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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)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **BACKGROUND**

References are made to the Proposed Distribution Announcement and the announcements of the Company dated 21 January 2022 and 21 October 2022 in relation to, among other things, the 2022 Construction Framework Agreement (Midea Holding) and the 2022 Property Management Framework Agreement (Midea Holding), respectively.

Following completion of the Proposed Distribution and the Possible Disposal, the PrivateCo will be held directly or indirectly as to at least 81.13% by the Controlling Shareholders, depending on the size of the Possible Disposal. Accordingly, the PrivateCo will become a connected person of the Company under the Listing Rules, and transactions to be conducted between the Group and the PrivateCo Group will constitute connected transactions under Chapter 14A of the Listing Rules.

Given that the 2022 Construction Framework Agreement (Midea Holding) and the 2022 Property Management Framework Agreement (Midea Holding) will expire on 31 December 2024 and the Company would like to ensure the continuous cooperation with Midea Holding Group after the Proposed Distribution and the Possible Disposal, the Company has entered into the 2024 Construction Framework Agreement (Midea Holding) and the 2024 Property Management Framework Agreement (Midea Holding) on 16 August 2024 to renew the agreements and annual caps in advance.

## 2024 CONTINUING CONNECTED TRANSACTIONS

### 1. 2024 Commercial Property Leasing Framework Agreement (Midea Construction)

- Parties : The Company and the PrivateCo (Midea Construction (BVI) Limited)
- Term : Commencing from the date of completion of the Proposed Distribution to 31 December 2026, subject to the Independent Shareholders' approval
- Subject : The Retained Group shall pay leasing fees to the PrivateCo to lease commercial properties owned by the PrivateCo Group which are yet to be sold for its operation.
- Pricing basis : In principle, fees shall be determined taking into account the sizes and duration of the commercial properties, and will not be higher than the fee quotes provided by at least two independent third parties for the lease of similar properties.

#### *Historical transaction amount*

The historical transaction amount for the three years ended 31 December 2023 and the six months ended 30 June 2024 is set out below:

<b>For the year ended 31 December</b>			<b>For the six months ended 30 June 2024</b>
<b>2021</b>	<b>2022</b>	<b>2023</b>	
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
5.9	2.6	4.2	2.4

#### *Proposed annual caps*

The maximum fees in respect of the 2024 Commercial Property Leasing Framework Agreement (Midea Construction) for each of the three years ending 31 December 2026 shall not exceed the caps set out below:

<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
7.0	12.0	12.0

The proposed annual caps above are determined primarily with reference to: (i) the expected number of properties to be leased by the Retained Group in each of the three years ending 31 December 2026; (ii) the expected size and location of properties to be leased by the Retained Group in each of the three years ending 31 December 2026; and (iii) the expected fees to be paid by the Retained Group in each of the three years ending 2026, which is estimated primarily based on the fees to be paid by the Retained Group to independent third parties for the lease of similar properties.

## 2. 2024 Construction Project Management Service Framework Agreement (Midea Construction)

- Parties : The Company and the PrivateCo (Midea Construction (BVI) Limited)
- Term : Commencing from the date of completion of the Proposed Distribution to 31 December 2026, subject to the Independent Shareholders' approval
- Subject : The Retained Group shall provide design, planning and implementation of the construction management as well as other related ancillary services to residential and commercial properties owned by the PrivateCo Group.
- Pricing basis : In principle, fees shall be determined taking into account the sizes, duration, complexity, investment amount, required resources of the related construction projects, and sales performance, and will not be lowered than the highest of (i) the fee quotes of similar services provided by the Retained Group to at least two independent third parties; (ii) the operating costs of the Group for such services (mainly labour costs and administrative costs); and (iii) the management service rates set out in the Provisions on the Administration of Construction Costs of Capital Construction Projects (《基本建設項目建設成本管理規定》) (the “**Provisions**”) issued by the Ministry of Finance as amended from time to time. The Provisions provide that the project management service fee for a construction project is determined by a progressive rate ranging from 2% to 0.4%, which varies according to the increasing value of each construction project. While the Provisions may not be applicable to the transactions contemplated under the 2024 Construction Project Management Service Framework Agreement (Midea Construction), the Group has taken the management service rates set out in the Provisions as one of the factors in determining its service fees.

### *Historical transaction amount*

As of the date of this announcement, the PrivateCo is a direct wholly-owned subsidiary of the Company. Since the transactions contemplated under the 2024 Construction Project Management Service Framework Agreement (Midea Construction) shall commence upon completion of the Proposed Distribution, there were no historical transactions in respect of the services contemplated under the 2024 Construction Project Management Service Framework Agreement (Midea Construction) between the parties.

### ***Proposed annual caps***

The maximum service fees in respect of the 2024 Construction Project Management Service Framework Agreement (Midea Construction) for each of the three years ending 31 December 2026 shall not exceed the caps set out below:

<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
340.0 <sup>(1)</sup>	1,492.0	1,333.0

*Note 1:* The proposed annual cap for the year ending 31 December 2024 under the 2024 Construction Project Management Service Framework Agreement (Midea Construction) has only considered the transaction amount during the period from the date of completion of the Proposed Distribution (which is expected to be in October 2024) to 31 December 2024 as the transactions will only commence upon completion of the Proposed Distribution. In light of the above, the Directors are of the view that the annual caps for the year ending 31 December 2025 and 2026 under 2024 Construction Project Management Service Framework Agreement (Midea Construction) are fair and reasonable.

The proposed annual caps above are determined primarily with reference to: (i) the number of contracts awarded and expected to be awarded by the PrivateCo Group under the 2024 Construction Project Management Service Framework Agreement (Midea Construction) in each of the three years ending 31 December 2026; (ii) the expected size of construction projects under management in each of the three years ending 31 December 2026; (iii) the types of services to be provided by the Retained Group in each of the three years ending 31 December 2026; and (iv) the expected service fees to be received by the Retained Group in each of the three years ending 31 December 2026, which is estimated primarily based on the costs of providing such services (such as labour costs and administrative costs) and the service fees to be received by the Retained Group for services of similar scope and quality provided to independent third parties.

### **3. 2024 Property Management Service Framework Agreement (Midea Construction)**

Parties	:	The Company and the PrivateCo (Midea Construction (BVI) Limited)
Term	:	Commencing from the date of completion of the Proposed Distribution to 31 December 2026, subject to the Independent Shareholders' approval
Subject	:	The Retained Group shall provide Property Management Services to residential, commercial and other properties owned or controlled by the PrivateCo Group.
Pricing basis	:	In principle, the fee quotes provided to Midea Construction shall not be lower than the fee quotes for similar services provided by the Retained Group to at least two independent third parties.

It will be determined after arm's length negotiations with reference to the then prevailing fees charged by the Retained Group for similar services, taking into account the service scope and cost for providing the services (mainly labour costs) plus management fee profit margin and tax, etc.

The management fee profit margin is determined with reference to a number of factors, including type of property, geographical location/region, contractual period, nature and complexity of related projects, expected service quality, and historical profit margin of similar existing contracts, etc.

***Historical transaction amount***

The historical transaction amount for the three years ended 31 December 2023 and the six months ended 30 June 2024 is set out below:

<b>For the year ended 31 December</b>			<b>For the six months ended 30 June 2024</b>
<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
750.6	422.9	379.3	140.8

***Proposed annual caps***

The maximum service fees in respect of the 2024 Property Management Service Framework Agreement (Midea Construction) for each of the three years ending 31 December 2026 shall not exceed the caps set out below:

<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
262.0	214.0	191.0

The proposed annual caps above are determined primarily with reference to: (i) the number of contracts awarded and expected to be awarded by the PrivateCo Group under the 2024 Property Management Service Framework Agreement (Midea Construction) in each of the three years ending 31 December 2026; (ii) the expected size of properties under management in each of the three years ending 31 December 2026; (iii) the types of Property Management Services to be provided by the Retained Group in each of the three years ending 31 December 2026; and (iv) the expected service fees to be received by the Retained Group in each of the three years ending 31 December 2026, which is estimated primarily based on the costs of providing such services (such as labour costs and administrative costs) and the service fees to be received by the Retained Group for services of similar scope and quality provided to independent third parties.

#### 4. 2024 Real Estate Technology Service Framework Agreement (Midea Construction)

- Parties : The Company and the PrivateCo (Midea Construction (BVI) Limited)
- Term : Commencing from the date of completion of the Proposed Distribution to 31 December 2026, subject to the Independent Shareholders' approval
- Subject : The Retained Group shall provide real estate technology services such as (i) the industrialisation, digitalisation and green transformation of construction processes and (ii) the provision of smart space solutions, to the PrivateCo Group.
- Pricing basis : In principle, fees shall be determined taking into account the complexity and required resources for such services, and the fee quotes provided to Midea Construction shall not be lower than the fee quotes for similar services provided by the Retained Group to at least two independent third parties.

##### *Historical transaction amount*

The historical transaction amount for the three years ended 31 December 2023 and the six months ended 30 June 2024 is set out below:

<b>For the year ended 31 December</b>			<b>For the six months ended 30 June 2024</b>
<b>2021</b>	<b>2022</b>	<b>2023</b>	
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
501.3	647.4	451.8	192.9

##### *Proposed annual caps*

The maximum service fees in respect of the 2024 Real Estate Technology Service Framework Agreement (Midea Construction) for each of the three years ending 31 December 2026 shall not exceed the caps set out below:

<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
324.0	240.0	215.0

The proposed annual caps above are determined primarily with reference to: (i) the number of contracts awarded and expected to be awarded by the PrivateCo Group under the 2024 Real Estate Technology Service Framework Agreement (Midea Construction) in each of the three years ending 31 December 2026; (ii) the types of real estate technology services to be provided by the Retained Group in each of the three years ending 31 December 2026; and (iii) the expected service fees to be received by the Retained Group in each of the three years ending 31 December 2026, which is estimated primarily based on the costs of providing such services (such as including but not limited to labour costs and administrative costs), the expected profit margin for real estate technology services and the service fees to be received by the Retained Group for services of similar scope and quality provided to independent third parties.

## 5. 2024 Construction Framework Agreement (Midea Holding)

Reference is made to the announcement of the Company dated 21 January 2022 in relation to, among other things, the 2022 Construction Framework Agreement (Midea Holding). Given that the 2022 Construction Framework Agreement (Midea Holding) will expire on 31 December 2024 and the Company would like to ensure the continuous cooperation with Midea Holding Group after the Proposed Distribution and the Possible Disposal, the Company has entered into the 2024 Construction Framework Agreement (Midea Holding) on 16 August 2024 to renew the agreement and annual caps in advance. Upon the 2024 Construction Framework Agreement (Midea Holding) coming into effect, the 2022 Construction Framework Agreement (Midea Holding) shall be terminated automatically.

Parties	:	The Company and Midea Holding
Term	:	Commencing from the date of completion of the Proposed Distribution to 31 December 2026, subject to the Independent Shareholders' approval
Subject	:	The Retained Group shall provide Construction Services to various properties which are owned or controlled by Midea Holding Group
Pricing basis	:	In principle, fees shall be determined taking into account the sizes, duration, complexity, investment amount, required resources of the related construction projects, and sales performance, and will not be lowered than the highest of (i) the fee quotes of similar services provided by the Retained Group to at least two independent third parties; (ii) the operating costs of the Retained Group for such services (mainly labour costs and administrative costs); and (iii) the management service rates by set out in the Provisions on the Administration of Construction Costs of Capital Construction Projects (《基本建設項目建設成本管理規定》) (the “ <b>Provisions</b> ”) issued by the Ministry of Finance as amended from time to time. The Provisions provide that the project management service fee for a construction project is determined by a progressive rate ranging from 2% to 0.4%, which varies according to the increasing value of each construction project. While the Provisions may not be applicable to the transactions contemplated under the 2024 Construction Framework Agreement (Midea Holding), the Group has taken the management service rates set out in the Provisions as one of the factors in determining its service fees.



### ***Historical transaction amount***

The historical transaction amount in respect of the 2022 Construction Framework Agreement (Midea Holding) for the two years ended 31 December 2023 and the six months ended 30 June 2024 are set out below:

<b>For the year ended 31 December</b>		<b>For the six months ended</b>
<b>2022</b>	<b>2023</b>	<b>30 June</b>
<i>RMB in million</i>	<i>RMB in million</i>	<b>2024</b>
		<i>RMB in million</i>
52.3	48.5	19.2

### ***Proposed annual caps***

The maximum service fees in respect of the 2024 Construction Framework Agreement (Midea Holding) for each of the three years ending 31 December 2026 shall not exceed the caps set out below:

<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
44.0 <sup>(Note)</sup>	18.0	7.0

*Note:* The annual cap in 2024 under the 2024 Construction Framework Agreement (Midea Holding) is lower than the annual cap in 2024 under the 2022 Construction Framework Agreement (Midea Holding) due to the lower-than-expected demand from Midea Holding for Construction Services.

The proposed annual caps above are determined primarily with reference to: (i) the number of contracts awarded and expected to be awarded by Midea Holding Group under the 2024 Construction Framework Agreement (Midea Holding) in each of the three years ending 2026; (ii) the type and scope of the Construction Services and the scale of the construction projects; and (iii) the expected service fee to be received by the Retained Group in each of the three years ending 31 December 2026, which is estimated primarily based on the costs of providing such services (such as labour costs and administrative costs) and the service fees to be received by the Retained Group for services of similar scope and quality provided to independent third parties.



## 6. 2024 Property Management Framework Agreement (Midea Holding)

Reference is made to the announcements of the Company dated 21 January 2022 and 21 October 2022 in relation to, among other things, the 2022 Property Management Framework Agreement (Midea Holding). Given that the 2022 Property Management Framework Agreement (Midea Holding) will expire on 31 December 2024 and the Company would like to ensure the continuous cooperation with Midea Holding Group after the Proposed Distribution and the Possible Disposal, the Company has entered into the 2024 Property Management Framework Agreement (Midea Holding) on 16 August 2024 to renew the agreement and annual caps in advance. Upon the 2024 Property Management Framework Agreement (Midea Holding) coming into effect, the 2022 Property Management Framework Agreement (Midea Holding) shall be terminated automatically.

- Parties : The Company and Midea Holding
- Term : Commencing from the date of completion of the Proposed Distribution to 31 December 2026, subject to the Independent Shareholders' approval
- Subject : The Retained Group shall provide Property Management Services to residential, commercial and other properties (such as hospitals and industrial parks) owned or controlled by Midea Holding Group.
- Pricing basis : In principle, the fee quotes provided to Midea Holding shall not be lower than the fee quotes for similar services provided by the Retained Group to at least two independent third parties.

It will be determined after arm's length negotiations with reference to the then prevailing fees charged by the Retained Group for similar services, taking into account the service scope and cost for providing the services (mainly labour costs) plus management fee profit margin and tax, etc.

The management fee profit margin is determined with reference to a number of factors, including type of property, geographical location/region, contractual period, nature and complexity of related projects, expected service quality, and historical profit margin of similar existing contracts, etc.

### ***Historical transaction amount***

The historical transaction amount in respect of the 2022 Property Management Framework Agreement (Midea Holding) for the two years ended 31 December 2023 and the six months ended 30 June 2024 is set out below:

<b>For the year ended 31 December</b>		<b>For the six months</b>
<b>2022</b>	<b>2023</b>	<b>ended 30 June</b>
<i>RMB in million</i>	<i>RMB in million</i>	<b>2024</b>
		<i>RMB in million</i>
37.0	54.1	43.0

### ***Proposed annual caps***

The maximum service fees in respect of the 2024 Property Management Framework Agreement (Midea Holding) for each of the three years ending 31 December 2026 shall not exceed the caps set out below:

<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
95.0 <sup>(1)(2)</sup>	205.0 <sup>(2)</sup>	311.0 <sup>(2)</sup>

*Note 1:* The proposed annual cap for the year ending 31 December 2024 under the 2024 Property Management Framework Agreement (Midea Holding) is higher than the existing annual cap for the same year under the 2022 Property Management Framework Agreement (Midea Holding) primarily because of the increase in demand in 2024 for Property Management Services to other properties (namely, a hospital and industrial parks).

*Note 2:* With an effort to diversify the Group's revenue from Property Management Services, the Group has embarked on providing additional ancillary services related to property management (with the primary focus on group catering services) in 2024 on a limited scale within certain industrial parks. Based on the historical transactions for the six months ended 30 June 2024, it is expected that there will be an increasing demand for the provision of these ancillary services within industrial parks when such services are progressively made available to all industrial parks managed by the Retained Group in 2025 and 2026. In light of the foregoing reasons and the business potential of industrial parks, the Directors are of the view that the proposed annual caps for the years ending 31 December 2025 and 2026 under the 2024 Property Management Framework Agreement (Midea Holding) are fair and reasonable.

The proposed annual caps above are determined primarily with reference to: (i) the historical transaction amount; (ii) the number of contracts awarded and expected to be awarded by Midea Holding Group under the 2024 Property Management Framework Agreement (Midea Holding) in each of the three years ending 31 December 2026, taking into account the number of properties owned or controlled by Midea Holding Group; (iii) the expected size of properties under management in each of the three years ending 31 December 2026; (iv) the types of Property Management Services to be provided by the Retained Group in each of the three years ending 31 December 2026; and (v) the expected service fees to be received by the Retained Group in each of the three years ending 31 December 2026, which is estimated primarily based on the costs of providing such services (such as labour costs and administrative costs) and the service fees to be received by the Retained Group for services of similar scope and quality provided to independent third parties.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

In respect of the 2024 Continuing Connected Transactions entered into with the PrivateCo Group, before completion of the Proposed Distribution, the relationship between the PD&S Business (which will be operated by the PrivateCo Group) and the Retained Business (which will be operated by Retained Group) has been mutually beneficial and synergistic as they have developed a mutual understanding in the business needs of each other by virtue of their long-term cooperation.

In respect of the 2024 Continuing Connected Transactions entered into with Midea Holding Group, the Group has historically provided Property Management Services and Construction Services to the Midea Holding Group and has established a long-term and stable cooperative relationship with the Midea Holding Group.

Each of the 2024 Continuing Connected Transactions (other than the 2024 Commercial Property Leasing Framework Agreement (Midea Construction)) offers the Retained Group with additional revenue. The 2024 Commercial Property Leasing Framework Agreement (Midea Construction) enables the Retained Group to lease commercial properties owned by the PrivateCo Group which are yet to be sold for its operation. In the meantime, the Retained Group will also endeavor to acquire potential independent third-party customers, ranging from property owners and residents, property owners' associations, tenants of commercial properties, property developers, property projects owners and investors, to local governments.

In light of the above, the Board believes that the continuous cooperation between (a) the Retained Group and the PrivateCo Group and (b) the Retained Group and Midea Holding Group after the Proposed Distribution can further (i) enhance the mutually beneficial and complementary relationship; and (ii) foster the growth and development of the Retained Group in the long run.

## **INFORMATION ON THE GROUP, THE RETAINED GROUP, THE PRIVATECO GROUP AND MIDEA HOLDING**

### **The Group**

As of the date of this announcement and before completion of the Group Restructuring and the Proposed Distribution, the Group is a large national property developer based in the PRC and 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.

### **The Retained Group**

Upon completion of the Group Restructuring and the Proposed Distribution, the Retained Group will operate the following Retained Business:

#### ***(i) Property Management Service Business***

The property management service business 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 in the PRC, with a total contracted GFA of approximately 90.32 million square meters. As of 30 June 2024, the total GFA under management of the Group amounted to 69.89 million square meters.

#### ***(ii) Commercial Property and Industrial Park Business***

The commercial property and industrial park business focuses on: (a) designing, creating and operating smart commercial properties and industrial parks owned by the Retained Group and others; (b) providing commercial operation services associated with property leases; and (c) providing ancillary property management services for smart commercial properties and industrial parks operated by the Retained Group. Other than providing operation services and property management services to commercial properties and industrial parks, the Retained Group also disposes certain self-owned commercial properties as and when appropriate to achieve proper investment returns.

Upon completion of the Proposed Distribution, this business shall entail five self-owned commercial properties, five commercial properties entrusted to us by third party property owners and three self-owned industrial parks across six cities in the PRC.

***(iii) Real Estate Technology Business***

The real estate technology business mainly comprises: (a) the industrialisation, digitalisation and green transformation of construction processes; and (b) the provision of smart space solutions. Such services are provided by “Remac Building Technology” and “Remac Smart Technology”, respectively.

Remac Building Technology focuses on the industrialisation, digitalisation and green transformation for upgrade of the construction industry, adheres to technological innovation and research and development of new materials, cultivates and develops a green composite product matrix of “PC + MIC + industrialised components and materials”, builds prefabricated buildings with full value chain services, and promotes a better life of green residences. As of 31 December 2023, the accumulated production capacity of the green prefabricated industry exceeded 130,000 cubic metres and external projects accounted for 98.2%.

Remac Smart Technology is committed to becoming a smart space solution provider. It has enhanced its service capabilities by initially completing the whole-house intelligent digital intelligence platform and the hardware layout of seven categories of whole-house intelligence system.

***(iv) Construction Project Management Business***

The construction project management business mainly comprises: (a) providing 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 properties or business premises related to governmental hospitals and schools, recreation and sports, medical and office functions; and (b) providing 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 PrivateCo**

As of the date of this announcement, (i) the PrivateCo is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company, and (ii) its directors are Mr. Hao Hengle and Mr. Zhao Jun, the executive director and non-executive director of the Company, respectively.

Upon completion of the Proposed Distribution and the Possible Disposal, (i) the PrivateCo will cease to be a subsidiary of the Company and will be held by the Controlling Shareholders (or their wholly-owned subsidiary(ies)) and the DIS-Electing Shareholders, and (ii) Mr. Hao Hengle will resign as a director of the PrivateCo, and Mr. Zhao Jun will continue to be a director of the PrivateCo and a non-executive director of the Company. Mr. Zhao Jun will be the sole senior management member of the PrivateCo for the foreseeable future and will be responsible for overseeing the overall strategy, business development and management of the PrivateCo Group. As of the date of this announcement, Mr. Zhao Jun did not hold any equity interest of the PrivateCo. For details on the biographies of Mr. Hao Hengle and Mr. Zhao Jun, please refer to pages 27 and 29, respectively, of the Company's annual report for the year ended 31 December 2023.

The PrivateCo Group will primarily be engaged in 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, comprised of 320 property development projects with a total GFA of land reserves of approximately 27.1 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. Prior to the Proposed Distribution, as of 30 June 2024, the Group was interested as to 317 projects. Upon completion of the Proposed Distribution, the PrivateCo Group will have interests in 309 projects and the Retained Group will retain interests in 8 projects.

## **Midea Holding**

Midea Holding is established in the PRC and is directly wholly-owned by Mr. He and Ms. Lu, the Controlling Shareholders, as to 94.55% and 5.45% respectively. Midea Holding Group is principally engaged in investment in the fields of manufacturing and commercial businesses.

## INTERNAL CONTROL MEASURES

To further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), the Group has implemented the following internal control measures in relation to continuing connected transactions:

- The Group has established a series of measures to ensure that the 2024 Continuing Connected Transactions will be conducted in accordance with the principal terms of the 2024 Continuing Connected Transaction Agreements, such as the business department preparing quotations (including comparing prices to independent third parties) based on the PrivateCo Group and Midea Holding Group's requirements and specifications for commonly available products and/or services prior to confirming an order; and the implementation of the separate agreements governing each particular transaction must be approved by, depending on size of the transaction, the business department, the legal department, the finance department and/or the management to ensure that it is in accordance with the pricing policy.
- The finance department of the Group will keep proper documentation of the agreements governing each particular transaction entered into between (i) the Group and the PrivateCo Group and (ii) the Group and Midea Holding Group pursuant to the 2024 Continuing Connected Transaction Agreements.
- The compliance department of the Group will report to the audit committee of the Board on a quarterly basis whether the internal control measures in respect of the 2024 Continuing Connected Transactions remain complete and effective.
- The finance department and compliance department of the Group shall be jointly responsible for monitoring the transaction amounts of the 2024 Continuing Connected Transactions on a monthly basis to ensure it does not exceed the annual caps.
- The Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by the Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of the Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the proposed annual caps.



## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. He and Ms. Lu are the Controlling Shareholders, and Midea Holding is directly owned by Mr. He as to 94.55% and Ms. Lu as to 5.45%. Each of Midea Holding and its subsidiaries is an associate of Mr. He and therefore a connected person of the Company under the Listing Rules. Following completion of the Proposed Distribution, the PrivateCo will be held directly or indirectly as to at least 81.13% by the Controlling Shareholders, depending on the size of the Possible Disposal. Accordingly, the PrivateCo will become a connected person of the Company under the Listing Rules.

Accordingly, the 2024 Continuing Connected Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules following completion of the Proposed Distribution.

As one or more of the applicable percentage ratios for respective transactions contemplated under each of the Partially Exempt Continuing Connected Transaction Agreements exceeds 0.1% but none of them exceeds 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempted from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the respective transactions contemplated under each of the Non-exempt Continuing Connected Transaction Agreements exceeds 5%, the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the avoidance of doubt, pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into or completed within a 12-month period or are otherwise related. The respective transactions contemplated under the 2024 Property Management Service Framework Agreement (Midea Construction) and the 2024 Property Management Framework Agreement (Midea Holding) are required to be aggregated, given that (i) the 2024 Property Management Service Framework Agreement (Midea Construction) and the 2024 Property Management Framework Agreement (Midea Holding) are entered into with the associates of the same connected persons (i.e. Mr. He and Ms. Lu, the Controlling Shareholders) and (ii) the nature of the transactions contemplated thereunder are substantially the same. As the highest applicable percentage ratio in respect of each of the 2024 Property Management Service Framework Agreement (Midea Construction) and the 2024 Property Management Framework Agreement (Midea Holding), on a standalone basis or upon aggregation with each other exceeds 5%, the Company has complied with all the requirements for connected transactions under Chapter 14A of the Listing Rules (including the independent Shareholders' approval requirement) in respect of each of the 2024 Property Management Service Framework Agreement (Midea Construction) and the 2024 Property Management Framework Agreement (Midea Holding). Each of the 2024 Property Management Service Framework Agreement (Midea Construction) and the 2024 Property Management Framework Agreement (Midea Holding) is not required to be reclassified by aggregating with each other.

## **OPINION OF THE BOARD**

In view of the reasons and benefits disclosed in the section headed “reasons for and benefits of the Continuing Connected Transactions” of this announcement, the Directors are of the view that the 2024 Continuing Connected Transaction Agreements and the transactions contemplated thereunder were negotiated on an arm’s length basis, are on normal commercial terms or better and were entered into in the ordinary and usual course of business of the Group, and the relevant terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In respect of the Independent Board Committee’s recommendation on the Non-exempt Continuing Connected Transaction Agreements, please also refer to the letter from the Independent Board Committee included in the circular to be despatched to the Shareholders on or around 16 August 2024.

Mr. He Jianfeng, a non-executive Director, is the spouse of Ms. Lu and the son of Mr. He, both of whom the Controlling Shareholders. Therefore, Mr. He Jianfeng is deemed to be interested in Ms. Lu’s interest in the Company by virtue of the SFO. 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 transactions contemplated under the 2024 Continuing Connected Transaction Agreements and had abstained from voting in respect of the relevant Board resolutions for considering and approving the same. Save as disclosed above, none of the Directors (i) has a material interest in the 2024 Continuing Connected Transactions and (ii) has abstained from voting in respect of the relevant Board resolutions.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An independent board committee comprising the independent non-executive Directors (namely Mr. Tan Jinsong, Mr. O’Yang Wiley and Mr. Lu Qi) has been established to advise the Independent Shareholders, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions.

## **DESPATCH OF CIRCULAR**

A circular containing, inter alia, (i) further details of the Non-exempt Continuing Connected Transactions, (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions, (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions, and (iv) a notice convening the EGM, will be despatched to the Shareholders on or around 16 August 2024.

## DEFINITIONS

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

“2022 Construction Framework Agreement (Midea Holding)”	the framework agreement dated 21 January 2022 entered into between the Company and Midea Holding in relation to the provision of the Construction Services by the Group to Midea Holding Group for a fixed term with effect from 1 January 2022 and ending on 31 December 2024 (both days inclusive), which will be terminated upon the 2024 Construction Framework Agreement (Midea Holding) coming into effect
“2022 Property Management Framework Agreement (Midea Holding)”	the framework agreement dated 21 October 2022 entered into between the Company and Midea Holding in relation to the provision of the Property Management Services by the Group to Midea Holding Group for a fixed term with effect from 1 January 2022 and ending on 31 December 2024 (both days inclusive), which will be terminated upon the 2024 Property Management Framework Agreement (Midea Holding) coming into effect
“2024 Commercial Property Leasing Framework Agreement (Midea Construction)”	the framework agreement dated 16 August 2024 entered into between the Company and the PrivateCo in relation to the lease of commercial properties by the Group commencing from the date of completion of the Proposed Distribution to 31 December 2026
“2024 Continuing Connected Transaction Agreements”	collectively, (i) the 2024 Commercial Property Leasing Framework Agreement (Midea Construction), (ii) the 2024 Construction Project Management Service Framework Agreement (Midea Construction), (iii) the 2024 Property Management Service Framework Agreement (Midea Construction), (iv) the 2024 Real Estate Technology Service Framework Agreement (Midea Construction), (v) the 2024 Construction Framework Agreement (Midea Holding) and (vi) the 2024 Property Management Framework Agreement (Midea Holding)
“2024 Continuing Connected Transactions”	the transactions contemplated under the 2024 Continuing Connected Transaction Agreements
“2024 Construction Framework Agreement (Midea Holding)”	the framework agreement dated 16 August 2024 entered into between the Company and Midea Holding in relation to the provision of Construction Services by the Group commencing from the date of completion of the Proposed Distribution to 31 December 2026

“2024 Construction Project Management Service Framework Agreement (Midea Construction)”	the framework agreement dated 16 August 2024 entered into between the Company and the PrivateCo in relation to the provision of construction project management services by the Group commencing from the date of completion of the Proposed Distribution to 31 December 2026
“2024 Property Management Framework Agreement (Midea Holding)”	the framework agreement dated 16 August 2024 entered into between the Company and Midea Holding in relation to the provision of Property Management Services by the Group commencing from the date of completion of the Proposed Distribution to 31 December 2026
“2024 Property Management Service Framework Agreement (Midea Construction)”	the framework agreement dated 16 August 2024 entered into between the Company and the PrivateCo in relation to the provision of Property Management Services by the Group commencing from the date of completion of the Proposed Distribution to 31 December 2026
“2024 Real Estate Technology Service Framework Agreement (Midea Construction)”	the framework agreement dated 16 August 2024 entered into between the Company and the PrivateCo in relation to the provision of real estate technology services by the Group commencing from the date of completion of the Proposed Distribution to 31 December 2026
“Board”	board of Directors
“BVI”	the 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 the Proposed Distribution Announcement
“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)
“Construction Services”	services including but not limited to design, planning and implementation of the construction management, the installation of smart home systems, as well as other related ancillary services
“Controlling Shareholders”	Mr. He, Ms. Lu, and Midea Development Holding (BVI) Limited

“Director(s)”	director(s) of the Company
“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 Independent Shareholders to consider, and if thought fit, approve, inter alia, the Proposed Distribution, the Possible Disposal, and the Non-exempt Continuing Connected Transactions
“GFA”	gross floor area
“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 under the section headed “Group Restructuring” in the Proposed Distribution 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”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Tan Jinsong, Mr. O’Yang Wiley and Mr. Lu Qi, which has been formed for the purpose of advising the Independent Shareholders in respect of the Proposed Distribution, the Possible Disposal, and the Non-exempt Continuing Connected Transactions
“Independent Financial Adviser”	Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Distribution, the Possible Disposal, and the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than the Controlling Shareholders and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, 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, namely, Mr. He and Ms. Lu, 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
“Mr. He”	Mr. He Xiangjian (何享健), a Controlling Shareholder
“Ms. Lu”	Ms. Lu Deyan (盧德燕), a Controlling Shareholder, the spouse of Mr. He Jianfeng (何劍鋒) (a non-executive Director) and a daughter-in-law of Mr. He
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the Non-exempt Continuing Connected Transaction Agreements
“Non-exempt Continuing Connected Transaction Agreements”	collectively, the 2024 Construction Project Management Service Framework Agreement (Midea Construction), the 2024 Property Management Service Framework Agreement (Midea Construction), the 2024 Real Estate Technology Service Framework Agreement (Midea Construction) and the 2024 Property Management Framework Agreement (Midea Holding)
“Partially Exempt Continuing Connected Transaction Agreements”	collectively, the 2024 Commercial Property Leasing Framework Agreement (Midea Construction) and the 2024 Construction Framework Agreement (Midea Holding)
“PD&S Business”	has the meaning given to it in the “Information on the PD&S Business” section of the Proposed Distribution Announcement
“Possible Disposal”	the possible disposal of all of the PrivateCo Shares not taken on by the Cash-Electing Shareholders (if any) by the Company to 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
“Property Management Services”	services including but not limited to property management, as well as other related ancillary services



“Proposed Distribution Announcement”	the announcement of the Company dated 23 June 2024 in relation to the Proposed Distribution and the Possible Disposal
“PrivateCo”	Midea Construction (BVI) Limited (美的建業(英屬維京群島)有限公司), a 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”	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 provision of Cash Alternative
“Retained Business”	has the meaning given to it in the “Group Restructuring” section of the Proposed Distribution Announcement
“Retained Group”	the Company and the remaining subsidiaries of the Company upon completion of the Group Restructuring and the Proposed Distribution
“RMB”	Renminbi or Chinese Yuan, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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, 16 August 2024

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