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MIDEA REAL ESTATE HOLDING LIMITED

美的置業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3990)

(1) DISTRIBUTION IN SPECIE OF THE PROPERTY DEVELOPMENT AND SALES BUSINESS OF THE GROUP TO THE SHAREHOLDERS OF THE COMPANY

(2) POSSIBLE MAJOR TRANSACTION AND CONNECTED TRANSACTION OF THE COMPANY



Financial adviser to the Company

DISTRIBUTION IN SPECIE AND THE PROPOSED DISTRIBUTION

The Board hereby announces that the Company is proposing the implementation of the Proposed Distribution to the Shareholders whose names appear on the register of members of the Company on the Record Date, pursuant to which the Company will internally reorganise its PD&S Business to being held by the PrivateCo and forming the PrivateCo Group, and separate the PrivateCo Group from the Group by way of the Distribution in Specie of the PrivateCo Shares. As the Distribution in Specie falls within the ambit of Rule 14.94(1) of the Listing Rules, as required under Rule 14.94(2) of the Listing Rules, the Company will provide the Cash Alternative to the Shareholders opting not to receive the PrivateCo Shares.

Under the Proposed Distribution, Shareholder(s) may either (i) elect to obtain the PrivateCo Shares based on their shareholding percentage in the Company as of the Record Date, or (ii) receive the Cash Alternative, if the Shareholder(s) (1) elects not to accept and obtain the PrivateCo Shares, (2) is not able or not permitted to hold the PrivateCo Shares under applicable laws and regulations, and/or (3) does not respond to the relevant requisition to, elect, accept and obtain the PrivateCo Shares.

If the Proposed Distribution is approved by the Independent Shareholders at the EGM and if any Shareholder does not wish to participate in the Proposed Distribution, he/she/it may sell the Shares on or before the last day of dealings in the Shares cum-entitlements to the Proposed Distribution, which is expected to be Tuesday, 3 September 2024 (which timetable is subject to the final timetable contained in the circular).

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 Transaction).

Upon completion of the Proposed Distribution, the PrivateCo Group will cease to be subsidiaries of the Company and will be held by the Controlling Shareholders and the DIS-Electing Shareholders through holding the PrivateCo Shares, and the Company will continue to operate the Retained Business and the Shares will continue to be listed on the Stock Exchange.

The Proposed Distribution has the objective of enabling the Shareholders 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.

It should be emphasised that, upon completion of the Proposed Distribution, (i) the DIS-Electing Shareholders will maintain their respective interests on a pro-rata basis in the Retained Group and the PrivateCo Group, respectively; (ii) the Shareholders taking the Cash Alternative will maintain their respective interests on a pro-rata basis in the Retained Group, and there will be no dilutive effect on such interests.

Terms of the Proposed Distribution

Under the Proposed Distribution:

- the Distribution in Specie shall be conducted on the basis of one PrivateCo Share for every Share; and
- a cash consideration of HK\$5.90 under the Cash Alternative shall be payable to the Cash-Electing Shareholders for every Share held by them, the amount of which represents approximately a premium of 57.33% over the closing price of HK\$3.75 per Share as quoted on the Stock Exchange on the last trading day prior to the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

As the size of the assets to be distributed under the Proposed Distribution amounts to a very substantial disposal of the Company (namely, exceeding 75% of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules)), the implementation of the Proposed Distribution will be subject to the passing of the requisite resolution by the Independent Shareholders by way of poll at the EGM, in accordance with Rule 14.94 of the Listing Rules, the articles of association of the Company and the Cayman Islands Companies Law.

The possible disposal of the equity interest in the PrivateCo by the Company to the Controlling Shareholders with respect to the PrivateCo Shares not taken on by the Cash-Electing Shareholders (namely the Possible Transaction) will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Possible Transaction to the largest extent exceed 25% but are less than 75%, the Possible Transaction also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Possible Transaction is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

A circular containing, among others, (i) further details of the Proposed Distribution and the Possible Transaction, (ii) a letter from the Independent Board Committee to the Independent Shareholders, (iii) a letter from the independent financial adviser to the Independent Board Committee, and (iv) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

Shareholders should note that the Proposed Distribution and the Possible Transaction is subject to the approval by the Independent Shareholders as described in this announcement. Shareholders and/or potential investors in the Company should be aware that implementation of the Proposed Distribution and the Possible Transaction may or may not become effective. There is no assurance that the Proposed Distribution and the Possible Transaction will be approved or will materialise as a result thereof. Meanwhile, the Shareholders and prospective investors are advised to exercise caution in dealing in the Shares.

DISTRIBUTION IN SPECIE AND THE PROPOSED DISTRIBUTION

The Board hereby announces that the Company is proposing the implementation of the Proposed Distribution to the Shareholders whose names appear on the register of members of the Company on the Record Date, pursuant to which the Company will internally reorganise its PD&S Business to being held by the PrivateCo and forming the PrivateCo Group, and separate the PrivateCo Group from the Group by way of the Distribution in Specie of the PrivateCo Shares. As the Distribution in Specie falls within the ambit of Rule 14.94(1) of the Listing Rules, as required under Rule 14.94(2) of the Listing Rules, the Company will provide the Cash Alternative to the Shareholders opting not to receive the PrivateCo Shares.

Under the Proposed Distribution, Shareholder(s) may either (i) elect to obtain the PrivateCo Shares based on their shareholding percentage in the Company as of the Record Date (the “**DIS-Electing Shareholder(s)**”), or (ii) receive the Cash Alternative, if the Shareholder(s) (1) elects not to accept and obtain the PrivateCo Shares, (2) is not able or not permitted to hold the PrivateCo Shares under applicable laws and regulations, and/or (3) does not respond to the relevant requisition to, elect, accept and obtain the PrivateCo Shares (together, the “**Cash-Electing Shareholder(s)**”).

If the Proposed Distribution is approved by the Independent Shareholders at the EGM and if any Shareholder does not wish to participate in the Proposed Distribution, he/she/it may sell the Shares on or before the last day of dealings in the Shares cum-entitlements to the Proposed Distribution, which is expected to be Tuesday, 3 September 2024 (which timetable is subject to the final timetable contained in the circular).

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 Transaction).

Upon completion of the Proposed Distribution, the PrivateCo Group will cease to be subsidiaries of the Company and will be held by the Controlling Shareholders and the DIS-Electing Shareholders through holding the PrivateCo Shares, and the Company will continue to operate the Retained Business and the Shares will continue to be listed on the Stock Exchange. Upon completion of the Proposed Distribution, no application will be made for the listing of, or permission to deal in, the PrivateCo Shares on the Stock Exchange or any other securities exchange.

Reasons for the Proposed Distribution

The Directors (excluding the independent non-executive Directors who will form their views after considering the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders) believe that it is in the best interest of the Company and the Shareholders to effect the Proposed Distribution for the following reasons:

- (i) while the Group has maintained healthy financial ratios and managed to satisfy the requirements of the “Three Red Lines” for the year ended 31 December 2023 (as disclosed in the 2023 annual report of the Company), the Group still incurs significant burdens and liabilities to support its PD&S Business. The separation of the PD&S Business from the Group will reduce the liabilities of the Group and credit risks associated with the asset-heavy nature of real estate development businesses, and provide the Shareholders with the option to realise part of their investments in the Company and reduce their exposure to investment risks in relation to the Shares with respect to the PD&S Business;

- (ii) the Proposed Distribution will enable the Company to streamline its operations and focus on the Retained Business, which is primarily asset-light. Separating the asset-heavy PD&S Business will inevitably reduce the scale of the overall business of the Group, but the shift in focus to an asset-light model will allow the Retained Group to capitalise on its expertise within the real estate industry, achieve higher profit margins (as compared to the PD&S Business) and reduce its exposure to cyclical risks in the real estate market;
- (iii) currently, the relatively higher profit margins of the asset-light Retained Business is offset by the relatively lower profit margin of the PD&S Business, thereby making it difficult for investors to value the asset-light Retained Business separately. After the Group Restructuring and the Proposed Distribution, the Company's share price will better reflect the value of the Retained Business;
- (iv) the Proposed Distribution will provide Shareholders the option to retain their interests in both the Retained Group and the PrivateCo Group. Shareholders of the PrivateCo will hold interests in the asset-heavy property projects portfolio of the PrivateCo Group, and Shareholders of the Company will hold interests in the new asset-light business model of the Retained Group with growth potential and opportunities for revaluation; and
- (v) as it is intended that the PrivateCo will remain a private company and no listing or trading of the PrivateCo Shares on the Stock Exchange or any other securities exchange is anticipated, the Cash Alternative under the Proposed Distribution will provide Shareholders with the flexibility to choose whether or not to realise their proportionate interests in the PD&S Business.

The Board is aware that the PrivateCo Shares do not have a liquid market compared to the Shares which are listed and traded on the Stock Exchange. Nonetheless, having taken into account the benefits that the Proposed Distribution may bring to the Company and the Shareholders, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders) consider that the Proposed Distribution (including the provision of the Cash Alternative), on balance, is in the interest of the Shareholders as a whole.

Group Restructuring

To facilitate the Proposed Distribution, the Group Restructuring will be undertaken to implement the separation of the PD&S Business from the Group.

The Group Restructuring will involve, among other things, the reorganisation of interests in the Company's PD&S Business to be held by the PrivateCo thereby forming the PrivateCo Group, such that the Company will hold the entire interest in the PD&S Business through the PrivateCo.

The Group Restructuring shall be conducted on terms which are in compliance with all applicable laws and regulations of all relevant jurisdictions including the PRC, Hong Kong, the BVI and the Cayman Islands, and is expected to be completed prior to the completion of the Proposed Distribution.

Principal activities of the Group

The Group is a large national property developer based in the PRC and currently operates the following major businesses: (i) property development and sales; (ii) property management services; (iii) investment and operation of commercial properties; and (iv) real estate technologies.

Information on the PD&S Business

As of 31 December 2023, the property development and sales business of the Group, which excludes commercial properties and industrial parks owned and operated by the Group (the “**PD&S Business**”), comprised of 319 property development projects with a total gross floor area of land reserves of approximately 26.5 million square meters. The majority of such property development projects are residential properties in five major regions in the PRC, namely the Greater Bay Area, the Yangtze River Delta Economic Region, Midstream of Yangtze River Delta Economic Region, Beijing-Tianjin-Hebei Economic Region and Southwest Economic Region.

Following the Group Restructuring, the PrivateCo Group will retain and primarily be engaged in the PD&S Business, including but not limited to project investment activities.

Information on the Retained Group

As described in “Group Restructuring” section of this announcement, the Retained Group will operate the following Retained Business following the Group Restructuring:

(i) The Property Management Services Business

The property management services business offered by the Retained Group includes a range of services, such as property management and value-added services (such as general administration, sales support, property brokerage and community retail, and other ancillary services such as group catering) for residential, commercial and other types of properties. As of 31 December 2023, the Group managed 385 properties across 66 cities in the PRC, with a total contracted gross floor area of approximately 90.32 million square meters.

(ii) The Commercial Properties and Industrial Parks Business

The commercial properties and industrial parks business focuses on: (a) designing, creating and operating smart commercial properties and industrial parks owned by the Group and others; and (b) providing commercial operation services associated with property leases. As of 31 December 2023, this business segment operated six self-owned commercial properties, four commercial properties owned by third parties and three self-owned industrial parks across six cities in the PRC.

(iii) The Real Estate Technologies Business

The real estate technologies business mainly comprises: (a) the industrialisation, digitalisation and green transformation of construction processes; and (b) the provision of smart space solutions.

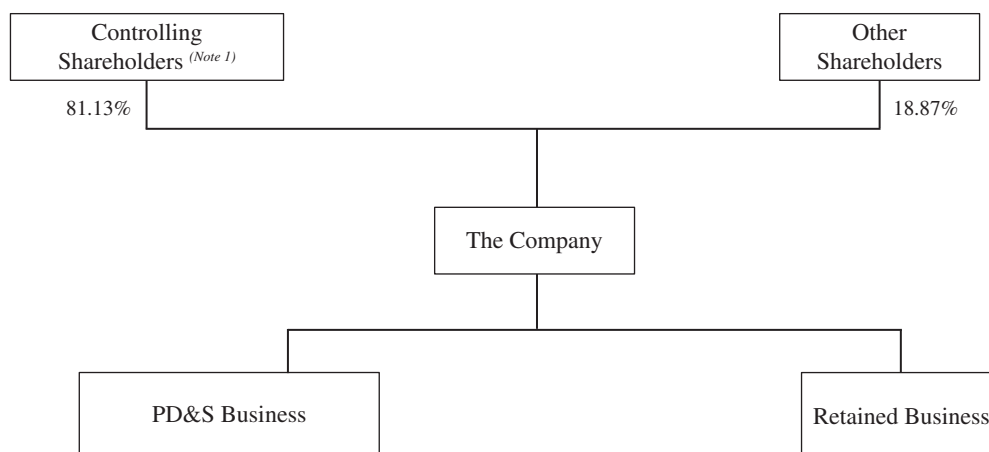
(iv) *The Construction Project Management Business*

Currently, the Company provides services to local governments and related parties (namely, Midea Holding Group), including (but not limited to) implementation of construction management, installation of smart home systems, and other related ancillary services to various properties or business premises related to governmental hospitals and schools, recreation and sports, medical and office functions. Please refer to the continuing connected transaction announcement for the construction services provided by the Group to Midea Holding Group dated 21 January 2022 for further details.

Upon completion of the Group Restructuring, the Retained Group intends to expand beyond the aforementioned businesses by broadening its services to construction project management for residential properties (including those held by the PD&S Business after the Proposed Distribution as the vast majority of the self-owned properties of the Group will be separated from the Group by way of the Distribution in Specie), and actively diversifying its customer base to include independent third-party clients. Such construction project management services for residential properties mainly include property development, design, planning and construction (e.g. the oversight and control of tasks and activities during the construction phase of a project, which will cover the schedule, cost, quality and safety of the buildings under construction), sales and marketing. The Retained Group will be able to leverage its existing expertise and knowhow accumulated alongside the PD&S Business and expand its service scope and coverage of the construction project management business, ultimately being able to provide services to cover all stages of the real estate development process.

Group Structure

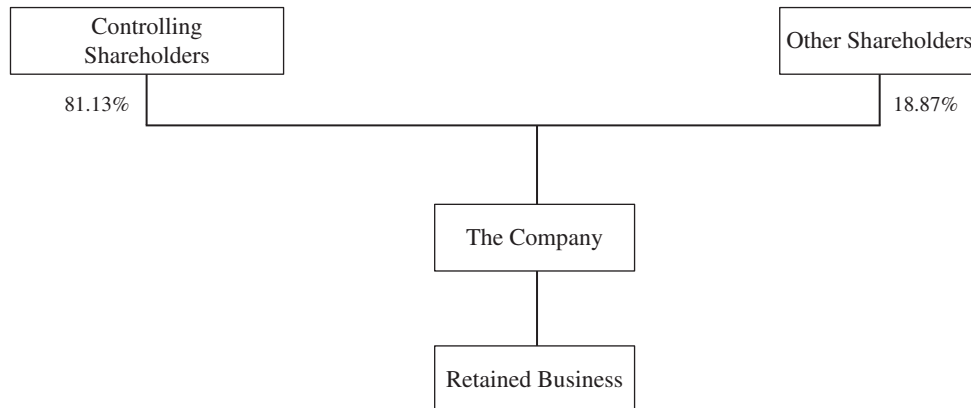
Set out below is the simplified shareholding structure of the Group as of the date of this announcement:



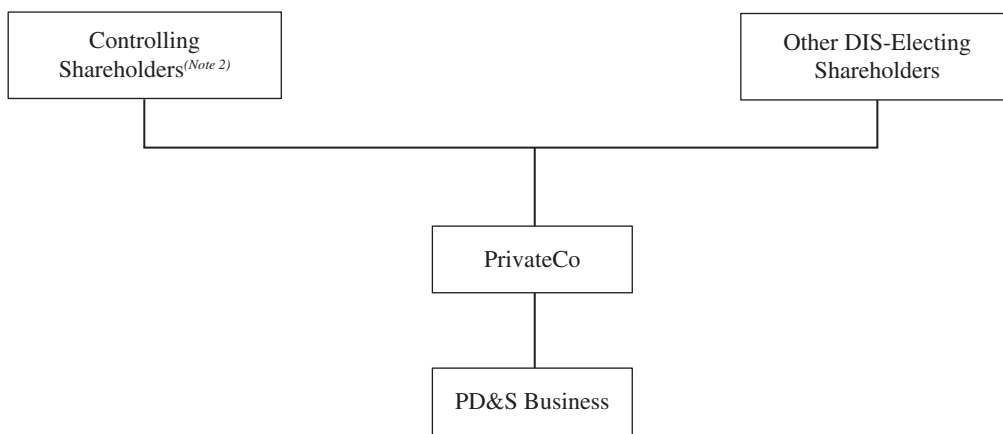
Note 1: The Controlling Shareholders, Ms. Lu Deyan and Mr. He Xiangjian, are parties acting-in-concert pursuant to a deed of acting-in-concert dated 14 May 2018 entered into between the two parties. Pursuant to such deed, Mr. He Xiangjian does not hold any economic interest (including the right to dividend) in the Group. Ms. Lu Deyan holds directly the entire equity interest in each of Midea Development Holding (BVI) Limited, Midea Ever Company Limited and Midea Field Company Limited, which in turn hold in aggregate 81.13% of the issued share capital of the Company.

Set out below is the simplified shareholding structure of (1) the Retained Group and (2) the PrivateCo Group immediately after completion of the Group Restructuring, the Proposed Distribution and the Possible Transaction:

(1) The Retained Group



(2) The PrivateCo Group



Note 2: The Controlling Shareholders will hold the aggregate of (i) 81.13% of the PrivateCo Shares based on their shareholding level in the Company as of the Record Date, and (ii) all the PrivateCo Shares that the Cash-Electing Shareholders would have been entitled to under the Distribution in Specie pursuant to the Possible Transaction.

Condition of the Proposed Distribution and the Possible Transaction

The completion of the Proposed Distribution and the Possible Transaction will be conditional upon the passing of the requisite resolution(s) by the Independent Shareholders at the EGM to approve the Proposed Distribution and the Possible Transaction. The condition cannot be waived.

Cash Alternative under the Proposed Distribution

Pursuant to Rule 14.94(2) of the Listing Rules, the Shareholders should be offered a reasonable cash alternative or other reasonable alternative with respect to the Distribution in Specie, where there will be no liquid market for assets to be distributed under a distribution in specie.

If the Shareholder(s) (1) elects not to accept and obtain the PrivateCo Shares, (2) is not able or not permitted to hold the PrivateCo Shares under applicable laws and regulations, and/or (3) does not respond to the relevant requisition to elect, accept and obtain the PrivateCo Shares, such Shareholder(s) shall receive the Cash Alternative.

Under the Proposed Distribution:

- the Distribution in Specie shall be conducted on the basis of one PrivateCo Share for every Share; and
- a cash consideration of HK\$5.90 under the Cash Alternative shall be payable to the Cash-Electing Shareholders for every Share held by them, the amount of which represents approximately a premium of 57.33% over the closing price of HK\$3.75 per Share as quoted on the Stock Exchange on the last trading day prior to the date of this announcement.

To determine the cash consideration per Share under the Cash Alternative, the Company has taken into account (i) the recent market capitalisation of the Company, the trading price-to-book ratio of the Company and the discount of the market capitalisation to the net asset value attributable to the owners of the Company; (ii) the trading price-to-book multiples of other listed companies primarily engaged in the Mainland China property development industry and the discount of the market capitalisation to the net asset value attributable to the owners of these listed companies; and (iii) the relevant pricing methodology of privatisation transactions of comparable companies engaged primarily in the Mainland China property development industry in recent years. The Cash Alternative will be funded by the consideration to be paid by the Controlling Shareholders (or their wholly-owned subsidiary(ies)) under the Possible Transaction.

Stock Connect Shareholders and Overseas Shareholders

Certain Shareholders whose names appear on the register of members of the Company on the Record Date will not be able to receive the PrivateCo Shares under the Proposed Distribution (the “**Non-Qualifying Shareholders**”). Non-Qualifying Shareholders include (i) the Stock Connect Shareholders, and (ii) certain Overseas Shareholders residing in a jurisdiction where it would be illegal for him/her/it to receive the PrivateCo Shares under the Proposed Distribution due to restrictions under the relevant overseas securities laws and regulations.

Stock Connect Shareholders

Pursuant to article 24 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), if the Stock Connect Shareholders receive any securities not listed on the Stock Exchange, they will not be allowed to buy or sell such securities through the Stock Connect. As it is not expected that any application for listing or trading of the PrivateCo Shares will be made with the Stock Exchange or any other securities exchange, there will be practical difficulty for the Stock Connect Shareholders in realising the benefit of their entitlement to the PrivateCo Shares under the Proposed Distribution should they receive the PrivateCo Shares directly. Therefore, the Stock Connect Shareholders will not be able to receive the PrivateCo Shares under the Distribution in Specie and will receive the Cash Alternative, and this treatment is in accordance with No. 4 of the FAQ18.4 of the Guidance Materials for Listed Issuers (Consolidated) published by the Stock Exchange (which is last updated in June 2024).

As of 21 June 2024, the shareholding held by the Stock Connect Shareholders in the Company constituted approximately 6.62% of the total issued Shares of the Company.

Overseas Shareholders

Based on the register of members of the Company as of the date of this announcement, there were two Overseas Shareholders with registered addresses in the BVI, and there were no other Overseas Shareholders.

The Company will make further enquiries regarding the legal restrictions under the laws of the relevant overseas jurisdiction(s) and the requirements of the relevant regulatory body(ies) pursuant to Rule 13.36(2)(a) of the Listing Rules to assess if any Overseas Shareholders as of the Record Date will be subject to legal restrictions to receive the PrivateCo Shares.

If after making such enquiries and based on legal opinions provided to the Company, the Board is of the opinion that it cannot directly distribute the PrivateCo Shares to certain Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction(s) or the requirements of the relevant regulatory body(ies), such Overseas Shareholders will receive the Cash Alternative.

Any Shareholder with an address outside Hong Kong should also consult his/her/its own professional advisers as to whether or not he/she/it is permitted to receive the PrivateCo Shares under the Proposed Distribution or if any governmental or other consent is required or other formalities are required to be observed and whether there are any other restrictions in relation to the future sale of any PrivateCo Shares. An Overseas Shareholder residing in a jurisdiction where it would be illegal for him/her/it to elect for or to receive the PrivateCo Shares under the Proposed Distribution due to restrictions under the relevant overseas securities laws and regulations will receive the Cash Alternative.

EXPECTED TIMETABLE OF THE PROPOSED DISTRIBUTION

Despatch of circular on the Proposed Distribution	Friday, 16 August 2024
Latest date and time for lodging transfer of the Shares in order to be qualified for attending and voting at the EGM	4:30 p.m. on Tuesday, 27 August 2024
Register of members of the Company closes	Wednesday, 28 August 2024 to Monday, 2 September 2024 (both days inclusive)
Latest date and time for lodging proxy forms for the EGM	11:00 a.m. on Saturday, 31 August 2024
Date and time of the EGM	11:00 a.m. on Monday, 2 September 2024
Announcement of results of the EGM to be posted on the Stock Exchange's and the Company's websites.....	Monday, 2 September 2024
Register of members of the Company reopens	Tuesday, 3 September 2024
Last day of dealings in the Shares cum-entitlement to the Proposed Distribution	Tuesday, 3 September 2024
First day of dealings in the Shares ex-entitlement to the Proposed Distribution	Wednesday, 4 September 2024
Latest date and time for lodging transfers of Shares to qualify for entitlement to the Proposed Distribution.....	4:30 p.m. on Thursday, 5 September 2024
Register of members of the Company closes	Friday, 6 September 2024 to Tuesday, 10 September 2024 (both days inclusive)
Record Date	Tuesday, 10 September 2024
Register of members of the Company reopens	Wednesday, 11 September 2024
Despatch of form of election	Monday, 16 September 2024
Latest date and time to lodge form of election	4:30 p.m. on Thursday, 3 October 2024
Despatch of certificates for the PrivateCo Shares	Friday, 18 October 2024
Completion of payment of the Cash Alternative to the Cash-Electing Shareholders.....	Friday, 18 October 2024

As additional time is required for the Company and the independent financial adviser to prepare the relevant information for inclusion in the circular, the circular is expected to be dispatched to the Shareholders on 16 August 2024, which is more than 15 business days from the date of this announcement. Shareholders should note that the times and dates specified in the expected timetable of the Proposed Distribution as set out above, and in other parts of this announcement, are indicative only and subject to the final timetable contained in the circular. All times and dates refer to Hong Kong local times and dates.

FINANCIAL INFORMATION OF THE GROUP AND THE PRIVATECO GROUP

The Group

Certain audited financial information of the Group for the two years ended 31 December 2023 is as follows:

	For the year ended 31 December	
	2022	2023
	<i>(RMB in billion)</i>	<i>(RMB in billion)</i>
Total assets	251.9	201.6
Revenue	73.6	73.6
Net profit (before taxation)	6.9	4.5

The PrivateCo Group

The unaudited financial information attributable to the PrivateCo Group for the two years ended 31 December 2023 (as if the PrivateCo Group has come into existence since 1 January 2022) is as follows:

	For the year ended 31 December	
	2022	2023
	<i>(RMB in billion)</i>	<i>(RMB in billion)</i>
Total assets	249.6	197.1
Revenue	69.7	69.9
Net profit (before taxation)	5.9	4.1

The unaudited pro forma revenue and net profit attributable to owners of the Retained Group for the year ended 31 December 2023 (as if the PrivateCo Group has been separated from the Group since 1 January 2023) are RMB3.5 billion and RMB0.3 billion, respectively.

The unaudited financial information of the PrivateCo Group and unaudited pro forma financial information of the Retained Group above are provided for reference only as they are extracted from the management accounts of the Group without fully taking into account of, including but not limited to, intra group transactions offset and adjustment of foreign exchange gains or losses, etc., and are subject to adjustment and review by the independent auditors of the Company. The reviewed financial information of the PrivateCo Group and the Retained Group, respectively and the gain or loss on disposal with respect to the Possible Transaction as required by the Listing Rules will be disclosed in the circular to be despatched to the Shareholders in due course.

IMPLICATIONS UNDER THE LISTING RULES

As the size of the assets to be distributed under the Proposed Distribution amounts to a very substantial disposal of the Company (namely, exceeding 75% of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules)), the Controlling Shareholders and their respective associates are required to abstain from voting in favour of the shareholders' resolution in such general meeting of the Company in respect of the Proposed Distribution according to Rule 14.94 of the Listing Rules. Further, the shareholders' approval for the Proposed Distribution must be given by at least 75% of the votes attached to the Shares held by Shareholders voting either in person or by proxy at the meeting, and the number of votes cast against the resolution for the Proposed Distribution shall not exceed 10% of the votes attached to the Shares held by Shareholders permitted to vote either in person or by proxy at the meeting. Accordingly, the Proposed Distribution shall be subject to, among others, the approval obtained from the Independent Shareholders in a general meeting in accordance with Rule 14.94 of the Listing Rules, the articles of association of the Company and the Cayman Islands Companies Law.

As disclosed in the section "Distribution in Specie and the Proposed Distribution" above, to facilitate the Proposed Distribution, the Controlling Shareholders have undertaken to acquire or arrange for their wholly-owned subsidiary(ies) to acquire from the Company all of the PrivateCo Shares not taken on by the Cash-Electing Shareholders (if any) 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 Transaction). Assuming that the Controlling Shareholders will hold 81.13% of the PrivateCo Shares based on their shareholding level in the Company as of the Record Date by electing, accepting and holding the PrivateCo Shares under the Distribution in Specie and that no other Shareholder has elected to obtain the PrivateCo Shares, the Controlling Shareholders (or their wholly-owned subsidiary(ies)) will acquire up to an additional 18.87% of the equity interests in the PrivateCo, for a consideration equivalent to the amount of the Cash Alternative payable/paid by the Company to the Cash-Electing Shareholders under the Proposed Distribution (assuming all Shareholders other than the Controlling Shareholders will receive the Cash Alternative). As the Controlling Shareholders are connected persons of the Company under the Listing Rules, the disposal of equity interest in the PrivateCo by the Company to the Controlling Shareholders under the Possible Transaction will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Possible Transaction to the largest extent exceed 25% but are less than 75%, the Possible Transaction also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Possible Transaction is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Directors (excluding the independent non-executive Directors who will form their views after considering the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders) are of the view that the Possible Transaction will be entered into on normal commercial terms and on terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu Deyan and the son of Mr. He Xiangjian, the controlling shareholders of the Company. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu's interest in the Company by virtue of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). Mr. Zhao Jun, a non-executive Director, is the executive president of Midea Holding. Both of them were regarded as having a material interest in the Proposed Distribution and the Possible Transaction and had abstained from voting in respect of the relevant Board resolutions for considering and approving the Proposed Distribution and the Possible Transaction. Save as disclosed above, none of the Directors has a material interest in the Proposed Distribution and the Possible Transaction.

A circular containing, among others, (i) further details of the Proposed Distribution and the Possible Transaction, (ii) a letter from the Independent Board Committee to the Independent Shareholders, (iii) a letter from the independent financial adviser to the Independent Board Committee, and (iv) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

Shareholders should note that the Proposed Distribution and the Possible Transaction is subject to the approval by the Independent Shareholders as described in this announcement. Shareholders and/or potential investors in the Company should be aware that implementation of the Proposed Distribution and the Possible Transaction may or may not become effective. There is no assurance that the Proposed Distribution and the Possible Transaction will be approved or will materialise as a result thereof. Meanwhile, the Shareholders and prospective investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings when used herein:

“Board”	board of Directors;
“BVI”	British Virgin Islands;
“Cash Alternative”	the proposed cash alternative to be provided by the Company to the Cash-Electing Shareholders under the Proposed Distribution;
“Cash-Electing Shareholder(s)”	has the meaning given to it in the “Distribution in Specie and the Proposed Distribution” section of this announcement;
“Cayman Islands Companies Law”	the Companies Act of the Cayman Islands as amended, supplemented or otherwise modified from time to time;

“Company”	Midea Real Estate Holding Limited (美的置業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3990);
“Controlling Shareholders”	Ms. Lu Deyan (盧德燕) and Mr. He Xiangjian (何享健), the shareholders of the Company holding as to 81.13% of the total issued share capital of the Company as of the date of this announcement;
“Director(s)”	director(s) of the Company;
“DIS-Electing Shareholders”	has the meaning given to it in the “Distribution in Specie and the Proposed Distribution” section of this announcement;
“Distribution in Specie”	the proposed distribution in specie of the PrivateCo Shares by the Company to the Shareholders;
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, approve, inter alia, the Proposed Distribution and the Possible Transaction;
“Group”	the Company and its subsidiaries;
“Group Restructuring”	the proposed group restructuring of the Group for the purpose of implementing the Proposed Distribution, details of which are set out in the “Group Restructuring” section of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a committee of the Board comprising the independent non-executive Directors (namely Mr. Tan Jinsong, Mr. O’Yang Wiley and Mr. Lu Qi);
“Independent Shareholders”	Shareholders of the Company other than the Controlling Shareholders and their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended, supplemented, or otherwise modified from time to time;

“Midea Holding”	Midea Holding Co., Ltd.* (美的控股有限公司), a company incorporated in the PRC with limited liability, which is held by the Controlling Shareholders, Mr. He Xiangjian and Ms. Lu Deyan, as to 94.55% and 5.45% respectively, as of the date of this announcement;
“Midea Holding Group”	Midea Holding, its subsidiaries and their respective associates;
“Overseas Shareholders”	the Shareholders (if any) with registered addresses on the register of members of the Company which are outside Hong Kong;
“PD&S Business”	has the meaning given to it in the “Information on the PD&S Business” section of this announcement;
“Possible Transaction”	the possible acquisition of all of the PrivateCo Shares not taken on by the Cash-Electing Shareholders (if any) by the Controlling Shareholders (or their wholly-owned subsidiary(ies)) 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;
“PRC”	the People’s Republic of China;
“PrivateCo”	Midea Construction (BVI) Limited (美的建業(英屬維京群島)有限公司), a BVI business company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company as of the date of this announcement;
“PrivateCo Group”	the PrivateCo and its subsidiaries upon completion of the Group Restructuring;
“PrivateCo Share(s)”	share(s) in the share capital of PrivateCo;
“Proposed Distribution”	the Distribution in Specie and the provision of the Cash Alternative;
“Record Date”	a date for determining entitlements of the Shareholders to the Proposed Distribution, which is expected to be Tuesday, 10 September 2024;
“Retained Business”	has the meaning given to it in the “Group Restructuring” section of this announcement;
“Retained Group”	the Company and the Retained Subsidiaries upon completion of the Group Restructuring and the Distribution in Specie;

“Retained Subsidiaries”	the remaining subsidiaries of the Company upon completion of the Group Restructuring and the Distribution in Specie, which include all current subsidiaries of the Company other than the PrivateCo Group;
“RMB”	Renminbi or Chinese Yuan, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Connect”	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect;
“Stock Connect Shareholders”	the Mainland China southbound trading investors holding the Shares through the Stock Connect;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

* *The Chinese names of the entities established in the PRC have been translated into English in this announcement for reference only. In the event of any discrepancies between the Chinese name of the PRC entity and its respective English translation, the Chinese version shall prevail.*

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

Hong Kong, 23 June 2024

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