34,399,769	34,180,070
Prepaid taxes		8,358,554	8,553,171
Financial assets at fair value through profit or loss	17	97,730	50,000
Restricted cash	18	2,027,821	2,538,626
Term deposits with initial terms over three months	18	50,000	50,000
Cash and cash equivalents	18	11,412,169	17,553,071
		138,678,481	162,647,328
Total assets		178,998,041	201,579,205
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	19	4,680,494	5,150,983
Other reserves	20	4,110,512	4,126,269
Retained earnings	20	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

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	23	10,615,799	6,632,220
Bank and other borrowings	24	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	6(b)	29,770,226	44,391,799
Corporate bonds	23	3,448,839	6,246,470
Bank and other borrowings	24	5,635,393	5,987,669
Lease liabilities		50,924	54,197
Trade and other payables	25	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

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

Approved by the Board of Directors on 16 August 2024 and were signed on its behalf.

Hao Hengle
Director

Lin Ge
Director

Interim Condensed Consolidated Statement of Changes in Equity

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

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

	Note	Unaudited					Total equity RMB'000
		Attributable to owners of the Company				Non-controlling interests RMB'000	
		Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2024		5,150,983	4,126,269	16,032,062	25,309,314	24,809,433	50,118,747
Comprehensive Income							
Profit for the period		-	-	375,869	375,869	220,310	596,179
Total comprehensive income for the period ended 30 June 2024		-	-	375,869	375,869	220,310	596,179
Transactions with owners in their capacity as owners:							
Employee share scheme							
— Value of employee services received	22	-	(1,811)	-	(1,811)	-	(1,811)
Disposal of equity interests in subsidiaries without change of control		-	4,950	-	4,950	-	4,950
Dividends payable to shareholders	12	(470,489)	-	-	(470,489)	-	(470,489)
Dividends paid and payable to non-controlling interests		-	-	-	-	(1,075,409)	(1,075,409)
Capital injections from non-controlling interests		-	-	-	-	12,061	12,061
Acquisition of equity interests in subsidiaries from non-controlling interests	28	-	(18,896)	-	(18,896)	(737,244)	(756,140)
Redemption of perpetual capital securities		-	-	-	-	(1,280,000)	(1,280,000)
Total transactions with owners		(470,489)	(15,757)	-	(486,246)	(3,080,592)	(3,566,838)
Balance at 30 June 2024		4,680,494	4,110,512	16,407,931	25,198,937	21,949,151	47,148,088

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

Interim Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(1,527,487)	4,359,299
Income tax paid	(1,522,218)	(1,679,682)
Interest paid	(804,177)	(1,239,197)
Net cash (used in)/generated from operating activities	(3,853,882)	1,440,420
Cash flows from investing activities		
Net cash outflow from acquisition of subsidiaries	–	(156,570)
Net cash outflow from disposal of subsidiaries	–	(85,801)
Purchases of property, plant and equipment	(66,195)	(34,437)
Purchases of intangible assets	(39,833)	(29,881)
Investments in joint ventures	(490)	–
Investments in associates	(4,479)	(15,888)
Dividends received from joint ventures and associates	11,700	18,960
(Funds provide to)/repayment of funds provided to joint ventures and associates	(41,694)	1,191,184
Proceeds from disposal of property, plant and equipment, investment properties, intangible assets and land use right for own-used properties	111,558	68,414
Payments for financial assets at fair value through profit or loss	(1,610,273)	(4,539,800)
Proceeds from disposal of financial assets at fair value through profit or loss	1,594,806	4,341,237
Interest received	94,010	158,234
Net cash generated from investing activities	49,110	915,652
Cash flows from financing activities		
Capital injections from non-controlling interests	12,061	6,912
Payment for redemption of perpetual capital securities	(1,280,000)	–
Payments for acquisition of additional interests in subsidiaries	–	(218,243)
Proceeds from disposal of interests in subsidiaries without loss of control	4,950	–
Proceeds from bank and other borrowings	20,743,530	6,037,709
Repayments of bank and other borrowings	(22,911,649)	(10,484,016)
Proceeds from issue of corporate bonds	4,127,464	1,195,400
Repayment of corporate bonds	(2,950,000)	(2,204,000)
Repurchase of shares for the purpose of restricted share award scheme	–	(7,220)
Principal elements of lease payments	(10,788)	(25,687)
Cash advances with related parties controlled by the Ultimate Controlling Parties, net	–	19,000
Dividends paid to non-controlling interests	(59,908)	(52,828)
Net cash used in financing activities	(2,324,340)	(5,732,973)
Net decrease in cash and cash equivalents	(6,129,112)	(3,376,901)
Cash and cash equivalents at the beginning of the period	17,553,071	21,810,599
Exchange (losses)/gains on cash and cash equivalents	(11,790)	3,118
Cash and cash equivalents at end of the period	11,412,169	18,436,816

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

Notes to the Interim Financial Information

1 General information

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

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

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

This interim financial information for the six months ended 30 June 2024 (the "**Interim Financial Information**") is presented in Renminbi ("**RMB**"), unless otherwise stated, and was approved by the Board of Directors of the Company (the "**Board**") for issue on 16 August 2024.

2 Basis of presentation and preparation

The Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim financial reporting'. The Interim Financial Information does not include all the notes normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 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.

2 Basis of presentation and preparation (Continued) Going concern basis (Continued)

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 Ultimate Holding Company 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 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 the Controlling Shareholders have undertaken to certain implementations, detailed in note 29, 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 Ultimate Holding Company, 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.

3 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 on 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.

4 Estimates

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

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 Financial Statements.

5 Financial risk management

5.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the 2023 Financial Statements, and should be read in conjunction with the 2023 Financial Statements.

There have been no significant changes in the risk management policies since 31 December 2023.

5.2 Liquidity risk

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

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment, detail of which are disclosed in note 2. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

5 Financial risk management (Continued)

5.2 Liquidity risk (Continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2024 (Unaudited)					
Corporate bonds	3,991,943	11,250,933	528,458	–	15,771,334
Bank and other borrowings	6,549,630	5,186,428	10,578,297	4,111,901	26,426,256
Trade and other payables (excluding salaries payable and other taxes payable)	53,893,960	–	–	–	53,893,960
Lease liabilities	59,515	27,750	34,828	2,779	124,872
	64,495,048	16,465,111	11,141,583	4,114,680	96,216,422
Financial guarantees	48,351,329	2,514,282	1,086,520	–	51,952,131
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2023 (Audited)					
Corporate bonds	6,657,766	5,369,530	1,505,128	–	13,532,424
Bank and other borrowings	7,208,290	6,048,850	10,788,467	5,880,388	29,925,995
Trade and other payables (excluding salaries payable and other taxes payable)	57,319,867	–	–	–	57,319,867
Lease liabilities	56,916	30,261	33,087	3,523	123,787
	71,242,839	11,448,641	12,326,682	5,883,911	100,902,073
Financial guarantee	63,662,624	2,690,333	2,092,824	–	68,445,781

5 Financial risk management (Continued)

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024 and 31 December 2023, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of each of the reporting periods. These instruments are included in level 1.
- **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2024 (Unaudited)				
Financial assets at FVPL	–	–	452,412	452,412
At 31 December 2023 (Audited)				
Financial assets at FVPL	–	–	433,709	433,709

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

The following table presents the changes in level 3 instruments for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At January 1	433,709	411,137
Additions	1,610,273	4,539,800
Fair value changes (note 8)	3,236	32,011
Disposals	(1,594,806)	(4,341,237)
At June 30	452,412	641,711

6 Revenue and segment information

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

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

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

For the six months ended 30 June 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

6 Revenue and segment information (Continued)

Represented by:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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.

6 Revenue and segment information (Continued)

(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 RMB'000 (Unaudited)	2023 RMB'000 (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 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (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.

7 Expenses by nature

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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

8 Other income and losses — net

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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 (note 14)	(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)

9 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)

10 Income tax expenses

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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

Note:

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

11 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding those ordinary shares held for restricted share award scheme (note 22).

	Six months ended 30 June	
	2024 (Unaudited)	2023 (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 one category of potential ordinary shares for the six months ended 30 June 2024, which was the share options as mentioned in note 22(b).

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.

12 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).

13(a) Investments in joint ventures

The movement of investments in joint ventures are as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At January 1	12,221,842	13,285,687
Additions	8,216	269,889
Transfer to investments in subsidiaries	–	(1,032,520)
Dividends received or receivable from joint ventures	(439,908)	(50,000)
Share of results	745,510	434,419
At June 30	12,535,660	12,907,475

As at 30 June 2024 and 31 December 2023, there were no significant commitments and contingencies relating to the Group's interests in the joint ventures, while certain borrowings of the joint ventures were guaranteed by the Group (note 26).

13(b) Investments in associates

The movement of investments in associates are as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At January 1	11,525,105	11,576,554
Additions	154,954	410,334
Disposals	(239,000)	(63,214)
Dividends received or receivable from associates	(11,700)	(18,065)
Share of results	220,743	(291,655)
At June 30	11,650,102	11,613,954

As at 30 June 2024 and 31 December 2023, there were no significant contingencies relating to the Group's interests in the associates, while certain borrowings of the associates were guaranteed by the Group (note 26).

14 Property, plant and equipment and investment properties

	Property, plant and equipment	Investment properties
	RMB'000	RMB'000
Six months ended 30 June 2023 (Unaudited)		
Opening net book amount at 1 January 2023	1,233,587	4,978,645
Additions	34,437	23,827
Fair value changes	–	(86,612)
Disposals	(17,767)	(372)
Depreciation	(63,552)	–
Closing net book amount at 30 June 2023	1,186,705	4,915,488
Six months ended 30 June 2024 (Unaudited)		
Opening net book amount at 1 January 2024	1,090,198	6,199,032
Additions	191,810	99,148
Fair value changes	–	(64,133)
Disposals	(100,725)	(90,700)
Depreciation	(64,793)	–
Closing net book amount at 30 June 2024	1,116,490	6,143,347

Investment properties

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2024 and 31 December 2023, the Group had only level 3 investment properties.

15(a) Properties under development

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Properties under development expected to be completed:		
— Within normal operating cycle included under current assets	55,577,629	75,375,606
— Beyond normal operating cycle included under non-current assets	567,067	545,409
	56,144,696	75,921,015
Properties under development comprise:		
— Construction costs	17,765,490	22,240,335
— Land use rights	39,434,407	52,896,413
— Capitalised interest expenses	4,306,212	4,837,321
	61,506,109	79,974,069
Less: write-down	(5,361,413)	(4,053,054)
	56,144,696	75,921,015

Properties under development were all located in the PRC.

The amounts of RMB45,001,756,000 as at 30 June 2024 (31 December 2023: RMB44,691,164,000) under normal cycle operating classified as current assets were expected to be completed and delivered beyond one year.

The capitalisation rates of general borrowings were 4.60% per annum for the six months ended 30 June 2024 (six months ended 30 June 2023: 4.83% per annum).

As at 30 June 2024, properties under development with net book value of RMB15,765,028,000 (31 December 2023: RMB18,054,432,000) were pledged as collateral for the Group's bank and other borrowings.

15(b) Completed properties held for sale

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Completed properties held for sale	27,696,633	24,801,992
Less: write-down	(2,637,729)	(2,442,640)
	25,058,904	22,359,352

The completed properties held for sale were all located in the PRC.

As at 30 June 2024, completed properties held for sale with net book value of RMB1,435,369,000 (2023: RMB387,304,000), were pledged as collateral for the Group's bank and other borrowings.

16 Trade and other receivables

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (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.

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

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.

17 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

18 Cash and cash equivalents

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Cash at bank and in hand	13,439,990	20,091,697
Term deposits	50,000	50,000
	13,489,990	20,141,697
Less: restricted cash (note (a))	(2,027,821)	(2,538,626)
Term deposits with initial terms over three months	(50,000)	(50,000)
	11,412,169	17,553,071

- (a) The balance mainly represented unreleased guarantee deposits for construction of pre-sale properties denominated in RMB and placed in designated bank account as at 30 June 2024, and will be released in accordance with certain construction progress milestones.

Cash and deposits are denominated in the following currencies:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Denominated in RMB	13,482,526	17,812,665
Denominated in HKD	5,404	2,328,035
Denominated in USD	2,060	997
	13,489,990	20,141,697

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

19 Share capital and premium

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
Ordinary share of HKD1.00 each upon incorporation		1,000,000,000	1,000,000	–	–	–
Increase in authorised share capital		1,000,000,000	1,000,000	–	–	–
		2,000,000,000	2,000,000	–	–	–
Issued and fully paid						
At 31 December 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.

20 Other reserves and retained earnings

	Merger reserve	Statutory reserves	Shares held for restricted share award scheme	Others	Total	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	173,000	4,093,543	(36,577)	(869,206)	3,360,760	15,876,293	19,237,053
Profit for the period	-	-	-	-	-	782,097	782,097
Issue of new shares for the purpose of restricted share award scheme	-	-	(478)	-	(478)	-	(478)
Repurchase of shares for the purpose of restricted share award scheme	-	-	(7,220)	-	(7,220)	-	(7,220)
Transfer of shares hold for restricted share award scheme upon vesting	-	-	23,100	(23,100)	-	-	-
Acquisition of equity interests in subsidiaries from non-controlling interests	-	-	-	(27,317)	(27,317)	-	(27,317)
Disposal of subsidiaries	-	(4,908)	-	-	(4,908)	4,908	-
Employee share scheme — value of employee services received	-	-	-	19,954	19,954	-	19,954
Balance at 30 June 2023 (unaudited)	173,000	4,088,635	(21,175)	(899,669)	3,340,791	16,663,298	20,004,089
Balance at 1 January 2024	173,000	4,851,358	(44,275)	(853,814)	4,126,269	16,032,062	20,158,331
Profit for the period	-	-	-	-	-	375,869	375,869
Acquisition of equity interests in subsidiaries from non-controlling interests	-	-	-	(18,896)	(18,896)	-	(18,896)
Disposal of equity interests in subsidiaries without change of control	-	4,950	-	-	4,950	-	4,950
Employee share scheme — value of employee services received (note 22)	-	-	-	(1,811)	(1,811)	-	(1,811)
Balance at 30 June 2024 (unaudited)	173,000	4,856,308	(44,275)	(874,521)	4,110,512	16,407,931	20,518,443

21 Perpetual capital securities

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
As at 1 January	1,280,000	1,280,000
Redemption (b)	(1,280,000)	–
Ending balance (a)	–	1,280,000
Distributions (c)	21,768	71,378

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

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

- (b) In April 2024, Ningbo Mairui redeemed RMB1,280,000,000 of the Perpetual Capital Securities.
- (c) During the six months ended 30 June 2024, distributions of RMB21,768,000 to the holders of the Perpetual Capital Securities were paid by Ningbo Mairui (six months ended 30 June 2023: RMB35,591,000).

22 Share-based payment

(a) Restricted share award scheme

On 22 April 2021, the Board adopted a restricted share award scheme to among other things, recognise the contributions by, and to attract, motivate and retain, certain directors, or proposed directors, management, key technician, officer, manager and employee of any member of the Group. On 12 May 2023, the Company granted 4,770,000 award shares at nil consideration to 25 eligible participants under the scheme, which are subject to certain performance conditions. As at 30 June 2024, none of the award shares granted were vested as a result of the above performance conditions not being met.

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

Details	Numbers of		
	shares (thousand)	Equivalent to HK\$'000	Equivalent to RMB'000
Opening balance 1 January 2023	8,932	43,238	36,577
Vested during the period	(5,641)	(27,307)	(23,100)
Purchase of shares for share award scheme	940	8,066	7,220
Issue of new shares	539	539	478
Balance 30 June 2023 (unaudited)	4,770	24,536	21,175
Opening balance 1 January 2024	4,770	24,536	44,275
Vested during the period	–	–	–
Balance 30 June 2024 (unaudited)	4,770	24,536	44,275

(b) Share options

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

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

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

22 Share-based payment (Continued)

(b) Share options (Continued)

For the six months ended 30 June 2024, the Group reversed RMB1,811,000 of share-based payment expenses for the aforesaid share options.

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

	Number of share options	Average exercise price in HKD
As at 1 January 2023	27,720,000	18.376
Forfeited	(1,771,000)	18.376
As at 30 June 2023 (unaudited)	25,949,000	18.376
As at 1 January 2024	25,949,000	18.376
Forfeited	(2,525,600)	18.376
As at 30 June 2024 (unaudited)	23,423,400	18.376

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

Grant date	Expiry date	Exercise price	Numbers of share options outstanding 30 June 2024
22 April 2021	21 April 2027	HKD18.376	23,423,400

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

Notes to the Interim Financial Information (Continued)

23 Corporate bonds

Corporate bonds as at 30 June 2024 and 31 December 2023 were as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
As at 1 January	12,878,690	13,374,549
Additions	4,127,464	4,605,140
Interests charges	286,713	522,733
Interests paid	(278,229)	(509,732)
Repayment	(2,950,000)	(5,114,000)
Ending balance	14,064,638	12,878,690
Analysed as		
— Current portion	3,448,839	6,246,470
— Non-current portion	10,615,799	6,632,220
	14,064,638	12,878,690

The Group's corporate bonds were repayable as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 year	3,448,839	6,246,470
Between 1 and 2 years	10,117,265	5,137,016
Between 2 and 5 years	498,534	1,495,204
	14,064,638	12,878,690

24 Bank and other borrowings

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Bank borrowings	14,717,238	14,995,636
Other borrowings	8,323,295	10,194,638
	23,040,533	25,190,274
Included in non-current liabilities:		
— Secured/guaranteed	11,131,914	10,997,483
— Unsecured	11,038,619	13,452,902
Less: current portion of non-current liabilities	(4,765,393)	(5,247,780)
	17,405,140	19,202,605
Included in current liabilities:		
— Secured/guaranteed	315,000	210,000
— Unsecured	555,000	529,889
— Current portion of non-current liabilities	4,765,393	5,247,780
	5,635,393	5,987,669
Total	23,040,533	25,190,274

As at 30 June 2024 and 31 December 2023, all of the Group's borrowings were denominated in following currencies:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	22,394,341	19,940,657
HKD	646,192	5,249,617
	23,040,533	25,190,274

The Group's bank and other borrowings as at 30 June 2024 of RMB9,025,764,000 (2023: 8,547,533,000) were secured by certain buildings, investment properties, PUD and PHS of the Group with total carrying values of RMB20,207,404,000 (31 December 2023: RMB22,339,218,000).

The Group's bank and other borrowings of RMB2,000,000,000 as at 30 June 2024 (31 December 2023: RMB2,280,000,000) were guaranteed by its related parties (note 27(a)), and RMB421,150,000 (31 December 2023: RMB379,950,000) were guaranteed by third parties.

Notes to the Interim Financial Information (Continued)

24 Bank and other borrowings (Continued)

The annual weighted average effective interest rate of bank and other borrowings is 4.63% per annum for the six months ended 30 June 2024 (31 December 2023: 5.01% per annum).

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 year	5,635,393	5,987,669
1 to 2 years	4,470,047	5,153,413
2 to 5 years	9,830,652	9,801,098
Over 5 years	3,104,441	4,248,094
	23,040,533	25,190,274

25 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 (note 27(b))	1,309,004	2,925,464
— third parties	22,278,472	26,067,032
Amounts due to related parties (note 27(b))	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 (note 19(a))	470,489	–
Other payables (note (c))	2,177,462	2,492,955
	55,404,974	59,525,590

25 Trade and other payables (Continued)

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

	As at 30 June 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.

26 Guarantees

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	47,074,272	61,869,805
Guarantees to joint ventures and associates in respect of borrowings (note (b))	4,877,859	6,575,976
	51,952,131	68,445,781
Less: allowance for credit loss	(26,403)	(36,051)
	51,925,728	68,409,730

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal titles and take possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.
- (b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

27 Related party transactions

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

(a) Transactions with related parties

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(i) Entities controlled by the Ultimate Controlling Parties		
Rendering of property management services	42,437	26,432
Management and consulting service income	19,197	19,932
Purchase of home appliances and smart home technology products	75,260	84,859
Interest expenses on loans from related parties	205,592	37,113
Receiving guarantees in respect of borrowings	2,774,000	3,576,427
Licensing fees	4,620	4,440
Guarantee fees	40,173	24,747
(ii) Entities controlled by certain directors		
Management and consulting service income	–	1,248
Rendering of property management services	595	444
(iii) Joint ventures		
Management and consulting service income	178,737	91,622
Providing guarantees in respect of borrowings	2,610,637	5,464,072
Selling of materials, equipment and other services	55,992	32,672
Purchase of materials, equipment and other services	15,295	51,280
Purchase of home appliances and smart home technology products	1,608	3,336
Rendering of property management services	7,095	15,353
(iv) Associates		
Providing guarantees in respect of borrowings	2,267,222	3,428,978
Management and consulting service income	102,181	61,106
Rendering of property management services	6,425	14,050
Selling of materials, equipment and other services	11,372	2,719

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

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
(i) Joint ventures		
Amounts due from related parties	8,931,400	7,251,663
Amounts due to related parties	14,748,689	13,464,325
(ii) Associates		
Amount due from related parties	3,588,431	3,599,721
Amount due to related parties	7,324,715	7,391,843
(iii) Entities controlled by the Ultimate Controlling Parties		
Amounts due from related parties	23,722	5,895
Amounts due to related parties	1,121,753	2,793,103
(iv) Entities controlled by certain directors and/or their close family members		
Amounts due from related parties	495	282
Amounts due to related parties	179,802	124,540
(v) Analysis on amounts due from related parties:		
Trade	148,411	147,910
Non-trade	12,395,637	10,709,651
(vi) Analysis on amounts due to related parties:		
Trade	1,309,004	2,925,464
Non-trade	22,065,955	20,848,347

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

27 Related party transactions (Continued)**(c) Loans from related parties (included in bank and other borrowings)**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	5,115,711	42,803
Loans advanced	16,052,000	2,995,293
Loans repayments	(15,996,342)	(1,093,493)
Exchange differences	17,626	–
End of the period	5,188,995	1,944,603

The annual weighted average effective interest rate of loans from related parties was 5.13% (six months ended 30 June 2023: 5.24% per annum), and the terms of the loans were between 12 months to 36 months (six months ended 30 June 2023: between 12 month to 24 months).

(d) Key management compensation

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key management compensation		
— Salaries and other employee benefits	2,902	3,280
— Pension costs	122	121
— Fees	323	272
— Share-based payment expenses	3,772	4,904
	7,119	8,577

28 Transactions with non-controlling interests

During the six months ended 30 June 2024, the Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total consideration of RMB756,140,000. The differences between the carrying amounts of non-controlling interests acquired and consideration paid and payable are set out below:

	Six months ended 30 June 2024 RMB'000 (Unaudited)
Total carrying amounts of non-controlling interests acquired	737,244
Less: Consideration offset by amounts due from non-controlling interests	(756,140)
Total difference recognised within equity	(18,896)

29 Subsequent events

- (a) In August 2024, the Group redeemed the outstanding mid-term notes with total principal amounts of RMB324,000,000 at a redemption price equal to 100% of the principal amount as of the redemption date.
- (b) As announced on 23 June 2024 and 16 August 2024, the Board of Directors announced that the Company is proposing the implementation of the distribution in specie of the PD&S Business of the Group to its shareholders with a cash alternative of HK\$5.90 per share to certain shareholders opting not to receive the distribution in specie (the "**Proposed Distribution**").

In order to facilitate the Proposed Distribution, the Controlling Shareholders have undertaken to (i) elect, accept and hold the PD&S Business based on their shareholding level in the Company in full (i.e., without electing for the cash alternative); and (ii) in respect of the Shares of PD&S Business not taken on by the shareholders who elected to receive cash under the Proposed Distribution (the "**Cash-Electing Shareholders**") (if any), acquire or arrange for their wholly-owned subsidiaries to acquire from the Company such PD&S Business 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 (the "**Possible Disposal**").

Upon the completion of the Proposed Distribution and the Possible Disposal, the PD&S Business will cease to be controlled by the Company and will be held by the Controlling Shareholders (or their wholly-owned subsidiary(ies)) and the shareholders who elect to obtain the PD&S Business. The expected completion will be close to the end of October 2024, which is subject to the approval of the shareholders of the Company other than the Controlling Shareholders and their respective associates at the extraordinary general meeting of the Company to be convened on 2 September 2024.

EXECUTIVE DIRECTORS

Mr. Hao Hengle (Chairman and President)
Mr. Wang Dazai (appointed on 11 June 2024)
Mr. Wang Quanhui
Mr. Lin Ge
Mr. Zhang Ziliang (resigned on 11 June 2024)

NON-EXECUTIVE DIRECTORS

Mr. He Jianfeng
Mr. Zhao Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Hao Hengle
Mr. Lin Ge

JOINT COMPANY SECRETARIES

Ms. Wan Jingli
Ms. Chan Bo Shan

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REGISTERED OFFICE

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Grand Cayman KY1-9008, Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
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Grand Cayman KY1-9008, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISER

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Hong Kong

PRINCIPAL BANKS IN THE MAINLAND CHINA (in Alphabetical Order)

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

PRINCIPAL BANKS IN HONG KONG, CHINA (in Alphabetical Order)

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Minsheng Banking Corporation Limited,
Hong Kong Branch
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited

STOCK CODE

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