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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3990)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2021, revenue amounted to RMB73,703.10 million, representing an increase of 40.4% as compared with RMB52,483.61 million for the year of 2020.
- For the year ended 31 December 2021, gross profit amounted to RMB13,495.46 million, representing an increase of 15.8% as compared with RMB11,657.99 million for the year of 2020.
- For the year ended 31 December 2021, profit and total comprehensive income for the year amounted to RMB5,302.81 million, representing an increase of 9.9% as compared with RMB4,825.50 million for the year of 2020.
- For the year ended 31 December 2021, core net profit* amounted to RMB5,457.54 million, representing an increase of 13.6% as compared with RMB4,804.69 million for the year of 2020. Core net profit attributable to owners of the Company** amounted to RMB3,898.29 million, representing a decrease of 9.5% compared with RMB4,305.68 million for the year of 2020.
- For the year ended 31 December 2021, basic and diluted earnings per share attributable to owners of the Company amounted to RMB3.04.
- For the year ended 31 December 2021, contracted sales of the Group and its joint ventures and associates amounted to approximately RMB137.14 billion, representing an increase of 8.7% as compared with RMB126.16 billion for the year of 2020.
- As at 31 December 2021, the total GFA of the Group's land reserves*** reached 49.52 million square metres, comprising 354 property development projects, covering 61 cities, 113 of which were participated through joint ventures and associates.

* 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 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 attributable to owners of the Company.

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

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2021, which remains the same as that of last year.

The board of directors (the "**Board**" or the "**Director(s)**") of Midea Real Estate Holding Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021, with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**73,703,098**	52,483,611
Cost of sales	*3*	**(60,207,635)**	(40,825,617)
Gross profit		**13,495,463**	11,657,994
Other income and gains — net	*4*	**894,119**	654,743
Selling and marketing expenses	*3*	**(2,662,865)**	(2,194,349)
Administrative expenses	*3*	**(3,382,192)**	(3,518,260)
Net impairment losses on financial assets		**(322,646)**	(68,407)
Operating profit		**8,021,879**	6,531,721
Finance income	*5*	**720,994**	687,591
Finance costs	*5*	**–**	–
Finance income — net	*5*	**720,994**	687,591
Share of results of joint ventures and associates		**(23,353)**	351,042
Profit before income tax		**8,719,520**	7,570,354
Income tax expenses	*6*	**(3,416,710)**	(2,744,856)
Profit for the year		**5,302,810**	4,825,498
Profit attributable to:			
Owners of the Company		**3,743,557**	4,326,482
Non-controlling interests		**1,559,253**	499,016
Total comprehensive income for the year		**5,302,810**	4,825,498

	Note	Year ended 31 December **2021** ***RMB'000***	 2020 *RMB'000*
Total comprehensive income attributable to:			
Owners of the Company		**3,743,557**	4,326,482
Non-controlling interests		**1,559,253**	499,016
		5,302,810	4,825,498
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	*7*	**3.04**	3.52
Diluted	*7*	**3.04**	3.52

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,236,426**	1,240,196
Investment properties		**3,355,218**	2,644,975
Right-of-use assets		**390,643**	387,217
Intangible assets		**184,801**	152,558
Properties under development		**379,460**	2,172,043
Investments in joint ventures		**16,841,500**	12,511,758
Investments in associates		**11,442,700**	6,824,011
Finance lease receivables		**43,343**	42,721
Deferred income tax assets		**4,016,383**	3,245,424
Financial assets at fair value through profit or loss	*10*	**159,172**	–
		38,049,646	29,220,903
Current assets			
Inventories		**146,366**	54,754
Contract assets and contract acquisition costs		**2,218,958**	1,634,864
Properties under development		**147,830,961**	147,733,999
Completed properties held for sale		**12,663,962**	12,781,184
Trade and other receivables	*9*	**42,715,075**	54,467,913
Prepaid taxes		**10,694,849**	9,977,138
Financial assets at fair value through profit or loss	*10*	**3,500**	1,096,084
Restricted cash		**7,907,985**	8,140,220
Term deposits with initial terms over three months		**–**	52,310
Cash and cash equivalents		**26,288,551**	18,595,105
		250,470,207	254,533,571
Total assets		**288,519,853**	283,754,474

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital and premium	*11*	**6,026,594**	7,654,595
Other reserves		**2,867,664**	2,803,116
Retained earnings		**14,617,462**	11,609,992
		23,511,720	22,067,703
Non-controlling interests		**24,297,901**	18,151,685
Total equity		**47,809,621**	40,219,388
LIABILITIES			
Non-current liabilities			
Corporate bonds		**5,635,782**	9,286,080
Bank and other borrowings		**35,352,703**	37,099,339
Lease liabilities		**140,088**	176,113
Deferred income tax liabilities		**810,234**	1,088,402
		41,938,807	47,649,934
Current liabilities			
Contract liabilities		**107,453,005**	104,037,720
Corporate bonds		**4,873,724**	6,758,152
Bank and other borrowings		**10,461,339**	5,496,685
Lease liabilities		**89,272**	62,956
Trade and other payables	*12*	**68,959,924**	73,116,412
Current income tax liabilities		**6,934,161**	6,413,227
		198,771,425	195,885,152
Total liabilities		**240,710,232**	243,535,086
Total equity and liabilities		**288,519,853**	283,754,474

NOTES

1. BASIS OF PREPARATION

(i) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New and amended standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Property, plant and equipment- proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to IFRS Standards 2018 to 2020	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

		Effective for accounting periods beginning on or after
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

2. REVENUE AND SEGMENT INFORMATION

Revenue of the Group for each of the years ended 31 December 2021 and 2020 is analysed as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Property development and sales	**72,518,121**	51,516,194
Property management services	**908,690**	776,285
Investment and operation of commercial properties		
— Property lease income	**135,480**	82,337
— Hotel operation	**8,260**	8,642
— Cultural-tourism project	**132,547**	100,153
	73,703,098	52,483,611

Represented by:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Revenue from property development and sales:		
— Recognised at a point in time	**64,648,676**	41,702,436
— Recognised over time	**7,869,445**	9,813,758
	72,518,121	51,516,194
Revenue from rendering of services:		
— Recognised over time	**1,049,497**	885,080
Revenue from other sources:		
— Property lease income	**135,480**	82,337
	73,703,098	52,483,611

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

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

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contract assets related to property development and sales (i)	**866,380**	887,881
Contract acquisition costs (ii)	**1,352,578**	746,983
Total contract assets and contract acquisition costs	**2,218,958**	1,634,864

(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. Contract assets are comparable to that of last year.

(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 amounts of amortisation were RMB718,198,000 for the year ended 31 December 2021 (2020: RMB411,963,000). There was no impairment loss in relation to the costs capitalised.

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contract liabilities	**107,453,005**	104,037,720

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. The increase in contract liabilities during the year was mainly attributable to the increase in the Group's contracted sales.

As at 31 December 2021, RMB9,472,285,000 (2020: RMB9,308,048,000) of value-added-taxes on advances from customers relating to contracted sales were recognised in other taxes payable.

(c) Unsatisfied contracts related to property development and sales

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Expected to be recognised within one year	**67,213,965**	64,705,853
Expected to be recognised after one year	**53,966,935**	53,058,164
	121,180,900	117,764,017

The unsatisfied contracts amounts of RMB67,213,965,000 as at 31 December 2021 expected to be recognised within one year was calculated based on the Group's pre-sales contracts signed up to 31 December 2021.

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

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of property development and sales —including construction cost, land cost, capitalised interest expenses	**58,015,823**	39,733,573
Employee benefit expenses	**2,806,736**	2,269,095
Marketing and advertising expenses	**1,002,272**	1,116,617
Write-downs of properties under development and completed properties held for sale	**1,473,447**	1,038,877
Amortisation of contract acquisition costs *(note 2(a))*	**718,198**	411,963
Bank charges	**427,133**	300,476
Taxes and surcharges	**465,291**	377,815
Travelling and entertainment expenses	**145,452**	141,502
Office expenses	**52,533**	87,115
Professional service and consulting fees	**331,651**	217,037
Depreciation and amortisation	**180,193**	207,430
Auditor's remuneration	**9,080**	7,822
— Annual audit services	**6,600**	6,600
— Non-audit services	**2,480**	1,222
Others	**624,883**	628,904
Total	**66,252,692**	46,538,226

4. OTHER INCOME AND GAINS — NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other income		
Management and consulting service income	**556,719**	319,500
Government subsidy income	**28,890**	61,813
Compensation income *(note(a))*	**122,067**	70,919
	707,676	452,232

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other gains — net		
Realised and unrealised gains on financial assets at FVPL	**57,596**	166,506
Gains arising from changes in fair value of and transfer to investment properties	**12,532**	27,739
(Losses)/gain on disposal of subsidiaries	**(8,985)**	42,051
Gains/(losses) on disposal of joint ventures and associates	**90,411**	(3,475)
Losses on disposal of property, plant and equipment and investment properties	**(3,097)**	(521)
Net foreign exchange gains/(losses)	**6,871**	(43,153)
Others	**31,115**	13,364
	186,443	202,511
Other income and gains — net	**894,119**	654,743

(a) It mainly represented the compensation income from construction parties who failed to fulfill its obligation under construction agreement entered into with the Group.

5. FINANCE INCOME — NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance costs		
— Interest expenses		
— Bank and other borrowings	**(2,355,290)**	(2,342,886)
— Corporate bonds	**(543,372)**	(753,060)
— Lease liabilities	**(15,644)**	(15,273)
	(2,914,306)	(3,111,219)
Less:		
— Capitalised interest	**2,914,306**	3,111,219
	–	–
Finance income		
— Interest income	**604,623**	441,426
— Net foreign exchange gains on financing activities	**116,371**	246,165
	720,994	687,591
Finance income — net	**720,994**	687,591

6. INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax:		
— Corporate income tax	**3,065,075**	2,844,669
— LAT	**1,334,810**	1,315,125
	4,399,885	4,159,794
Deferred income tax		
— Corporate income tax	**(983,175)**	(1,414,938)
	3,416,710	2,744,856

(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.

7. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000):	**3,743,557**	4,326,482
Weighted average number of ordinary shares in issue (thousands)	**1,229,698**	1,230,567
Earnings per share — Basic (RMB per share)	**3.04**	3.52

(b) Diluted

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

The Group has two categories of potential ordinary shares in the year ended December 31, 2021 which were the restricted shares and the share options.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding restricted shares and share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the vest of the restricted shares.

On 22 April 2021, the Company offered to grant a total of 66,660,000 share options to 193 eligible participants. The effect of share options is not dilutive because the exercise price of the share option is above the fair market value of the ordinary shares as at 31 December 2021.

	2021	2020
Profit attributable to owners of the Company (RMB'000)	**3,743,557**	4,326,482
Weighted average number of ordinary shares in issue (thousands)	**1,229,698**	1,230,567
Adjustments — restricted shares (thousands)	**3,146**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,232,844**	1,230,567
Earnings per share — Diluted (RMB per share)	**3.04**	3.52

8. DIVIDENDS

The board of directors has recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2021 (2020: HK$1.60 per share). Subject to the approval of the shareholders of the Company at the annual general meeting, the proposed final dividend will be paid on or about 17 August 2022 to the shareholders whose names appear on the register of members of the Company on 2 June 2022. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Included in current assets:		
Trade receivables — net *(note (a))*	**1,510,010**	1,321,642
Other receivables — net	**39,714,707**	48,702,799
Prepayments for land use rights	**558,719**	2,673,252
Advanced payments for redemption of corporate bonds	**–**	1,000,000
Other prepayments	**931,639**	770,220
	42,715,075	54,467,913

As at 31 December 2021 and 2020, the fair value of trade and other receivables approximated their carrying amounts.

(a) Details of trade receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables — related parties	**180,497**	242,118
Trade receivables — third parties	**1,442,642**	1,115,958
Less: allowance for impairment	**(113,129)**	(36,434)
Trade receivables — net	**1,510,010**	1,321,642

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**903,298**	868,510
Over 90 days and within 180 days	**191,210**	116,560
Over 180 days and within 365 days	**360,162**	130,593
Over 365 days	**168,469**	242,413
	1,623,139	1,358,076

The Group's trade receivables were denominated in RMB.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the year ended 31 December 2021, a provision of RMB76,695,000 (2020: RMB2,515,000) were made against the gross amounts of trade receivables.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Investments in wealth management products *(note(a))*	**3,500**	813,690
Investments in asset management schemes *(note(a))*	**–**	201,100
Equity investments in unlisted companies	**105,000**	–
Others	**54,172**	81,294
	162,672	1,096,084
Non-current	**159,172**	–
Current	**3,500**	1,096,084
	162,672	1,096,084

(a) Investments in wealth management products and asset management schemes mainly represented investments in certain financial instruments issued by commercial banks and other financial institutions which had no guaranteed returns. The fair values of these investments were determined based on the statements provided by the counter parties.

The ranges of expected return rates of these products as at 31 December 2021 were 0.35%–3.19% (2020: 0.45%–6.40%).

11. SHARE CAPITAL AND PREMIUM

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**	**Share premium**	**Total**
			HKD'000	*RMB'000*	*RMB'000*	*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	–	–	–

	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*
Issued and fully paid						
At 31 December 2019 and 1 January 2020		1,230,567,000	1,230,567	1,041,309	8,424,680	9,465,989
Dividends		–	–	–	(1,811,394)	(1,811,394)
At 31 December 2020 and 1 January 2021		1,230,567,000	1,230,567	1,041,309	6,613,286	7,654,595
Issue of new shares	*(a)*	3,795,000	3,795	3,134	–	3,134
Dividends payable to shareholders	*(b)*	–	–	–	(1,631,135)	(1,631,135)
At 31 December 2021		1,234,362,000	1,234,362	1,044,443	4,982,151	6,026,594

(a) On 22 April 2021, in recognition of 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, the Company adopted the restricted share award scheme, according to which 3,795,000 ordinary shares of the Company were issued and allotted to MRE T Limited on 31 May 2021 for the purpose of the restricted share award scheme.

(b) On 24 March 2021, the Board recommended the payment of a final dividend of HK$1.60 per share for the year ended 31 December 2020 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 4 June 2021 and paid in July 2021.

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables *(note (a))*	**35,090,123**	34,913,221
— related parties	**77,794**	32,766
— third parties	**35,012,329**	34,880,455
Amounts due to related parties	**19,839,886**	19,027,429
Amounts due to non-controlling interests	**3,770,421**	9,692,822
Outstanding acquisition considerations payable	**1,372,647**	2,133,530
Deposit payables	**999,773**	1,339,001
Accrued expenses	**689,110**	763,464
Salaries payable	**1,055,014**	1,082,101
Interest payable	**485,955**	557,513
Other taxes payable	**2,103,647**	1,856,259
Other payables	**3,553,348**	1,751,072
	68,959,924	73,116,412

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**15,745,629**	18,523,384
Over 90 days and within 365 days	**16,769,920**	14,527,604
Over 365 days	**2,574,574**	1,862,233
	35,090,123	34,913,221

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW FOR 2021

Annual Results

I. INDUSTRY OVERVIEW

2500 years ago, Heraclitus said that "change is the only constant in life", which can be used as the most appropriate description of 2021. All kinds of shocks, challenges, problems, pressures were intertwined, bringing us into a complex world. As the once-in-a-century pandemic hit the world, the external environment became more complex, challenging and uncertain. History is flowing and surging forward against all odds, and blazing a new trail.

For the real estate industry, 2021 was a year of coexistence of "ice and fire", a year of settling down and rebirth after disruption. This year, real estate companies learned their lessons from the hard way as the common practices in the industry, such as prioritising scale-up, extensive management and standing in no awe of the market, gave rise to many problems and caused widespread credit defaults in the industry. This year, given tightening regulatory policies and shrinking financing channels, real estate companies cut their balance-sheets and retrenched, suggesting that the "high leverage, high debt and high turnover" model gradually came to an end. This year, the business logic returned to its origin, and the realisation of product performance and residential functions has become an important issue. The industry is about to enter a virtuous cycle era of low leverage and fine operation.

Gold will surface after sand is blown away. The great changes in the industry will inevitably come with pains, but will usher in a more stable future.

II. *BUSINESS REVIEW*

Looking back at the time of major changes in the industry, there is always a critical milestone to continue with the past and open up the future in the journey to realise a dream. Since its inception in 2004, the Group has been adapting to market and industry changes and adjusting its development strategy in due course. In 2011, based on its development in the past seven years, the Group went out of Guangdong to start nationwide expansion, and initially built a nationwide business network with a concentration on the Greater Bay Area, Yangtze River Delta, Southwest, North China and Central China. In 2015, the Group sped up its national expansion with the acceleration of China's new urbanisation, a loose monetary policy, and the growth in real estate demand. In 2018, the Group entered first- and second-tier cities such as Guangzhou and Chengdu, and was listed on the Hong Kong stock market, which was the largest real estate IPO of the year. In 2019, the Group's sales exceeded RMB 100 billion as it quickly entered sizable markets such as Hangzhou, Wuhan and Tianjin and strategically shifted to regional expansion and urban upgrade, marking the entry into a stage of long-term stable development. In the past two years, the Group became more focused in terms of business operations and greatly enhanced its capabilities in real estate operations; continuously improved its business presence, and looked for value-added space in the upstream and downstream of the real estate industry, leading to growing business results. Every change is self-renewal. With product positioning and improvement and team training and adaption, the Group leaves the comfort zone and enters a more competitive market.

Along the way, the Group has always been committed to forward-looking development. It always insists on self-examination and risk planning, remains in awe of scale-up and leverage, and upholds the original intention of creating value for customers and shareholders. Market and industry development has never been smooth but is full of ups and downs. In its prime, the Group maintained self-control and did not blindly follow the crowd and expand aggressively; in low times, it still maintained confidence and move forward firmly against headwinds.

2021 was a special year, with prosperity in the first half and recession in the second half. The Group made quick adjustments to respond to the rapidly changing market environment. Specifically, the Group emphasised ensuring the security of cash flow, sped up the disposal of projects in cities which are no longer the priorities, and further optimised its investment portfolio. Focus and deep development are the key words and serve as the basis for healthy development after the baptism of wind and rain.

(I) Business Development: Focusing on Key Areas and Improving the Quality of Land Bank

In terms of investment portfolio evolution, the Group has shifted from focusing on certain regions to going deep in cities especially core and satellite cities and to making the best of selected areas, and has developed a complete set of strategy models. During the Reporting Period, the Group further optimised its investment strategy, maintained its investment direction and focus, and made solid efforts to increase its market share. As at 31 December 2021, the Group had a total of 354 property development projects, covering 61 cities across China, and had a sizable land bank of 49.52 million square metres in GFA. During the year, an attributable GFA of approximately 4.71 million square metres was added, and the attributable amount of land acquisition represented 38% of attributable contracted sales.

During the Reporting Period, the Group invested more than 90% of its land acquisition spending in second-tier cities and above to unswervingly follow the journey of urban upgrade. The Group's land bank in first- and second-tier cities further expanded to 60%. The newly added land reserves are mainly concentrated in core regions such as the Yangtze River Delta and the Greater Bay Area. In particular, the "base" construction strategy was advancing in an orderly manner in core cities, provincial capitals and important rail transit cities.

(II) Sales Performance: Steadily Rising Sales and Intensifying Receivables Collection

The performance of excellent real estate companies usually shows the resilience of sales. When the industry is pessimistic, consumers are still willing to vote in favour with practical actions. During the Reporting Period, the contracted sales and contracted sales GFA of the Group, together with its joint ventures and associates, reached approximately RMB137.14 billion and 11.764 million square metres, representing an increase of 8.7% and 5.8% over the same period in 2020 respectively, higher than the industry average. Under the current market environment, the Group put more emphasis on receivables collection instead of simply pursuing high sales growth. During the Reporting Period, the Group's collection ratio of sales proceeds was 78%, which was at a high level in the industry (especially among non-state-owned enterprises). Meanwhile, the Group made reasonable construction plans and delivery schedules based on market changes to achieve a dynamic balance of supply, sales and inventory. During the Reporting Period, the Group's sell-through rate reached 65%.

The Group implemented the regional expansion and urban upgrade strategies, and leveraged its brand and organisational management advantages to increase market share and improve sales quality. The percentage of sales contribution of high-tier cities continued to increase, and the gross profit margin of new projects kept recovering. During the Reporting Period, the average selling price of the Group increased by 2.7% to RMB11,657 per square metre compared with the same period in 2020, and the percentage of sales contributed by high-tier cities continued to rise, with second-tier cities and above accounting for 78% of sales.

(III) Financial Performance: Staying Safe and Sound and Safeguarding the Risk Bottom Line

The Group always takes credit security and isolation of risks seriously and has obvious financial advantages. During the Reporting Period, the Group continued to take advantage of low-cost financing to build a core moat for financial security. As at 31 December 2021, the Group's weighted average financing cost was as low as 4.82%, making it one of the few nationwide non-state-owned real estate companies with sustained access to low-cost financing. During the Reporting Period, the weighted average effective interest rate of its new interest-bearing liabilities was 4.63%, and the financing cost may be further optimised.

Leverage management and optimisation of debt structure have always been the core goals of the Group. During the Reporting Period, the Group achieved great results in reducing debts. Specifically, the net gearing ratio fell significantly to 46.3%; the cash to current liabilities ratio increased substantially to 1.71; the asset-liability ratio after excluding advance receipts dropped to 72.1%. As at 31 December 2021, the total interest-bearing liabilities of the Group amounted to RMB56,323.55 million, representing a decrease of 4.0% as compared with the end of the previous year.

The Group focused on strengthening receivables collection to enhance financial soundness, and maintained sufficient cash and credit facilities to improve its anti-risk ability. As at 31 December 2021, the Group had total cash and bank balances of RMB34,196.54 million, and unused bank credit facilities of RMB100,124.82 million.

(IV) Product Strength: Returning to the Essence and Creating Product Labels

The transformation of the industry brings more and higher requirements for products. Nevertheless, long-termism and daring to innovate are the core values of the Group in terms of product strength. During the Reporting Period, the Group mapped its product portfolio by customer group and formed four mature product series. Among them, the launch of the top product series "Jingrui" not only carries the Group's mission of strategic urban expansion, but also represents an ideal modern lifestyle.

The Group strengthened the first-mover advantage in smart offerings, made the best of the support from Midea, insisted on co-creation with customers, explored life scenarios based on the actual needs of customers, and actively served the lifestyles of users. Given the new needs arising from the normalisation of COVID-19, multi-child policy, the Double Reduction policy and the carbon neutrality strategy, the Group opened a new chapter in the development of smart home scenarios. Moreover, it leveraged its advantages as a "manufacturing" and "smart" enterprise to solve customers' pain points.

(V) Service Capabilities: Respecting Customers and Exploring New Experience

Service capabilities represent one of the core capabilities in the value chain of real estate development. Good products need to be matched with good services. Midea Property Management launched four service standards of "royalty, enjoyment, joy and pleasure" to meet the diverse needs of different customer groups, and continued to build a business operation service system covering the whole life cycle of customers, all scenarios of the community and all service contact points, with a view to creating a new experience of intimate and quality life services.

In 2021, the Group launched a new user brand named "Chengyijia" (橙意家) to continuously deliver a "visible" beautiful life to customers based on quality. During the Reporting Period, the Group delivered 71,000 units nationwide, with a delivery rate of 90%. Nearly 40% of them were distributed in the first- and second-tier cities in the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta Economic Zone, and the Group ranked among the best in the industry in terms of homeowner satisfaction. While consolidating its principal business, the Group developed non-residential business, solidly promoted the market expansion strategy, strengthened its service capabilities for industrial parks, and entered sub-sectors such as cultural tourism, schools, elderly care, and urban public building, so as to enrich its business portfolio across the industry chain.

(VI) Diversified Development: Innovation and Transformation to Promote Space Technology Integration

Technology and intelligence are reshaping the real estate industry and injecting new impetus into the future development of the industry. The Group believes that the real estate industry with an ultra-long industrial chain still has a lot of potential to explore. Real estate companies need to change their traditional mindset, embrace innovative technologies and business models, create new growth drivers, and develop a more reasonable and diversified business structure.

During the Reporting Period, the commercial segment continued to put into operation landmark projects of the "Wonderful" series, had a total GFA of over 3.50 million square metres in operation, and partnered with more than 1,000 merchants; the industrial segment recorded a contracted sales of RMB2.16 billion.

Ruizhu Intelligent, a subsidiary of the Group, continued to focus on scientific research and innovation of smart scenarios. As of now, it has obtained over 500 patents for smart green products and has been certified for 20 national or industry standards for smart green technology. It has served more than 200 customers, and delivered smart life services to over 110,000 households in over 330 smart communities. According to data released by CRIC Research Centre, in 2021, the Group's smart home decoration rate was 48%, ranking first in the industry.

Ruizhu Capital of the Group upholds the investment philosophy based on "space technology" and empowers enterprises with its advantages in "capital, real estate and property management" platforms in an effort to build an ecosystem underpinned by smart, healthy, green and low-carbon capabilities.

(VII) Lean Management: Improving Efficiency and Cost-effectiveness and Returning to Manufacturing Mindset

In 2021, the Group's administrative expenses as a percentage of revenue decreased by 2.1% as compared with that in 2020. The Group continued to enhance capabilities in product standardisation and quality improvement, life cycle cost control, and improvement of development and operation efficiency. In the meantime, the Group strengthened digital application in the industry: internally, it transformed the company-wide value chain to realise the digitisation of production and operations; externally, on the one hand, it improved efficiency and user experience in the aspects of digital marketing and digital services; on the other hand, it secured reliable delivery from and had good interaction with upstream suppliers to improve the operation efficiency of the industrial chain.

III. DEVELOPMENT STRATEGY AND OUTLOOK

In 2021, the industry faced unprecedented challenges. Looking ahead, the journey is still arduous and long. However, people's yearning for a better life will always exist. As a sector enabling everyone to "have a place to live and live in ease", the real estate industry will have great prospects. The development of the industry has entered a new normal, which will breed new opportunities. We are full of confidence in the industry.

As a Chinese poem goes, "It's strong and firm though struck and beaten without rest, careless of the wind from north or south, east or west." As a creditworthy non-state-owned real estate company with nationwide presence, the Group is also full of confidence in its future prospects. The Group will make the best of the strong support of Midea's ecosystem, its sound financial strategy, solid financing capacity, full-cycle development and operation capabilities, lean organisation management, ingenious and innovative products and service, and capabilities in building a space technology industry chain, to achieve quality growth and blaze a unique trail in the industry. On the road of stable and long-term development, we will continue to strengthen our faith, maintain confidence, cherish credit, and embrace changes to capture the future.

Ensuring financial security and returning to the fundamental logic. The Group will strictly implement the principle of "one control, one reduction, one stability and one increase" to control the cost and amount of interest-bearing liabilities; reduce inventory on the premise of sales with cash and cash with profits; stabilise selling prices and improve asset turnover. In the future, the Group will continue to consolidate the moat of financing capacity and maintain financial security and liquidity.

Upholding the principle of focusing on bases to cash out. The Group will unswervingly go deep in cities and concentrate on key regions (Yangtze River Delta, Greater Bay Area, provincial capitals, promising prefecture-level cities, core cities, and core districts) to increase the market share in these cities. The Group will scientifically assess its sales strategies, technical means and management measures, and make overall improvements under a result-oriented approach. In addition, it will constantly tap the market potential, stabilise the selling prices and increase premiums.

Understanding customer demands and improving delivery quality. The Group will develop panoramic plans for future communities based on innovative scenarios in the life of users, strengthen the label of "smart health", and comprehensively improve the community service and operation system. It will create differentiated advantages by developing unique product IPs and genes in the aspects of R&D, fine decoration and intelligence; continue to promote the construction of a customer research system and put the "customer-centric" approach into action.

Leveraging technology's power to strengthen industrial chain expansion. The Group will develop organisational management models and ways of thinking other than those for its principal business — real estate development, embrace technology based on insights into consumer needs more proactively, promote the deep integration of technology and living space, and constantly upgrade the supply capacity of smart space and smart life. Starting from application scenarios, it will address the pain points of the industry, integrate technical resources to empower scenario-based innovation through the power of capital, and create new lifestyles and business offerings.

Practicing lean management and building an elite organisation. The Group will focus on controlling ineffective costs in the process of production, operation and sales through system iteration and closed-loop management, so as to make the best of resources; uphold the result-oriented approach, improve execution efficiency, and continue to build an elite organisation; rapidly increase the talent pool and strengthen the training of all-round talents with multiple perspectives.

Insisting on value co-creation to build a community with a shared future. Under the general trend of the industry, only with concerted efforts can we open a new chapter by building a community with a shared future. The Group will join hands with its strategic suppliers and partners to grow together, upgrade capabilities, and resist risks.

Inheriting the culture of Midea and giving full play to its institutional advantages. The Group will inherit Midea's culture of result orientation and pragmatism, give full play to the advantages of Midea's professional manager system, provide long-term equity incentives for employees, and stimulate the subjective initiative of the front-line team. As the market enters a period of adjustment and restructuring, cultural and institutional advantages will show great competitiveness.

Running water does not compete for the first, but for endless flow. The Group will adhere to long-termism and become a motivated marathon runner.

The grass and trees are growing, and spring is within sight. Today's China is at the cusp of changes unseen in a century. In the turbulent international environment, the fate of companies is closely related to the fate of the country, and they are in the same vein. The Group hopes that the country will prosper, the mountains and rivers will remain beautiful, and the people will live in peace. Difficulty is the nurse of greatness. The industry needs a baptism to mature, and enterprises in the industry need reform to go far. The times and platforms have given us such a good opportunity. In the future, we will go through the business cycle with firm belief, tenacious will and great mission.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the year, the Group recorded revenue of RMB73,703.10 million (2020: RMB52,483.61 million), representing a year-on-year increase of 40.4%. Operating profit amounted to RMB8,021.88 million (2020: RMB6,531.72 million), representing a year-on-year increase of 22.8%. Profit for the year amounted to RMB5,302.81 million (2020: RMB4,825.50 million), representing a year-on-year increase of 9.9%. Core net profit for the year increased by 13.6% to RMB5,457.54 million (2020: RMB4,804.69 million). Profit attributable to owners of the Company for the year amounted to RMB3,743.56 million (2020: RMB4,326.48 million).

Land Reserves

During the year, the Group unswervingly took the road of regional expansion and urban upgrade, maintained a prudent attitude amid the grave industry landscape, invested limited resources into property development projects that can generate the maximum value, and accelerated sales and payment collection to ensure delivery and cash flow security. Land investment was mainly concentrated in Shanghai and Jiangsu regions with strong economic vitality and Zhejiang and Fujian regions with a good market environment, focusing on deep cultivation and not expanding urban presence.

As at 31 December 2021, the total GFA of the Group's land reserves reached 49.52 million square metres, comprising 354 property development projects, covering 61 cities. These land reserves are located in five major regions namely the Pearl River Delta Economic Zone, Yangtze River Delta Economic Zone, Midstream of Yangtze River Economic Region, North China Region and Southwest Economic Region.

FINANCIAL REVIEW

Revenue

Property Development and Sales

During the year, the Group's recognised revenue from property development and sales increased by 40.8% to RMB72,518.12 million from RMB51,516.19 million in 2020, primarily due to the increase in the GFA recognised. Total GFA recognised amounted to 8.489 million square metres, representing an increase of 39.7% from 6.076 million square metres in 2020.

Property Management Services

During the year, the Group's revenue derived from property management services increased by 17.1% to RMB908.69 million from RMB776.29 million in 2020, primarily due to an increase in the GFA under management.

Investment and Operation of Commercial Properties

During the year, the Group's revenue from investment and operation of commercial properties increased by 44.6% to RMB276.29 million from RMB191.13 million in 2020. The increase was mainly due to the gradual and steady recovery and further development of property rental business and cultural tourism projects with the effective control of the pandemic in China.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly from the property development activities, the provision of property management services and other business activities. During the year, the Group's cost of sales increased by 47.5% to RMB60,207.64 million from RMB40,825.62 million in 2020. The increase was primarily due to the growth in total GFA recognised by 39.7% from 2020 to 8.489 million square metres.

Gross Profit

During the year, the Group's gross profit increased by 15.8% to RMB13,495.46 million from RMB11,657.99 million in 2020. The increase in gross profit was mainly driven by the increase in sales revenue.

Other Income and Gains — Net

During the year, the Group's other income and gains — net increased by 36.6% to RMB894.12 million from RMB654.74 million in 2020. The above other income and gains primarily consist of management and consultancy service income, compensation income, gains from disposal of joint ventures and associates, realised and unrealised gains on financial assets at fair value through profit or loss, etc. During the year, the Group's management and consultancy service income increased compared with that of 2020, which resulted in an increase in other income and gains.

Selling and Marketing Expenses

During the year, the Group's selling and marketing expenses increased by 21.4% to RMB2,662.87 million from RMB2,194.35 million in 2020. The Group's sales scale continued to expand further, driving the corresponding growth in marketing expenses.

Administrative Expenses

During the year, the Group's administrative expenses decreased by 3.9% to RMB3,382.19 million from RMB3,518.26 million in 2020. During the year, the Group implemented stringent cost control measures and boosted per capita efficiency, resulting in a decrease in administrative expenses.

Finance Income — Net

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

During the year, the Group's net finance income recorded a net income of RMB720.99 million, representing an increase of 4.9% as compared with RMB687.59 million in 2020 primarily attributable to the increase in interest income.

Profit Attributable to Owners of the Company

During the year, profit attributable to owners of the Company amounted to RMB3,743.56 million (2020: RMB4,326.48 million).

LIQUIDITY AND CAPITAL RESOURCES

Cash Position and Available Funds

The Group's total cash and bank deposits reached RMB34,196.54 million as at 31 December 2021 (31 December 2020: RMB26,787.64 million), including RMB26,288.55 million in cash and cash equivalents (31 December 2020: RMB18,595.11 million), nil term deposits with initial terms of over three months (31 December 2020: RMB52.31 million) and RMB7,907.99 million in restricted cash (31 December 2020: RMB8,140.22 million). Several property development companies of the Group are required to deposit certain amounts of pre-sale proceeds at designated bank accounts as guarantee deposits for the construction of related properties. As at 31 December 2021, the Group's pre-sale proceeds under supervision amounted to RMB7,415.81 million. As at 31 December 2021, the Group's unused credit facilities from banks were RMB100,124.82 million.

Borrowings and Net Gearing Ratio

As at 31 December 2021, the Group's total borrowings amounted to RMB56,323.55 million. Bank and other borrowings, and corporate bonds were RMB45,814.04 million and RMB10,509.51 million, respectively. As at 31 December 2021, the net gearing ratio was 46.3% (31 December 2020: 79.2%). The net gearing ratio is calculated based on net borrowings divided by total equity. Net borrowings were calculated as total amount of borrowings less cash and cash equivalents, term deposits with initial terms of over three months and restricted cash.

Borrowing Costs

During the year, the total borrowing costs of the Group amounted to RMB2,898.66 million, representing a decrease of RMB197.29 million from RMB3,095.95 million in 2020, mainly due to the lower borrowing cost resulting from the increase in the proportion of low-cost financing during the year.

Contingent Liabilities and Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees were issued from the date of grant of the relevant mortgage loans, and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of the properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at 31 December 2021, the Group's guarantee in respect of mortgage facilities for certain purchasers amounted to RMB90,111.88 million (31 December 2020: RMB80,416.62 million).

In addition, the Group also provides guarantees for borrowings of several joint ventures and associates. As at 31 December 2021, the Group's guarantee for the loans of joint ventures and associates amounted to RMB12,434.24 million (31 December 2020: RMB11,917.46 million).

Commitments

As at 31 December 2021, the Group's capital and property development expenditure commitments amounted to RMB46,575.43 million (31 December 2020: RMB30,414.02 million).

Interest Rate Risk

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

Credit risk

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

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

Liquidity risk

Management of the Group aims at maintaining sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from 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.

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.

SUBSEQUENT EVENTS

On 13 January 2022, Midea Real Estate Group Limited (美的置業集團有限公司) ("**Midea Real Estate Group**"), an indirectly wholly-owned subsidiary of the Company, has applied and obtained the approval from the National Association of Financial Market Institutional Investors whereby Midea Real Estate Group is permitted to issue the medium-term notes with a principal amount of RMB5,000,000,000. On 1 March 2022, Midea Real Estate Group issued the first tranche of medium-term notes in an aggregate principal amount of RMB1,500,000,000 with a coupon rate of 4.50% for a term of 4 years. At the end of the second year, Midea Real Estate Group has the right to adjust the coupon interest rate, and the investors may exercise their option to sell back the first tranche of medium-term notes they hold.

On 11 March 2022, Nanjing Midea Property Development Company Limited (南京美的房地產發展有限公司) (the "**Acquisition Purchaser**"), an indirectly wholly-owned subsidiary of the Company, entered into an acquisition equity transfer agreement (the "**Acquisition Agreement**") with Nanjing Baijun Property Development Company Limited (南京百俊房地產開發有限公司) (the "**Acquisition Vendor A**"), Jiangsu Jinke Tianchen Property Development Company Limited (江蘇金科天宸房地產有限公司) (the "**Acquisition Vendor B**"), Nanjing Kechen Property Development Company Limited (南京科宸房地產開發有限公司) (the "**Acquisition Target Company A**") and Nanjing Shanhe Chenyuan Management Company Limited (南京山河宸園企業管理有限公司) (the "**Acquisition Target Company B**") in relation to (1) the acquisition of 53.0% of the equity interests in Acquisition Target Company A (the "**Acquisition Target Company A Equity Interests**") and 50.0% of the equity interests in Acquisition Target Company B (the "**Acquisition Target Company B Equity Interests**") by the Acquisition Purchaser; (2) the novation of a loan in the principal amount of RMB497,362,000 advanced by Acquisition Target Company A to Acquisition Vendor A and acceptance of such novation by the Acquisition Purchaser; and (3) the assignment of a shareholder's loan in the principal amount of RMB75,600,000 advanced by Acquisition Vendor B to Acquisition Target Company B (the "**Acquisition Assignment Loan**") and acceptance of such assignment by the Acquisition Purchaser. The total consideration of the acquisition of Acquisition Target Company A Equity Interests and the Acquisition Target Company B Equity Interests and the Acquisition Assignment Loan is RMB907,210,000. Acquisition Target Company A is engaged in property development in Nanjing City, Jiangsu Province of the PRC. Upon completion of the acquisition, Acquisition Target Company A and Acquisition Target Company B will become wholly-owned subsidiaries of the Acquisition Purchaser.

On 11 March 2022, Foshan Gaoming District Midea Property Development Company Limited (佛山市高明區美的房地產發展有限公司) (the "**Liuzhou Disposal Vendor**"), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Liuzhou Disposal Agreement**") with Liuzhou Jinzhuoliu Property Development Company Limited (柳州金卓柳房地產開發有限公司) (the "**Liuzhou Disposal Purchaser**") and Liuzhou Tongxin Property Development Company Limited (柳州同鑫房地產開發有限公司) (the "**Liuzhou Disposal Target Company**") in relation to (1) the disposal of 34% of the equity interests in Liuzhou Disposal Target Company (the "**Liuzhou Disposal Target Equity Interests**") by the Liuzhou Disposal Vendor; and (2) the assignment of a shareholder's loan in the principal amount of RMB76,707,720 advanced by the Liuzhou Disposal Vendor to the Liuzhou Disposal Target Company (the "**Liuzhou Disposal Assignment Loan**") and acceptance of such assignment by the Liuzhou Disposal Purchaser. The total consideration of the acquisition of the Liuzhou Disposal Target Equity Interests and the Liuzhou Disposal Assignment Loan is RMB100,000,000. The Liuzhou Disposal Target Company is engaged in property development in Liuzhou City, Guangxi Zhuang Autonomous Region of the PRC. Upon completion of the disposal, the Group will cease to have any interest in the Liuzhou Disposal Target Company and the Liuzhou Disposal Target Company will no longer be accounted as a subsidiary of the Company.

On 11 March 2022, Changsha Midea Property Development Company Limited (長沙市美的房地產開發有限公司), (the "**Yueyang Disposal Vendor**"), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Yueyang Disposal Agreement**") with Jinke Property Group Hubei Company Limited (金科地產集團湖北有限公司) (the "**Yueyang Disposal Purchaser**") and Yueyang County Dingyue Property Development Company Limited (岳陽縣鼎岳房地產開發有限公司), (the "**Yueyang Disposal Target Company**") in relation to (1) the disposal of 50.1% of the equity interests in Yueyang Disposal Target Company (the "**Yueyang Disposal Target Equity Interests**") by the Yueyang Disposal Vendor; and (2) the novation of a loan in the principal amount of RMB24,148,200 advanced by the Yueyang Disposal Target Company to the Yueyang Disposal Vendor and acceptance of such novation by the Yueyang Disposal Purchaser. The consideration of the disposal of the Yueyang Disposal Target Equity Interests is RMB84,148,200. The Yueyang Disposal Target Company is engaged in property development in Yueyang City, Hunan Province of the PRC. Upon completion of the disposal, the Group will cease to have any interest in the Yueyang Disposal Target Company and the Yueyang Disposal Target Company will no longer be accounted as a subsidiary of the Company.

Acquisition Vendor A, Acquisition Vendor B, Liuzhou Disposal Purchaser and Yueyang Disposal Purchaser are the members of Jinke Property Group Company Limited (金科地產集團股份有限公司), a company established in the PRC and listed on the Shenzhen Stock Exchange with stock code: 000656.SZ. For details of the Acquisition Agreement, the Liuzhou Disposal Agreement and the Yueyang Disposal Agreement, please refer to the Company's announcement dated 11 March 2022.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Trading of shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited commenced on 11 October 2018, and the Company raised net proceeds of approximately RMB2,786.87 million (including the exercise of the over-allotment option), after deducting the underwriting commission and other expenses in connection with the initial public offering ("**IPO**").

As at 31 December 2021, an analysis of the utilisation of IPO proceeds of the Company is as follows:

	Original allocation of IPO proceeds (including the exercise of the over-allotment option) *RMB million*	**Utilised IPO proceeds as at 31 December 2021** *RMB million*	**Unutilised IPO proceeds as at 31 December 2021** *RMB million*
Land acquisition or mergers and acquisitions to increase land reserves	1,950.81	1,950.81 *(Note 1)*	–
Land acquisition and construction for prefabricated construction projects	418.03	418.03	–
Research and development of smart home solutions	139.34	139.34	–
General working capital	278.69	278.69	–
Total	2,786.87	2,786.87	–

Note:

1. According to the Company's prospectus dated 28 September 2018, the Group intended to apply approximately 70% of the IPO proceeds for land acquisition to increase the land reserves by seeking and acquiring land parcels or suitable merger and acquisition opportunities in cities in which we currently operate and plan to expand by the end of 2020. The Group had attempted to utilise the IPO proceeds basically according to the schedule for expanding its land reserves in Changzhou, Wuxi, Yangzhou and Xuzhou etc.. However, the utilisation of such proceeds was delayed due to the implementation of the control policies on the real estate industry and the business and economic activities of the Group had been affected in 2020 to some extent.

   During the year ended 31 December 2021, funds amounting to RMB732.56 million were used in certain property development projects in Xuzhou and Zhenjiang, and the Board confirms that all the IPO proceeds were fully utilised by the end of 2021 in accordance with the original intended allocation of IPO proceeds.

HUMAN RESOURCES

As at 31 December 2021, the Group had employed 14,908 full time employees, most of whom were based in the PRC. Employee's remuneration includes salaries, bonuses and other cash subsidies. The remuneration and bonuses of the employees are determined based on the Group's remuneration and welfare policies, the performance of the employees, the profitability of the Group and market level. The Group will also provide employees with comprehensive welfare plans and career development opportunities, including social insurances, housing provident funds, commercial insurance as well as internal and external training opportunities.

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

SHARE OPTION SCHEME

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

During the year ended 31 December 2021, the Company had granted a total of 66,660,000 share options to 193 eligible participants with a fair value of approximately RMB170.47 million as at the date of grant (i.e. 22 April 2021) which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs.

For details, please refer to the Company's announcement dated 22 April 2021.

SHARE AWARD SCHEME

A restricted share award scheme managed by an independent trustee (the "**Trustee**") was approved and adopted by the Board on 22 April 2021, which is valid and effective for a period of 10 years commencing on the adoption date and ending 21 April 2031 (the "**Share Award Scheme**"). The Board may, from time to time, at its absolute discretion, select any eligible persons to participate in the Share Award Scheme as selected participants, subject to the terms and conditions set out in the Share Award Scheme.

During the year ended 31 December 2021, the Company had granted a total of 5,225,000 award shares to 31 selected participants at nil consideration. Among which, the Trustee purchased 1,430,000 existing shares on the market out of cash contributed by the Company to be held on trust for the Directors until such award shares are vested with such Directors. In relation to the award shares granted to the employees of the Group, a total of 3,795,000 new shares were allotted and issued by the Board on 26 May 2021 to the Trustee (which holds the same on behalf of the employees of the Group in anticipation of their vesting in the future) pursuant to the general mandate granted by the shareholders of the Company at the Company's annual general meeting held on 29 May 2020. The fair value of award shares as at the date of grant (i.e. 22 April 2021) was HKD18.04 per share, which was determined by taking the market price of the Company's shares on that date.

For details, please refer to the Company's announcements dated 22 April 2021 and 26 May 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 have complied with the Model Code during the year ended 31 December 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2021.

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

According to code provision C.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2021, Mr. Hao Hengle performed his duties as the chairman and president of the Company. As such, the Company has deviated from code provision C.2.1 of the CG Code. Given Mr. Hao has considerable experience in the PRC real estate industry and the business operations of the Group, and is familiar with Midea's operations and management core values, the Board believes that vesting both roles of chairman and president in Mr. Hao facilitates the execution of the Group's long-term strategic aims and achieving its operations and business objectives, thereby maximising the effectiveness of the Group's operations.

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

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

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

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2021. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group, the risk management and internal control systems, and the financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2021 as set out in this annual results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 26 May 2022. The notice of the AGM will be published on the Company's website at http://www.mideadc.com and the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk, and despatched to the shareholders of the Company in due course.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$1.60 per share (2020: HK$1.60 per share) for the year ended 31 December 2021 (the "**Final Dividend**"). Subject to the approval of the shareholders of the Company at the AGM and the compliance with the Companies Act of the Cayman Islands, the Final Dividend will be payable to the shareholders whose names appear on the register of members of the Company on 2 June 2022 (the "**Eligible Shareholders**"), with the Eligible Shareholders being given an option to elect to receive the Final Dividend all in new shares or partly in new shares and partly in cash or all in cash (the "**Scrip Dividend Scheme**").

The Scrip Dividend Scheme is subject to (1) the passing of the resolution relating to the payment of the Final Dividend at the AGM; and (2) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or about 13 July 2022. It is expected that the cheques for cash dividends or, if scrip shares are elected, the certificates for the scrip shares will be sent to the Eligible Shareholders on or about 17 August 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders' rights of attending and voting at the AGM, the register of members of the Company will be closed from 23 May 2022 to 26 May 2022, both days inclusive, during which period no transfer of shares shall be effected. In order to be entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 May 2022.

For the purpose of determining the identity of shareholders who are entitled to the proposed Final Dividend, the register of members of the Company will be closed from 1 June 2022 to 2 June 2022, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 31 May 2022.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at http://www.mideadc.com and the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk. The 2021 annual report will be despatched to the shareholders of the Company and available on the aforesaid websites in due course.

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

Hong Kong, 25 March 2022

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