Red Star Macalline Group Corporation Ltd.
紅星美凱龍家居集團股份有限公司

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1528)
(Listed Debt Securities Code: 5454)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the "**Board**") of Red Star Macalline Group Corporation Ltd. (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**"), together with comparative figures for the year ended 31 December 2021. Such financial results in this announcement had been reviewed by the audit committee (the "**Audit Committee**") of the Company.

FINANCIAL HIGHLIGHTS

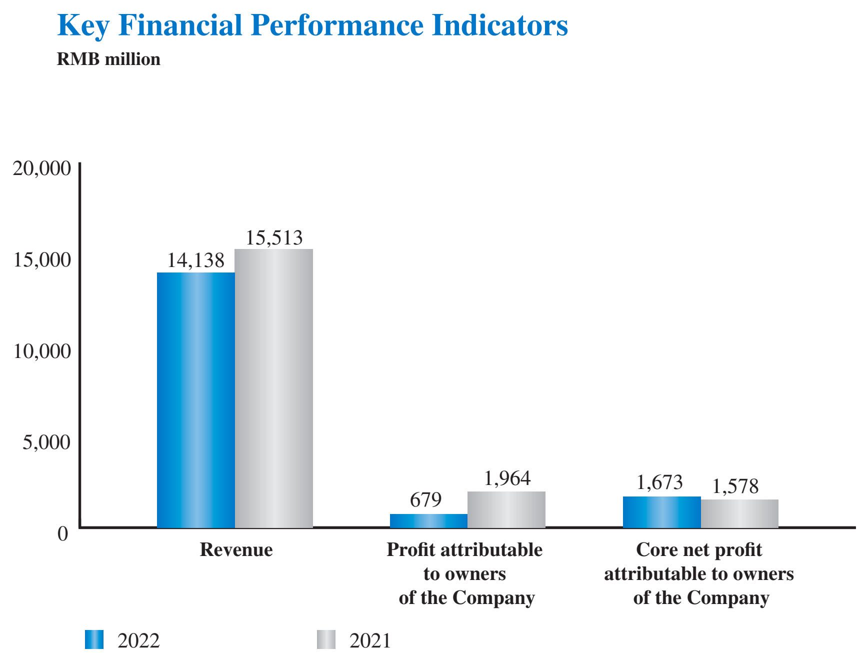
	For the year ended 31 December	
	2022	2021
	(RMB'000, except otherwise stated)	
Revenue	**14,138,320**	15,512,792
Gross profit	**8,844,699**	10,160,616
Gross profit margin	**62.6%**	65.5%
Profit for the year	**816,884**	2,100,698
Profit attributable to owners of the Company	**678,566**	1,963,619
Profit margin attributable to owners of the Company	**4.8%**	12.7%
Core net profit attributable to owners of the Company(2)	**1,672,882**	1,578,470
Core net profit margin attributable to owners of the Company(3)	**11.8%**	10.1%
Earnings per share (Basic and diluted)	**RMB0.16**	RMB0.49
Dividend per share (tax inclusive)	**RMB0.034**	RMB0.10

Notes: (1) In the event of any inconsistency between the Chinese version and the English version of this Announcement, the Chinese version shall prevail.

(2) Core net profit attributable to owners of the Company represents the profits attributable to owners of the Company after deducting the after-tax effects of changes in fair values of investment properties, other income, other gains and losses and other expenses etc., which are not related to daily operating activities.

(3) Core net profit margin attributable to owners of the Company represents the ratio of core net profits attributable to owners of the Company divided by revenue.

KEY FINANCIAL PERFORMANCE INDICATORS



OPERATIONAL HIGHLIGHTS

The following table sets forth certain operating statistics of Portfolio Shopping Malls[(1)] and Managed Shopping Malls[(1)] in operation as at the dates indicated:

	As at 31 December 2022	As at 31 December 2021
Number of shopping malls	**378**	373
Operating area of shopping malls (sq.m.)	**22,508,291**	22,303,548
Number of cities covered	**223**	224
Number of Portfolio Shopping Malls	**94**	95
Operating area of Portfolio Shopping Malls (sq.m.)	**8,369,802**	8,455,486
Average occupancy rate of Portfolio Shopping Malls	**85.2%**	94.1%
Number of Managed Shopping Malls	**284**	278
Operating area of Managed Shopping Malls (sq.m.)	**14,138,489**	13,848,062
Average occupancy rate of Managed Shopping Malls	**86.7%**	91.4%

Note:

(1) For the definition, please refer to the prospectus (the "**Prospectus**") of the Company dated 16 June 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSVIE INCOME
For the Year Ended 31 December 2022

		For the Year Ended December 31	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**14,138,320**	15,512,792
Cost of sales and services		**(5,293,621)**	(5,352,176)
Gross profit		**8,844,699**	10,160,616
Other incomes	*6*	**447,559**	397,095
Other gains or losses, net	*7*	**(590,361)**	388,888
Selling and distribution expenses		**(1,555,295)**	(2,063,509)
Administrative expenses		**(1,861,835)**	(2,489,272)
Research and development expenses		**(46,329)**	(60,662)
Change in fair value of investment properties, net		**(725,834)**	(246,727)
Impairment losses under expected credit loss model, net of reversal		**(385,205)**	(533,256)
Impairment losses of intangible assets		**–**	(219,586)
Share of results of associates, net		**1,032**	1,146
Share of results of joint ventures, net		**(27,465)**	44,048
Finance cost	*8*	**(2,503,313)**	(2,694,541)
Profit before tax		**1,597,653**	2,684,240
Income tax expenses	*9*	**(780,769)**	(583,542)
Profit for the year	*10*	**816,884**	2,100,698
Other comprehensive income			
Other comprehensive income/(loss) that will not be reclassified to profit or loss:			
Changes in fair value of other equity instrument investments		**(661,135)**	670,374
Other comprehensive (loss)/income that will be reclassified to profit or loss			
Effective part of fair value hedging		**(86,871)**	18,917
Transfer from owner-occupied properties to investment properties measured at fair value		**–**	3,735
Exchange differences from translation of financial statements		**3,102**	(4,976)

	Note	For the Year Ended December 31 2022 RMB'000	2021 RMB'000
Other comprehensive income/(loss) net of tax		**(744,904)**	688,050
Total comprehensive income for the year		**71,980**	2,788,748
Total profit for the year attributable to:			
Owners of the Company		**678,566**	1,963,619
Non-controlling interests		**138,318**	137,079
		816,884	2,100,698
Total comprehensive income attributable to:			
Owners of the Company		**(64,954)**	2,652,690
Non-controlling interests		**136,934**	136,058
		71,980	2,788,748
Earnings per share			
Basic and diluted earnings per share (RMB per share)	*12*	**0.16**	0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	**As at 31 December 2022** *RMB'000*	As at 31 December 2021 *RMB'000*	As at 1 January 2021 *RMB'000*
ASSETS				
Non-current assets				
Investment properties	*13*	**100,022,185**	100,773,070	98,518,040
Property, plant and equipment		**3,082,253**	3,248,814	3,272,649
Right-of-use assets		**39,257**	99,497	–
Intangible assets		**107,285**	137,430	374,606
Goodwill		**97,597**	97,597	97,597
Interests in associates		**2,701,530**	2,767,462	2,695,105
Interests in joint ventures		**1,055,532**	1,161,628	1,008,790
Financial instruments at FVTPL		**332,275**	370,775	396,925
Financial instruments at FVTOCI		**2,586,569**	4,169,971	4,206,678
Deferred tax assets		**3,027,514**	2,696,061	1,571,838
Loan receivables		**975,130**	1,040,139	1,002,359
Restricted bank deposits		**302,205**	783,803	584,057
Finance lease receivables		**–**	–	12,172
Deposits and prepayment		**4,001,743**	4,395,741	4,800,590
Total non-current assets		**118,331,075**	121,741,988	118,541,406
Current assets				
Inventories		**302,869**	329,088	328,296
Loan receivables		**1,405,903**	1,381,384	1,719,770
Financial instruments at FVTPL		**921,838**	1,018,693	249,772
Account receivables	*14*	**1,962,169**	1,957,650	1,934,826
Note receivables		**19,016**	86,554	5,873
Contract assets		**1,818,468**	1,705,475	1,375,364
Finance lease receivables		**–**	–	16,701
Receivables and prepayments		**2,094,857**	2,270,330	2,995,089
Bank balance and cash		**2,626,264**	6,119,913	5,927,035
Total current assets		**11,151,384**	14,869,087	14,552,726
Total assets		**129,482,459**	136,611,075	133,094,132

	Note	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000	As at 1 January 2021 RMB'000
Current liabilities				
Trade and other payables	*15*	**12,996,449**	13,450,938	12,399,145
Rental and service fee received in advance		**873,855**	1,692,678	960,787
Contract liabilities		**1,839,930**	1,925,077	2,287,549
Tax payables		**1,005,648**	609,815	472,026
Lease liabilities		**940,871**	1,192,502	888,112
Bank and other borrowings	*16*	**7,100,362**	9,282,811	10,597,964
Other current liabilities		**73,648**	74,021	–
Bonds		**530,829**	3,903,697	4,033,264
Total current liabilities		**25,361,592**	32,131,539	31,638,847
Net current liabilities		**(14,210,208)**	(17,262,452)	(17,086,121)
Total assets less current liabilities		**104,120,867**	104,479,536	101,455,285
Non-current liabilities				
Deferred tax liabilities		**14,020,244**	13,776,570	12,927,204
Bank and other borrowings	*16*	**24,508,990**	24,897,325	26,045,528
Bonds		**1,723,400**	532,620	4,432,635
Lease liabilities		**3,421,588**	4,151,154	4,225,943
Other payables		**556,241**	537,182	569,845
Deferred income		**218,121**	213,856	224,943
Contract liabilities		**582,559**	865,805	794,761
Other non-current liabilities		**1,087,008**	925,526	–
Total non-current liabilities		**46,118,151**	45,900,038	49,220,859
Net assets		**58,002,716**	58,579,498	52,234,426
Equity				
Share capital	*17*	**4,354,733**	4,354,733	3,905,000
Reserves		**50,092,232**	50,596,561	44,711,497
Equity attributable to owners of the Company		**54,446,965**	54,951,294	48,616,497
Non-controlling interests		**3,555,751**	3,628,204	3,617,929
Total equity		**58,002,716**	58,579,498	52,234,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "**PRC**") on 6 January 2011 as a sino-foreign joint stock limited company under the PRC laws upon the conversion of Shanghai Red Star Macalline Enterprise Management Company Limited (上海紅星美凱龍企業管理有限公司) (formerly known as Shanghai Red Star Macalline Home Furnishing Company Limited (上海紅星美凱龍家居傢飾品有限公司)), a company with limited liability incorporated in the PRC. The parent and ultimate holding company of the Company is Red Star Macalline Holding Group Limited (紅星美凱龍控股集團有限公司) ("RSM Holding", formerly known as Shanghai Red Star Macalline Investment Company Limited (上海紅星美凱龍投資有限公司)), a company with limited liability incorporated in the PRC. The ultimate controlling shareholder is Mr. Che Jianxing.

The H shares of the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on June 2015 and the A shares of the Company were listed on Shanghai Stock Exchange in January 2018.

The respective addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report. The principal activities of the Company and its subsidiaries (collectively the "**Group**") are operating and managing home furnishing shopping malls. The Group is also involved in pan home furnishings consumption, including internet home decoration, internet retail, as well as logistics and delivery services.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

The management had assessed the ongoing operations of the Group for the 12 months starting from 1 January 2023, and after taking into account unutilized bank facilities granted to the Group and the Group's expected operating cash inflows and financing arrangements as of 31 December 2022, believed that the liquidity risks that the Group is exposed to due to the fact that it has net current liabilities at 31 December 2022 fall within the range of controllable risks, and thus will not have material effects on the ongoing operations and financial position of the Group. Therefore, these consolidated financial statements have been prepared on an ongoing concern basis.

Except for investment properties and certain financial instruments which are measured at fair value, these financial statements have been measured on the historical cost basis. In case of any impairment of any assets, corresponding impairment provision will be made in accordance with relevant requirements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs are unobservable inputs for the asset or liability.

Reconciliation of consolidated financial statement

In the recent previous financial years, the Group prepared and presented its consolidated financial statements in accordance with Accounting Standards for Business Enterprises ("**ASBEs**"), including the consolidated financial statements for the year ended 31 December 2021 that were approved for issuance on 30 March 2022. In the current financial year, the management of the Company has determined that in view of ceased to appoint the previous auditors on 1 February 2023 and appointed incoming auditors on 22 February 2023. For the reason to change back to IFRS, the reason is under the new framework issued in 2010, a joint move by regulatory bodies on mainland and Hong Kong, A and H share companies listed on both the mainland and in Hong Kong may choose to prepare one set of financial statements based on mainland accounting rules, rather than two sets of financial reports based on rules adopted by the two jurisdictions. However, the PRC auditor is not within the list of the firms which are eligible to perform audit to the companies under H Shares in accordance with the rules of Hong Kong Stock Exchange. Without such wavier, HLB Hodgson Impey Cheng Limited ("HLB") was appointed as auditors of Company who is eligible to perform audit on Company's consolidated financial statements prepared under IFRS. The Group shall change the basis of preparation of its consolidated financial statements by preparing and presenting its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). In the opinion of the management, this change in the basis of preparation of the consolidated financial statements will result in its consolidated financial statements providing more relevant information about the effects of transactions, other events and conditions of the Group on the Group's financial position, financial performance and cash flows and compliance with the disclosures requirement of Listing Rules and the CO.

The Group had applied IFRSs in previous financial years including the financial year ended 31 December 2016 and had stopped applying IFRSs in its consolidated financial statements with effect from the financial year ended 31 December 2017 after the Company became listed on Shanghai Stock Exchange on January 2018. The Group is therefore exempted from applying International Financial Reporting Standard 1 *First-time Adoption of Hong Kong Financial Reporting Standards* ("**IFRS 1**") in the preparation and presentation of its consolidated financial statements for the current financial year ended 31 December 2022. In view of the fact that ASBEs have been closely aligned with IFRSs, the Group has elected not to apply IFRS 1 and has instead applied IFRSs retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as if the Group had never stopped applying IFRSs since the financial year ended 31 December 2016.

Impact on the consolidated financial statements

The following tables disclose the adjustments that have been made by the management of the Group to each of the line items in the consolidated statements of profit or loss and other comprehensive income, for the year ended 31 December 2021, and the consolidated statement of financial position as at 31 December 2021 and 2022 and 1 January 2021 as a result of the change in the basis of preparation of the consolidated financial statements from ASBEs to IFRSs. Line items that were not affected by the change in the basis of preparation of the consolidated financial statements from ASBEs to IFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

The adjustments described below resulted from the change in the basis of preparation of the consolidated financial statements from ASBEs to IFRSs. These adjustments relate to properties leased by the Group which are right-of-use assets that also meet the definition of investment properties (the "Leased Properties"). Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Under ASBEs and IFRSs, investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, the Group chose to measure its investment properties using the fair value model, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Under ASBEs, the Leased Properties were recognised as right-of-use assets and accounted for at historical cost basis.

Under IFRS 16.29 and 34, the Group is required to apply the fair value model to right-of-use assets that meet the definition of investment property in IAS 40 as the Group applies the fair value model in IAS 40 Investment Property to its investment properties. However, under CAS 21, leased properties whether for self-use or subleasing, should be reported as "right-of-use assets" and only the cost model is allowed for lessees to measure right-of-use assets.

As a result of applying the fair value model to the Leased Properties under IFRSs, the adjustments below are made in respect of reclassification of "Right-of-use assets" that are subleased to tenant under CAS 21 to "investment properties" under the IFRS16 because these assets meet the definition of investment properties. Consequently, reversals of the depreciation charges on those right-of use assets from "Cost of sales and services" under CAS 21 are made and changes in fair value of the investment properties and related deferred tax expenses/income under IFRSs are recognised.

Consolidated statement of financial position (extract)	As at 1 January 2021 RMB'000 (before adjustments to IFRSs)	Adjustments RMB'000	As at 1 January 2021 RMB'000 (as reported)
Right-of-use assets	3,852,597	(3,852,597)	–
Investment properties	93,150,000	5,368,040	98,518,040
Deferred tax assets	1,541,067	30,771	1,571,838
Deferred tax liabilities	12,517,572	409,632	12,927,204
Net assets	51,097,844	1,136,582	52,234,426
Capital and reserves			
Reserves	43,658,220	1,053,277	44,711,497
Non-controlling interest	3,534,624	83,305	3,617,929
Total equity	51,097,844	1,136,582	52,234,426

Consolidated statement of financial position (extract)	As at 31 December 2021 RMB'000 (before adjustments to IFRSs)	Adjustments RMB'000	As at 31 December 2021 RMB'000 (as reported)
Right-of-use assets	3,899,862	(3,800,365)	99,497
Investment properties	95,575,000	5,198,070	100,773,070
Deferred tax assets	2,670,233	25,828	2,696,061
Deferred tax liabilities	13,401,316	375,254	13,776,570
Net assets	57,531,219	1,048,279	58,579,498
Capital and reserves			
Reserves	49,627,067	969,494	50,596,561
Non-controlling interest	3,549,419	78,785	3,628,204
Total equity	57,531,219	1,048,279	58,579,498

Consolidated statement of profit or loss and other comprehensive income (extract)	For the year ended 31 December 2021 RMB'000 (before adjustments to IFRSs)	Adjustments RMB'000	For the year ended 31 December 2021 RMB'000 (as reported)
Cost of sales and services	(5,946,476)	594,300	(5,352,176)
Other gains or losses, net	479,808	(90,920)	388,888
Change in fair value of investment properties, net	374,390	(621,117)	(246,727)
Profit before tax	2,801,977	(117,737)	2,684,240
Income tax expenses	(612,976)	29,434	(583,542)
Profit for the year	2,189,001	(88,303)	2,100,698
Total profit for the year attributable to			
Owners of the Company	2,047,402	(83,783)	1,963,619
Non-controlling interests	141,599	(4,520)	137,079
Earnings per share			
Basic and diluted earnings per share	0.51		0.49

The differences between the consolidated financial statements prepared under ASBEs and IFRSs are summarised in current year as follows:

Consolidated statement of financial position (extract)	**As at 31 December 2022 RMB'000 (before adjustments to IFRSs)**	**Adjustments RMB'000**	**As at 31 December 2022 RMB'000 (as reported)**
Right-of-use assets	3,009,298	(2,970,041)	39,257
Investment properties	95,709,000	4,313,185	100,022,185
Deferred tax assets	2,998,869	28,645	3,027,514
Deferred tax liabilities	13,655,813	364,431	14,020,244
Net assets	56,995,358	1,007,358	58,002,716
Capital and reserves			
Reserves	49,192,872	899,360	50,092,232
Non-controlling interests	3,447,753	107,998	3,555,751
Total equity	56,995,358	1,007,358	58,002,716

Consolidated statement of profit or loss and other comprehensive income (extract)	**For the year ended 31 December 2022 RMB'000 (before adjustments to IFRSs)**	**Adjustments RMB'000**	**For the year ended 31 December 2022 RMB'000 (as reported)**
Cost of sales and services	(5,887,052)	593,431	(5,293,621)
Other gains or losses, net	(597,809)	7,448	(590,361)
Changes in fair value of investment properties, net	(70,393)	(655,441)	(725,834)
Profit before tax	1,652,215	(54,562)	1,597,653
Income tax expenses	(794,409)	13,640	(780,769)
Profit for the year	857,806	(40,922)	816,884
Total profit for the year attributable to			
Owners of the Company	748,701	(70,135)	678,566
Non-controlling interest	109,104	29,214	138,318
Earnings per share			
Basic and diluted earnings per share	0.17		0.16

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment –Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after a date to be determined.

[3] Effective for annual periods beginning on or after 1 January 2024.

The management of the Company anticipates that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by Listing Rules and by the CO. The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period.

5. SEGMENT INFORMATION AND REVENUE

The Group is organised into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the Chairman of the Company) for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 are identified as the following four business units:

Owned/leased Portfolio Shopping Malls: this segment derives revenue from leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them.

Managed Shopping Malls: this segment derives revenue from providing initiation, consultation and management services to the Group's partners and the construction contractors to develop and manage the shopping malls under the Group's own brand.

Construction and design: this segment derives revenue from providing building installation and decorating services in shopping malls, which are held by owners of Managed Shopping Malls and owners of external commercial properties.

Related home decoration and sales of merchandise: this segment derives revenue from retail sales of home furnishing merchandise and providing related decorating services.

Other: this segment derives revenue from providing other comprehensive service to the customers, including strategy consultation, home design consultation, construction service, internet home decoration, internet retail, as well as logistics and delivery services.

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other incomes, other gains or losses, research and development expenses, changes in fair value of investment properties, impairment losses under expected credit losses, impairment losses of intangible assets, share of results of associates, share of results of joint ventures, finance costs, central administrative expenses and income tax expenses. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment.

No segment assets and liabilities, and other segment information are presented as they were not regularly reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

The following is the Group's revenue and results by operating segment:

	Owned/Leased Portfolio Shopping Malls	**Managed Shopping Malls**	**Construction and design**	**Related home decoration and sales of merchandise**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022						
Segment revenue from external customers	**7,867,647**	**2,375,962**	**1,233,331**	**641,384**	**2,019,996**	**14,138,320**
Segment profit	**4,598,821**	**195,396**	**62,640**	**(214,945)**	**822,877**	**5,464,789**
Unallocated:						
Other incomes						**447,559**
Other gains or losses, net						**(590,361)**
Central administrative expense						**(37,220)**
Research and development expenses						**(46,329)**
Change in fair value of investment properties, net						**(725,834)**
Impairment losses under expected credit loss model, net of reversal						**(385,205)**
Share of results of associates, net						**1,032**
Share of results of joint ventures, net						**(27,465)**
Finance cost						**(2,503,313)**
Profit before tax						**1,597,653**

	Owned/Leased Portfolio Shopping Malls *RMB'000*	Managed Shopping Malls *RMB'000*	Construction and design *RMB'000*	Related home decoration and sales of merchandise *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2021						
Segment revenue from external customers	8,094,818	3,256,245	1,498,608	1,395,547	1,267,574	15,512,792
Segment profit	4,424,183	740,700	249,936	(158,788)	392,793	5,648,824
Unallocated:						
Other incomes						397,095
Other gains or losses, net						388,888
Central administrative expense						(40,989)
Research and development expenses						(60,662)
Change in fair value of investment properties, net						(246,727)
Impairment losses under expected credit loss model, net of reversal						(533,256)
Impairment losses of intangible assets						(219,586)
Share of results of investment in associates, net						1,146
Share of results of joint ventures, net						44,048
Finance cost, net						(2,694,541)
Profit before tax						2,684,240

Classification by revenue type is as follows	**2022** *RMB'000*	2021 *RMB'000*
Revenue from contracts with customers	**6,193,737**	7,280,385
Rental and related revenue	**7,944,583**	8,232,407
	14,138,320	15,512,792

The following is an analysis of operating income from contracts with customers:

	Managed Shopping Malls *RMB'000*	Construction and design *RMB'000*	Related home decoration and sales of merchandise *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2022					
Principal operating region					
Mainland China	**2,375,962**	**1,233,331**	**641,384**	**1,943,060**	**6,193,737**
Timing of revenue recognition					
A point in time					
Revenue from commercial management and consultation service for construction	**6,994**				**6,994**
Revenue from sales of goods			**146,781**		**146,781**
Other revenues				**1,186,583**	**1,186,583**
Over-time					
Revenue from the brand consulting and management service for the early stage	**114,641**	**–**	**–**	**–**	**114,641**
Revenue from annual brand consulting and management service for the project	**2,174,031**	**–**	**–**	**–**	**2,174,031**
Revenue from commercial consultation fees and tenant sourcing commissions	**80,296**	**–**	**–**	**–**	**80,296**
Revenue from construction and design service	**–**	**1,233,331**	**–**	**–**	**1,233,331**
Revenue from decoration	**–**	**–**	**494,603**		**494,603**
Other revenues				**756,477**	**756,477**
Total	**2,375,962**	**1,233,331**	**641,384**	**1,943,060**	**6,193,737**

	Managed Shopping Malls *RMB'000*	Construction and design *RMB'000*	Related home decoration and sales of merchandise *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2021					
Principal operating region					
Mainland China	3,256,244	1,498,608	1,395,547	1,129,986	7,280,385
Timing of revenue recognition					
A point in time					
Revenue from commercial management and consultation service for construction	26,415	–	–	–	26,415
Revenue from sales of goods	–	–	298,871	–	298,871
Other revenues	–	–	–	267,080	267,080
Over-time					
Revenue from the brand consulting and management service for the early stage	667,209	–	–	–	667,209
Revenue from annual brand consulting and management service for the project	2,230,812	–	–	–	2,230,812
Revenue from commercial consultation fees and tenant sourcing commissions	331,808	–	–	–	331,808
Revenue from construction and design service	–	1,498,608	–	–	1,498,608
Revenue from decoration	–	–	1,096,676	–	1,096,676
Other revenues	–	–	–	862,906	862,906
Total	3,256,244	1,498,608	1,395,547	1,129,986	7,280,385

6. OTHER INCOMES

	2022	2021
	RMB'000	*RMB'000*
Interest income on		
– bank deposits	**33,220**	37,672
– other loans and receivables	**197,352**	189,525
Total interest income	**230,572**	227,197
Subsidy for land supporting expenses and subsidy for gas-fired air conditioning equipment	**5,849**	5,570
Govermment grants	**153,967**	152,416
Dividend income	**42,837**	3,300
Income from default compensation	**2,529**	2,716
Income from project termination	**11,805**	5,896
	447,559	397,095

7. OTHER GAINS OR LOSSES, NET

	2022	2021
	RMB'000	*RMB'000*
Gain on disposal of associates	**633**	38,979
Gain/(loss) on disposal of financial assets FVTPL	**30,127**	(28,325)
Gain on disposal of properties, plant and equipment	**3,197**	13,583
Gain/(loss) on disposal of other equity instruments	**–**	31,012
(Loss)/gain on disposal of subsidiaries, net	**(338)**	448,897
Gain/(loss) on lease modification	**53,295**	(90,920)
Impairment loss on earning right related to land consolidation	**(574,829)**	–
Fair value change on financial instrument FVTPL	**(48,327)**	(2,669)
Charitable donations	**(5,977)**	(31,043)
Compensation expenses	**(6,515)**	(11,372)
Exchange (loss)/gain	**(13,373)**	47,306
Others	**(28,254)**	(26,560)
	(590,361)	388,888

8. FINANCE COST

	2022	2021
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**2,382,624**	2,485,229
Interest on lease liabilities	**224,229**	235,674
Interest on bonds	**248,421**	355,931
	2,855,274	3,076,834
Less: amount capitalized in the cost of qualifying assets	**(351,961)**	(382,293)
	2,503,313	2,694,541

9. INCOME TAX EXPENSE

	2022 *RMB'000*	2021 *RMB'000*
Income tax expenses comprise:		
Current tax:		
PRC enterprise income tax	**684,503**	724,884
(Over)/under provision in prior year	**(26,580)**	24,155
	657,923	749,039
Deferred tax – current year	**122,846**	(165,497)
Income tax expenses	**780,769**	583,542

10. PROFIT FOR THE YEAR

	2022 *RMB'000*	2021 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors emoluments)		
Salaries and other benefits	**2,743,027**	3,498,493
Retirement benefits scheme contributions	**273,395**	294,460
Total staff costs	**3,016,422**	3,792,953
Auditors' remuneration	**6,762**	10,519
Cost of inventories recognised as an expense	**167,480**	392,425
Depreciation for property, plant and equipment	**314,221**	337,028
Amortisation of intangible assets	**40,180**	48,439
Advertising and promotional expenses	**847,582**	1,333,666
Gross rental income from investment properties	**(7,867,647)**	(8,094,818)
Direct operating expenses incurred for investment properties	**1,512,648**	1,258,980

11. DIVIDEND

	2022 *RMB'000*	2021 *RMB'000*
2021 Final (RMB0.10 per share)	**435,473**	–
2020 Final (RMBNil)	**–**	–
	435,473	–

Subsequent to the end of the reporting period, the Board has proposed the distribution of an ordinary final dividend of RMB0.034 per share for the year ended 31 December 2022 (an ordinary final dividend of RMB0.1 per share for the year ended 31 December 2021). The distribution of dividend is subject to approval by the shareholders (the "**Shareholder**") of the Company at the annual general meeting (the "**AGM**") to be held on 26 June 2023. The dividend is expected to be distributed on or around 26 August 2023.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share as of 31 December 2022 and 2021 is based on the following data:

	2022	2021
	RMB	*RMB*
Basic and diluted earnings per share	**0.16**	0.49

The basic earnings per share is calculated by dividing the profit attributable to the owner of the Company by the weighted average number of ordinary shares.

No diluted effect on the earnings per share for 2022 and 2021 as the Company's share options granted does not assume to be exercised due to the exercise price of those share options was higher than the average market price for shares for both 2022 and 2021.

As of 31 December 2022 and 2021, the calculation of basic and diluted earnings per share is detailed as follows:

	2022	2021
Earnings		
Profit for the year attributable to owner of the Company (RMB'000)	**678,566**	1,963,619
Number of the ordinary shares		
Weighted average number of the ordinary shares of the Company ('000)	**4,354,733**	4,004,941

13. INVESTMENT PROPERTIES

	Completed properties	**Properties under construction**	**Leased properties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value				
As at 1 January 2021	81,482,000	11,668,000	5,368,040	98,518,040
Additions	2,297,052	1,016,632	489,877	3,803,561
Acquisition of subsidiaries	584,492	–	165,914	750,406
Lease modification	–	–	(204,644)	(204,644)
Disposal of assets	(1,479,000)	(461,000)	–	(1,940,000)
Transfer from property, plant and equipment	92,434	–	–	92,434
Completion of properties under construction	4,745,000	(4,745,000)		
Changes in fair value	615,022	(240,632)	(621,117)	(246,727)
As at 31 December 2021 and 1 January 2022	88,337,000	7,238,000	5,198,070	100,773,070
Additions	83,364	631,029	8,141	722,534
Acquisition of subsidiaries	–	–	–	–
Disposal of assets	(510,000)	–	–	(510,000)
Lease modification	–	–	(237,585)	(237,585)
Changes in fair value	(1,129,364)	1,058,971	(655,441)	(725,834)
As at 31 December 2022	**86,781,000**	**8,928,000**	**4,313,185**	**100,022,185**

14. ACCOUNT RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Account receivables	**3,584,087**	3,367,403
Less: provision of expected credit loss	**(1,621,918)**	(1,409,753)
	1,962,169	1,957,650

An ageing analysis of the account receivables as at the end of the reporting period, based on the invoice date and net of ECL, is as follows:

Within 1 year	1,254,540	1,206,128
1 to 2 years	527,175	486,544
2 to 3 years	358,767	450,663
Over 3 years	1,443,605	1,224,068
Less: provision of expected credit loss	(1,621,918)	(1,409,753)
	1,962,169	1,957,650

15. TRADE AND OTHER PAYABLES

Included in the trade and other payables, as at 31 December 2022 the balance of trade payables were RMB2,452,582,000 (2021: RMB2,400,880,000).

	2022	2021
	RMB'000	*RMB'000*
Trade payables (note a)	**2,452,582**	2,400,800

note:

(a) An aging analysis of the trade payables as at the end of the reporting period is as follow:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**2,452,582**	2,400,800

16. BANK AND OTHER BORROWINGS

	2022 *RMB'000*	2021 *RMB'000*
Bank and other borrowings:		
Secured	**28,269,466**	28,071,849
Unsecured	**50,080**	665,970
Commercial mortgage-backed securities	**3,289,806**	5,442,317
	31,609,352	34,180,136
Less: Current portion	**(7,100,362)**	(9,282,811)
Non-current portion	**24,508,990**	24,897,325
Fixed-rate borrowings	**11,573,044**	8,023,149
Floating-rate borrowings	**20,036,308**	26,156,987
	31,609,352	34,180,136

	2022 *RMB'000*	2021 *RMB'000*
The borrowings are repayable:		
Within one year or on demand	**7,100,362**	9,282,811
More than one year but not exceeding two years	**7,295,674**	4,089,316
More than two years but not exceeding five years	**8,305,398**	11,765,963
More than five years	**8,907,918**	9,042,046
	31,609,352	34,180,136
Less: Amount due within one year shown under current liabilities	**(7,100,362)**	(9,282,811)
Amount due after one year	**24,508,990**	24,897,325

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022 *%*	2021 *%*
Bank and other borrowings:		
Fixed rate borrowings	**4.79-15.40**	3.40-15.40
Floating rate borrowings	**3.65-8.00**	4.25-8.00

17. SHARE CAPITAL

The movements to the Company's issued shares from 1 January 2021 to 31 December 2022 are as follows:

	H Shares Number of shares *'000*	**A Shares Number of shares** *'000*	**Share capital Number of shares** *'000*
As at 1 January 2021	741,286	3,163,714	3,905,000
Issued of shares	–	449,733	449,733
As at 31 December 2021, 1 January 2022 and 31 December 2022	741,286	3,613,447	4,354,733

All shares issued are at par value RMB1.

MANAGEMENT DISCUSSION AND ANALYSIS

– INDUSTRY OVERVIEW

In 2022, In the face of multiple challenges such as the complex and severe international environment, under the strong leadership of the Party Central Committee, the decisions and arrangements of the Party Central Committee and the State Council have been conscientiously implemented throughout the country, the general tone of seeking progress while maintaining stability has been adhered to, and the implementation of various policies and measures to stabilize the economy has been effectively grasped. The national economy has withstood the pressure and maintained an overall recovery trend.

According to relevant data from the National Bureau of Statistics of China, in 2022, China's GDP increased by 3.0% year on year, and the per capita disposable income of all residents recorded a nominal increase of 5.0% over the same period of the previous year. After deducting price factors, the actual increase was 2.9%, which is basically synchronized with economic growth. In 2022, the per capita consumption expenditure of all residents increased by 1.8% in nominal terms over the same period of the previous year, and 0.2% decreased in real terms after deducting price factors. The real growth rate of resident's consumption expenditure slightly decreased.

In 2022, the total retail sales of social consumer goods recorded a decrease of 0.2% over the previous year. Among the total retail sales, the retail sales of goods increased by 0.5% year on year, with furniture decreased by 7.5% year on year, and building and decoration materials down by 6.2% year on year. Meanwhile, the long-term positive fundamentals of consumption development have not changed, and the trend of consumption upgrading has not changed. In 2023, the strategy of expanding domestic demand will be deeply implemented, and the construction of a new development pattern featuring a large domestic cycle as the main body and a mutually reinforcing domestic and international dual cycle will be accelerated. The foundation for stable recovery of the consumer market will be stronger, and the consumer market is expected to recover.

In 2022, the total population decreased slightly, but China still has a population of over 1.4 billion, and the advantages of population scale and super large-scale market will exist for a long time. In 2022, the level of urbanization continued to improve, with the urban population accounting for 65.22% of the national population (urbanization rate), an increase of 0.50 percentage points compared to the end of the previous year. The spatial layout of urbanization continued to be optimized, and the quality of new urbanization steadily improved.

Real estate is an important industry in the national economy. Although it is currently in the adjustment stage, there are many favorable conditions for the future development of the real estate market. First, China is still in the stage of sustained urbanization development, and the urbanization rate in China is still not high compared to developed countries; Second, the reasonable demand in the real estate market will gradually be released, and many measures have been introduced to support the demand for rigid and improved housing, which will help improve the willingness of home buyers to buy houses; The third is that the supply of the real estate market is expected to gradually improve. Adhering to the principle of "no speculation in real estate", relevant policies have been introduced with the aim of returning real estate to the standard and reducing its financial attributes. At the same time, the housing system of multi-agent supply, multi-channel guarantee, and simultaneous purchase and rental is continuously improved, and the establishment of a new and healthy real estate market is expected to accelerate.

In the long run, factors such as the growth of residents' income level, the continuous increase in quality demand, the popularity of the concept of green environmental protection, the continuous promotion of urbanization, the accelerated establishment of a new and healthy real estate market, and the continuous growth in demand for renovation of existing housing will all bring sustained and stable development to the home decoration and furniture industry. The Company will give full play to the advantages as a leading enterprise and actively seize the development opportunities in the industry.

– BUSINESS REVIEW

During the Reporting Period, the Company continued to focus on the strategic positioning of growing into an "omni-channel platform service provider for the pan-home improvement and furnishings industry", actively seized market development opportunities, aiming to enhance the delivery capabilities of home decoration design and offline traffic conversion capabilities through online consumer reach, thereby providing customers with more personalized and high-quality home decoration services throughout the whole decoration period and a shopping experience closer to the needs of end consumers by using the original home furnishing shopping malls efficient channel network, strong supply chain integration capabilities and home furnishing industry operational management experience accumulated over the years and leveraging its own home decoration business management platform and IMP intelligent marketing platform.

1. *Business Development and Arrangements: Continuous Expansion of Presence in Third and Lower-Tier Cities, and Establishment of a Nationwide Omni-Channel Commercial Network*

While maintaining the healthy growth of its Portfolio Shopping Malls, the Company continuously consolidates its core advantages, and improves its operation and management capabilities for platform refinement, and makes a shift from capital leveraging to management enablement. The Company continuously implements the business decision of "shift of focus from assets to operation". By increasing the number of Managed Shopping Malls and franchised shopping malls, the Company steadily increases its market share while controlling the capital investment in the Company's self-built shopping malls.

During the Reporting Period, the Company developed the city-wide positioning plan for multi-store shopping malls, and selected 100 Malls that represent the strategic arrangements of the Group for hierarchical and targeted management of merchandise and consumers: 32 No.1 Stores, 9 Grand Malls and 59 Benchmarking Shopping Malls. Meanwhile, the Company continuously implemented the strategy of "expansion of categories and focus on operation", and optimized the brand structure. During the Reporting Period, the Company increased the number of its major categories to ten, and accelerated the construction of theme pavilions, so as to quickly gain traction with consumers in the mid-and high-end markets. In the meantime, the Company fully explored and actively introduced intelligent electrical appliances, catering and other medium – and high-frequency categories to facilitate integrated consumption in multiple industries.

As of the end of the Reporting Period, the Group operated 94 Portfolio Shopping Malls, 284 Managed Shopping Malls, 8 home furnishing shopping malls through strategic cooperation[(1)], and 57 franchised home improvement material projects[(2)], which included a total of 476 home improvement material stores/industry streets[(3)]. The Portfolio Shopping Malls and Managed Shopping Malls that the Group operated cover 223 cities in 30 provinces, municipalities and autonomous regions, with a total shopping mall operating area of 22,508,291 sq.m.

As of the end of the Reporting Period, the Company operated 94 Portfolio Shopping Malls, covering a total operating area of 8,369,802 sq.m., with an average occupancy rate of 85.2%, among which the operating area of Portfolio Shopping Malls in first- and second-tier cities accounted for more than 80%, thus building a strong moat, with the advantages of first-mover and site selection. During the Reporting Period, the same mall growth of mature shopping malls[(4)] was -3.5%. The steady increase in the occupancy rate and rental income of the Portfolio Shopping Malls fully reflects the professional level and management ability of the Company as the leading home improvement and furnishings shopping mall operator, and plays a positive exemplary role in continuously attracting potential high-quality brand merchants, expanding and strengthening the cooperative relationship with partners of Managed Shopping Malls. During the Reporting Period, the Company opened 1 new Portfolio Shopping Mall, closed 1 Portfolio Shopping Mall, and changed a Portfolio Shopping Mall to a Managed Shopping Mall. As of the end of the Reporting Period, the Company had 19 pipeline Portfolio Shopping Malls.

As of the end of the Reporting Period, the Company operated 284 Managed Shopping Malls covering a total operating area of 14,138,489 sq.m., with an average occupancy rate of 86.7%, among which the operating area of Managed Shopping Malls in third and lower-tier cities accounted for approximately 70%. Managed Shopping Malls help the Company realize the regional coverage and rapid penetration of the third and lower-tier cities under the asset-light model. During the Reporting Period, the Company opened 12 new Managed Shopping Malls and closed 7 Managed Shopping Malls. In addition, one Portfolio Shopping Mall was converted into Managed Shopping Mall. As of the end of the Reporting Period, among the pipeline Managed Shopping Malls, the Company has obtained land use rights certificate/land parcels for 315 contracted projects. Along with steady social and economic development of the country, further progress of urbanization strategy, and stable growth in disposable income per capita, the Company will focus on increasing the rate of expansion of our Managed Shopping Malls business throughout China.

Notes:

(1) The Company held 46.5% of equity interests in Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司), and became one of its largest shareholders ranked pari passu with Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司). As of 31 December 2022, Shandong Inzone Green Home Co., Ltd. and its controlling subsidiaries operated 8 home furnishing shopping malls in total in the PRC. Strategic cooperative operation shopping malls mean the home furnishing shopping malls which, based on strategic objectives considered by the Company, to be held through joint investment with the partners, to jointly hold the properties and co-operate.

(2) Franchised home improvement material projects represent the home improvement material stores and home improvement material industry streets operated by the Group by way of franchising. For such franchised home improvement material projects, the Group will not participate in the daily operation and management after their commencement of projects.

(3) For home improvement material stores/industry streets, the Group regards those with independent market logos as home improvement material stores/industry streets for the purpose of operation and management convenience after taking into full account the physical form of the managed property and the types of products sold.

(4) "Same mall growth of mature shopping malls" is the growth in operating income in the Reporting Period compared with the same period in the prior year for all Portfolio Shopping Malls (including associates and joint ventures) that were in operation for at least three financial years and were still in operation as of the end of the Reporting Period.

1.2 Home improvement and home furnishings integration

As of the end of the Reporting Period, there were home decoration stores in more than 200 cities in 25 provinces, municipalities directly under the central government and autonomous regions in China, with the network of offline shopping malls of Red Star Macalline. The Company continuously defined the differentiated business positioning and carried out operations based on brands and clusters of customers.

The Company enhanced the construction of a new-generation home improvement system platform project. In terms of the home improvement system platform, the Company has continuously improved the home improvement core business flow management system through feedbacks on the actual use of the Better Home Improvement business, optimized and iterated the online process of the home improvement core business, greatly optimized functional modules such as materials, orders, supply chain management, engineering construction site and final account management, enhanced the business efficiency and reduced the error risk by utilizing computing advantages of the system. By driving business development with data, the system provides multiple data reports for different business processes, thus providing strong support for adjustment of business decisions. Meanwhile, in view of the mobile office scenarios in different business environments, a number of digital tools have been developed at the mobile end to improve the business standards, enhance the management efficiency, and lay a solid data foundation for providing comprehensive digital services for C-end consumers in 2023.

1.3 Online and offline integration

The effective arrangements for the Company's digital upgrading and online sources of traffic based on shopping malls start to bear fruit. During the Reporting Period, the Company's core shopping malls were digitally upgraded. In addition to the digital upgrading of shopping malls, the Company successively upgraded and innovated online product selection, content supply, digital operation, traffic acceptance and marketing models. In terms of basic capacity building, "Tmall City-wide Station" continued to dig into commodity operation, and upgraded from the optimization of basic commodities on the shelf to the operation of core commodity pool, thus further improving the commodity quality. Through continuous operation, each city and shopping mall can accumulate a batch of high-quality commodities, and continuously and stably obtain traffic and customer capital online, thus further promoting business growth. Meanwhile, the Company made further efforts to empower "product content", promoted the continuous implementation of panoramic video projects, and provided consumers with channels for all-round and free viewing of goods. The newly added online shopping guide service project enables shopping guides of online brands to provide consumers with superior services online instantly.

In terms of content operation, the Company has continued to develop and promote the "10,000 Top Shopping Guides Live Streaming", involving relevant people in the industry such as store shopping guide, designers and top home furnishing streamers, incubating and cultivating the Company's live-streaming capabilities, empowering practitioners of the home furnishing industry with live-streaming operation capabilities, and promoting the normalization of home furnishing live streaming. The Company has also built a live-streaming base of nearly 1,000 square meters in Shanghai Jinqiao Shopping Mall, which can empower the shopping mall through professional venues and equipment, and build the first-level live-streaming capacity.

2. *Continuous Upgrading of Operation Management, and Implementation of the Strategy of "Shift of focus from assets to Operation", with a focus on User Mentality*

2.1 Tenant sourcing management

The Company continuously select mainstream categories and brands that meet the needs of consumers, optimize arrangements for categories in shopping malls and promote experiential and immersive consumption by creating shopping malls of home life experience. During the Reporting Period, the Company upgraded the category strategy to the ten theme pavilion strategy based on the original nine categories, namely smart electrical appliances, international imports, living room design, high-end customization, soft decoration and furnishings, system doors and windows, boutique bathroom accessories, sleep and life, trend furniture and top floor space. More and more categories were sold on the platform of Red Star Macalline, which enriched the shopping mall ecosystem and helped more home furnishing brands expand their presence in cross-regional markets. The three major store forms and ten major theme pavilions gather platform-wide traffic. Based on the digital and comprehensive analysis of merchandise and consumers, the Company subdivides categories and brands, and redistributes consumer traffic to stores of brand merchants precisely, thus realizing the connection and linkage between public and private traffic, achieving the acceptance, repeated use and deep operation of traffic in the shopping malls.

In combination with the category expansion and model integration, the Company has actively expanded medium – and high-frequency consumer products and increased the proportion of leased area, so as to shorten the consumption cycle of consumers and revitalize the traffic to stores. Taking the smart appliance stores as an example, the Company developed a complete set of scenario-based and high-end features different from traditional appliance stores. Combined with rich, effective and diversified consumer touch forms and marketing activities, the Company increased the purchase rate and customer order value of combined orders, thus attracting the enthusiasm of top and mid-end brands and distributors to settle in the malls, driving smart appliance stores to settle in multiple malls quickly, and increase the leasing area of related categories.

In addition, the Company has actively introduced catering categories during the Reporting Period. Based on factors such as size and location of a mall, the Company created a multi-functional catering product portfolio in line with the space of Red Star Macalline by means of co-branding of home furnishing brands, chain catering, regional cooperation and other forms. During the Reporting Period, the Company proactively sought cooperation with core catering brands such as McDonald's, KFC, Pizza Hut, Starbucks, Burger King and Dicos. In 2022, the coverage of catering category in shopping malls across the country increased from 32% to 43%, while the catering coverage in 100 Malls increased from 55% to 78%.

2.2 *Marketing management*

During the Reporting Period, the Company fully integrated the marketing resources of brand factories and merchants. Based on the nationwide promotion and the city-wide marketing scenario for brands with "Super Category Festival", "Super Elected Ace" and "Super City-wide Shopping" as the core, the Company further improved its traffic operation ability and realized the cross-category and cross-brand combined and repeated purchase; and by constantly improving the high-quality case pool and implementation standards, the Company has increased the sales returns of joint marketing projects to brand factories and merchants, thereby driving more brand factories and distributors to invest in performance-based advertising budgets and participate in joint marketing. Under the background that the home furnishing industry is gradually undergoing stock competition and increasing dispersion of traffic, the joint marketing model can efficiently and quickly integrate the resources of the home furnishing industry, thus achieving resource sharing and reducing marketing costs.

As our core products such as "Super City-wide Shopping" and "Super Elected Ace" gain increasing reputation, we have continuously increased the scale of joint marketing stock business by integrating more brands and merchants. Meanwhile, we've explored new business growth points of joint marketing projects through new marketing solutions such as "theme pavilion marketing", "traffic distribution" and "property contracting ".

2.3 *Operational management*

During the Reporting Period, the Company promoted a service-oriented member management model and facilitated the increase in member value by services. Meanwhile, high-end member services were properly provided to induce referral by members and repeated purchases. In 2022, the Group upgraded and updated the service-oriented member services in 75 shopping malls, where we increased customer stickiness, improved service reputation, awakened the spending power of loyal customers, and empowered the operation of shopping malls through the main means of membership registration, consumption points and point exchange. We provided customers with all kinds of membership benefits, including car parking and washing, home-based services, home furnishing gifts, etc., thereby enabling customers to feel the superior services of Red Star at home and enjoy better service experience. In addition, our shopping malls tried to maintain member stickiness and improve service quality and reputation by virtue of door-to-door visits, high-end membership activities and special greeting on holidays.

In 2022, the Group have also launched eight home-based service activities, including "Spring Renewal Service Month", "618 Cool Summer Home Care Service Season", "818 Household Appliances Cleaning Season" and "October 1 Big Promotion Service Month", which were deeply combined with the promotion activities to boost the operation of categories and theme pavilions. In 2022, more than 300 shopping malls nationwide have served a total of 400,000 households, with more than 50 service items and 100% customer satisfaction.

– Financial Review

1. Revenue

During the Reporting Period, the Group's revenue amounted to RMB14,138.3 million, representing a decrease of 8.9% from RMB15,512.8 million in 2021. The decrease in our revenue was primarily due to the introduction of the rent-free policy, as well as the impact of overall economic fluctuations. During the Reporting Period, the rental and related income of our Portfolio Shopping Malls decreased by 2.8%, which was mainly due to the decline in the occupancy rate of the Group's Portfolio Shopping Malls in areas affected by the Group's launch of a rent-free policy. The related income from our Managed Shopping Malls decreased by 27.0% during the Reporting Period, mainly due to the delay in performance of contracts mainly affected by the overall economic fluctuations, which resulted in a decrease in the number of projects for the revenue recognition of consulting services as compared with 2021, and the Group has waived the management fees of some Managed Shopping Malls. Meanwhile, due to the overall economic fluctuations, the revenue from construction and design, sales of merchandise and home decoration and other revenue have declined by different degrees compared to 2021.

The following table sets forth our revenue by segments:

	For the year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Owned/Leased Portfolio Shopping Malls	**7,867,647**	**55.6**	8,094,818	52.1
Managed Shopping Malls	**2,375,962**	**16.8**	3,256,245	21.0
Construction and design	**1,223,331**	**8.7**	1,498,608	9.7
Related home decoration and sales of merchandise	**641,384**	**4.5**	1,395,547	9.0
Others	**2,019,996**	**14.4**	1,267,574	8.2
Total	**14,138,320**	**100.00**	15,512,792	100.0

2. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit was RMB8,844.7 million, representing a decrease of 13.0% from RMB10,160.6 million in 2021; the Group's integrated gross profit margin was 62.6%, representing a decrease of 2.9 percentage point from 65.5% in 2021, primarily due to the introduction of the rent-free policy, as well as the impact of overall economic fluctuations during the Reporting Period.

The following table sets forth our gross profit margin by business segments:

	For the year ended 31 December	
	2022	2021
Owned/Leased Portfolio Shopping Malls	**80.8%**	84.4%
Managed Shopping Malls	**40.7%**	52.4%
Construction and design	**15.3%**	27.3%
Related home decoration and sales of merchandise	**23.9%**	20.5%
Others	**58.5%**	72.9%
Total	**62.6%**	65.5%

3. Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB1,555.3 million (accounting for 11.0% of the revenue), representing a decrease of 24.6% from RMB2,063.5 million (accounting for 13.3% of the revenue) in 2021, which was primarily due to the decrease in advertising and promotional expenses as a result of the Group's prompt implementation of targeted measures to reduce costs and increase efficiency and strict control of the expenses of brand promotion and other activities in response to the overall economic fluctuations in 2022.

4. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB1,861.8 million (accounting for 13.2% of the revenue), representing a decrease of 25.2% from RMB2,489.3 million (accounting for 16.1% of the revenue) in 2021, which was primarily due to the Group's effective responses to the overall economic fluctuations and took targeted measures to reduce costs and increase efficiency, resulted in a significant decrease in employee compensation and welfare expenses, office and administrative expenses in 2022.

5. Finance cost

During the Reporting Period, the Group's finance cost amounted to RMB2,503.3 million in 2022, representing a decrease of 7.1% from RMB2,694.5 million in 2021, which was primarily due to the decrease in the amount of the Group's interest-bearing liabilities.

6. *Income tax expenses*

During the Reporting Period, the income tax of the Group amounted to RMB780.8 million, representing an increase of 33.7% from RMB583.5 million in 2021, which was mainly due to the tax planning in the previous year.

7. *Total profit for the year attributable to owners of the Company, core net profit attributable to owners of the Company and earnings per share*

During the Reporting Period, total profit for the year attributable to owners of the Company amounted to RMB678.6 million, representing a decrease of 65.4% from RMB1,963.6 million in 2021; the core net profit attributable to owners of the Company amounted to RMB1,672.9 million, representing an increase of 6.0% from RMB1,578.5 million in 2021.

	For the year ended 31 December		Increase/ Decrease
	2022 *RMB'000*	2021 *RMB'000*	
Total profit for the year attributable to owners of the Company	**678,566**	1,963,619	-65.4%
Profit margin for the year attributable to owners of the Company	**4.8%**	12.7%	a decrease of 7.9 percentage point
Core net profit attributable to owners of the Compan	**1,672,882**	1,578,470	6.0%
Core net profit margin attributable to owners of the Company	**11.8%**	10.2%	an increase of 1.6 percentage point

During the Reporting Period, the Group's earnings per share was RMB0.16, as compared to RMB0.49 in the same period of 2021.

8. *Accounts receivable*

As of the end of the Reporting Period, the book value of accounts receivable of the Group amounted to RMB1,962.2 million (including the balance of accounts receivable of RMB3,584.1 million and the bad debt allowance of RMB1,621.9 million), representing an increase of RMB4.5 million from RMB1,957.7 million as at the end of 2021.

9. Investment properties and gain on fair value changes

As of the end of the Reporting Period, the book value of the Group's investment properties amounted to RMB100,022.2 million, representing a decrease of RMB750.9 million from RMB100,773.1 million as at the end of 2021. During the Reporting Period, the investment properties of the Group realized a loss on fair value changes of RMB725.8 million. It was mainly due to under the backdrop of fluctuations in the overall economic environment, the Group took prudent consideration and increased the vacancy rate during the forecast period and moderately reduced the rental growth rate, resulting in a slight decline in the valuation of investment properties at the end of the period.

10. Capital expenditure

During the Reporting Period, the Group's capital expenditure amounted to RMB1,049.4 million (2021: RMB2,388.2 million), which mainly includes purchase expenditure of investment properties and construction development expenditure. The expenditure in 2022 decreased by 56.1% as compared with 2021, mainly because the Group has deepened its business strategy of "focusing on asset-light operation, and lowering leverage", effectively controlling capital expenditures, and will further expand its asset-light business.

11. Cash and bank balances and cash flow

As of the end of the Reporting Period, the cash and bank balances of the Group amounted to RMB2,626.3 million (of which, the balance of cash and cash equivalents amounted to RMB2,608.2 million), representing a decrease of RMB3,493.6 million from RMB6,119.9 million (of which, the balance of cash and cash equivalents amounted to RMB6,098.0 million) as at the end of 2021 (of which, the balance of cash and cash equivalents representing a decrease of RMB3,489.7 million).

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Net cash flow from operating activities	**3,879,003**	5,380,669
Net cash flow from investment activities	**687,695**	(126,814)
Net cash flow from financing activities	**(8,059,246)**	(5,053,633)
Impact of exchange rate changes on cash and cash equivalents	**2,825**	(3,298)
Net increase/(decrease) in cash and cash equivalents	**(3,489,723)**	196,925

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB3,879.0 million, representing a decrease of RMB1,501.7 million from a net cash inflow of RMB5,380.7 million in 2021, mainly due to the relief and delayed collection of rental and management fees in 2022.

During the Reporting Period, the Group's net cash inflow from investment activities amounted to RMB687.7 million, representing an increase in inflow of RMB814.5 million from a net cash outflow of RMB126.8 million in 2021. It was primarily due to effective control of capital expenditures during the Reporting Period.

During the Reporting Period, the Group's net cash outflow from financing activities amounted to RMB8,059.2 million, representing an increase in outflow of RMB3,005.6 million from a net cash outflow of RMB5,053.6 million in 2021, mainly due to the receipt of proceeds from the Non-public Issuance of A shares in 2021.

12. Major debt ratios

The following table sets out our major debt ratios:

	As at 31 December 2022	As at 31 December 2021
Asset-liability ratio(1)	**55.2%**	57.1%
Net gearing ratio(2)	**61.4%**	64.6%

Notes:

(1) Asset-liability ratio is calculated as the total liabilities divided by total assets as at the end of each period.

(2) Net gearing ratio means interest-bearing liabilities (including short-term borrowings, long-term borrowings, bond payables, financial lease payables, and commercial mortgage-backed securities payables) less cash and bank balances and then divided by the total equity at the end of each period.

13. Collateralized and pledged assets

As of the end of the Reporting Period, the Group had collateralized/pledged investment properties, fixed assets with a total book value of RMB86,962.6 million, and other equity instrument investments and restricted cash and bank balances with a total book balance of RMB444.5 million for obtaining loans, the balance of such loans is RMB33,531.3 million; the Group holds restricted cash and bank with a balance of RMB150.7 million for deposit reserve placed with the central bank, hedging operations, etc.

14. Contingent liabilities

There is no contingent liability at the end the Reporting Period.

15. Financial resources

In the future, the main sources of capital of the Group will be from cash generated from our operating activities, bank borrowings, issuance of bonds and share capital contributions from shareholders. To ensure that the capital of the Group is effectively utilized, the Group will continue to regularly monitor its liquidity needs, comply with its financing agreements and maintain sufficient cash reserves and appropriate credit limits so as to meet its liquidity demand.

16. Material acquisitions and disposals of subsidiary, associates and joint ventures

There is no material acquisitions and disposals of subsidiary, associates and joint ventures during the Reporting Period.

17. Capital commitment

As of the end of the Reporting Period, the amount of capital expenditure in respect of the acquisition and development of investment properties which the Group has contracted for but not recognized in the financial statements was RMB1,413 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contributing funds for development of investment properties jointly with the partners amounted to RMB217 million.

18. Foreign exchange risk

As at the end of the Reporting Period, financial assets and liabilities denominated in currencies other than the functional currency of the Group mainly included USD-denominated notes, HKD short-term borrowings and certain deposits denominated in other currencies. To manage these additional foreign exchange risk exposures, the management of the Group has actively adopted relevant risk control measures, including selecting appropriate forward contracts and currency swaps and other foreign debt hedging instruments, enhancing internal control awareness and strategies, increasing discussion with international banks and closely monitoring and anticipating trends of foreign exchange market, in order to be prepared to hedge our risk in a timely manner. We believe that foreign exchange risks related to such assets and liabilities denominated in other currencies will not have material impacts on operating results of the Group.

19. Significant investment

During the Reporting Period, the Group did not have any significant investment. As of the date of this announcement, the Group does not have any plan for material investments.

20. Human resources

As of the end of the Reporting Period, the Group had 18,101 employees (As at 31 December 2021: 21,514 employees). The Group signs labor contracts with employees according to the Labor Law of the People's Republic of China and the relevant provisions of the employee's locality. The Group will determine the employees' basic wage and bonus level according to the employees' performance, work experience and the market wage standard, and shall pay social insurance and housing provident fund for the employees. In 2022, the Group paid a total of RMB3,092.7 million for salary expenditure (2021: RMB3,792.9 million). Meanwhile, the Group also kept investing resources to provide various education and training opportunities for its employees, aiming to standardize the management work and improve the operation performance, and continuously improved the knowledge and technical competence as well as professional practice competence of the employees.

OUTLOOK

The Group constantly shoulders the responsibility of "building cozy and harmonious homes and improving quality of shopping and home life". In 2023 and going forward, the Group will continue to follow the operational management mode of "market-oriented operation and shopping mall-based management" to provide customers with better and more professional services, so as to consolidate our leading position in the market as well as the professional status of "Red Star Macalline" as an expert of home life in our customers' minds, to pursue our enterprise development goal of growing into China's most advanced and professional "omni-channel platform service provider".

The Group's future development plans are as follows:

1. The Group will continue to transform into "asset-light and operation-heavy" business model, and further strengthen the market leadership;

2. The Group will carry out home decoration business, make a breakthrough in full-cycle services of home furnishings consumption;

3. The Group will implement the digital reform, and deeply cultivates new retail;

4. The Group will optimize the capital structure and continue to implement the leverage reduction strategy;

5. The Group will continue to improve corporate governance of the Company, standardize our operation and implement social responsibilities.

FINAL DIVIDEND

The Board has proposed the distribution of an ordinary final dividend of RMB0.034 per share for the year ended 31 December 2022. Based on the total share capital of 4,354,732,673 shares after deducting 1,044,800 shares in the Company's A Shares on the special account for repurchase (that is, 4,353,687,873 shares) as of 31 December 2022, a total of RMB148,025,387.68 of final dividend will be paid, of which the cash dividend of RMB122,821,676.13 will be paid to holders of A Shares and the cash dividend of RMB25,203,711.56 will be paid to holders of H Shares respectively, which are subject to approval at the AGM. The dividend is expected to be distributed on or around 26 August 2023.

SUBSEQUENT EVENTS

Changes in equity and proposed changes in control

Xiamen Jianfa Co., Ltd. (listed on the Shanghai Stock Exchange, securities code: 600153.SH, "**Jianfa Shares**"), together with Red Star Holdings and Mr. Che Jianxing, jointly signed the "Share Transfer Framework Agreement" on 13 January 2023. Jianfa Shares intends to acquire 29.95% of the Company's shares held by Red Star Holdings. On 17 January 2023, the "Share Transfer Agreement between Xiamen Jianfa Co., Ltd., Red Star Macalline Holding Group Co., Ltd., and Mr. Che Jianxing on Red Star Macalline Home Furnishing Group Co., Ltd." with effective conditions was jointly signed. If this share transfer is successfully implemented, Red Star Holdings will reduce its holdings of 1,304,242,436 A-shares (hereinafter referred to as the "**Target Shares**") in the Company through an agreement transfer, and the proportion of shares held by Jianfa Shares in the Company will increase from 0% to 29.95%. On 23 February 2023, Red Star Holdings notified that Jianfa Shares received the relevant confirmation documents issued by the executive officer of the Hong Kong Securities and Futures Commission ("**the executive officer**"). According to the application documents submitted by Jianfa Shares, the executive officer ruled that this transaction will not trigger the relevant tender offer obligations.

On January 18 and 19 January 2023, Alibaba (China) Network Technology Co., Ltd. ("**Alibaba**") was the sole holder of Red Star Macalline Holdings Group Co., Ltd.'s non-public issuance of exchangeable corporate bonds (the first tranche) ("**the current tranche of bonds**") in 2019, To convert part of its current bonds into 248,219,904 A-share shares of the Company in the form of convertible bonds into shares ("**the convertible bonds into shares**"). After the completion of this convertible bond and stock exchange, the total shareholding ratio of Alibaba and its concerted actors in the Company will increase from 4.30% to 9.9976%, without touching the tender offer.

After the completion of the above matters, the total proportion of shares held by Red Star Holdings and its concerted parties will decrease from 60.55% to 24.90%. In accordance with the "Administrative Measures for the Acquisition of Listed Companies" and the "Rules for the Listing of Shares on the Shanghai Stock Exchange", the actual controller of the Company will be changed to the State-owned Assets Supervision and Administration Commission of the Xiamen Municipal People's Government (the "**Xiamen Municipal SASAC**"), and the controlling shareholder of the Company will be changed to Jianfa Shares.

For details, please refer to the announcements of the Company dated 14 January, 18 January, 19 January, 30 January and 25 February 2023 which were disclosure on the designated media in China and the announcements of the Company dated 13 January, 17 January, 18 January, 29 January and 24 February 2023 which were disclosure on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), respectively.

Matters related to exemption and change of the Company's controlling shareholders and actual controllers' intention to reduce their holdings

The controlling shareholder of the Company, Red Star Holdings, and the actual controller, Mr. Che Jianxing, applied for exemption and change of their shareholding intention and reduction intention commitments made during the Company's initial public offering of A-shares and listing. On 18 January 2023, the Company held the 57th interim meeting of the fourth board of directors and the 16th interim meeting of the fourth board of supervisors, and reviewed and approved the Proposal on Exemption and Change of Shareholding Intention and Commitment to Reduce Shareholding Intention of the Company's Controlling Shareholders and Actual Controllers. On 15 February 2023, the Company reviewed and approved the above proposal at the first interim shareholders' meeting in 2023. For details, please refer to the announcements of the Company dated 19 January and 16 February 2023 which were disclosure on the designated media in China and the announcements of the Company dated 18 January and 15 February which were disclosure on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), respectively.

On the Change of Directors and the Extension of the Term of the Board of Directors and Supervisors

On 17 January 2023, the Company received written resignation reports from Mr. Guo Binghe, Ms. Che Jianfang, Mr. Jiang Xiaozhong, and Ms. Chen Shuhong. Due to related work arrangements, Mr. Guo Binghe proposed to resign as Vice Chairman and Executive Director, while Ms. Che Jianfang and Mr. Jiang Xiaozhong resigned as Executive Director. Mr. Guo Binghe and Mr. Jiang Xiaozhong both resigned from the Company's strategy and investment committee. Ms. Chen Shuhong resigned as a non-executive director. In view of the above situation, in accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association, the Company has added three non-executive directors and one executive director. Upon nomination by the controlling shareholder of the Company, Red Star Macalline Holdings Group Co., Ltd., and review and approval by the Nomination Committee, on 18 January 2023, the Company held the 57th interim meeting of the fourth board of directors, deliberating and passing "Proposal on Adding Mr. Zheng Yongda as a Non Executive Director of the fourth board of directors of the Company", "Proposal on Adding Mr. Wang Wenhuai as a Non Executive Director of the fourth board of directors of the Company", "Proposal on Adding Mr. Zou Shaorong as Non Executive Director of the Fourth Board of Directors of the Company" and "Proposal on Adding Mr. Li Jianhong as Executive Director of the Fourth Board of Directors of the Company", nominate and add Mr. Zheng Yongda, Mr. Wang Wenhuai, and Mr. Zou Shaorong as Non-Executive Directors of the Fourth Board of Directors of the Company, and nominate and add Mr. Li Jianhong as Executive Director of the Fourth Board of Directors of the Company.

The appointment of Mr. Zheng Yongda, Mr. Wang Wenhuai, Mr. Zou Shaorong, and Mr. Li Jianhong has been reviewed and approved at the first extraordinary shareholders' meeting of the Company in 2023.

The 61st interim meeting of the fourth board of directors of the Company reviewed and approved the Proposal on Electing the Vice Chairman of the fourth board of directors of Red Star Macalline Home Furnishing Group Co., Ltd. and the Proposal on Adding Members of the Special Committee of the fourth board of directors. The board of directors of the Company elected Mr. Zheng Yongda as the Vice Chairman of the fourth board of directors of the Company; Agree to appoint Mr. Zheng Yongda, a director, and Ms. Qin Hong, an independent non-executive director, as members of the Nomination Committee and the Remuneration Committee; Agree to appoint Director Wang Wenhuai as a member of the Strategy and Investment Committee; It is agreed that Mr. Zou Shaorong, the director, will serve as a member of the Audit Committee.

On 15 February 2023, the Company received a written resignation report from Mr. Yang Guang, a non-executive director of the Company. Due to related work arrangements, Mr. Yang Guang proposed to resign as a director to the fourth board of directors of the Company and no longer hold any other positions in the Company.

The term of office of the fourth board of directors and board of supervisors of the Company has expired, and the Company is actively preparing for the transition. In view of the ongoing share transfer transactions among the Company's controlling shareholders, which may lead to changes in the Company's control rights, and the nomination of candidates for the new board of directors and board of supervisors has not yet been completed. In order to ensure the continuity and stability of the work of the board of directors and board of supervisors, the fifth board of directors and board of supervisors of the Company will be postponed, and the terms of office of each special committee and senior management personnel of the Company's board of directors will also be correspondingly extended.

For details, please refer to the announcements of the Company dated 19 January, 2 February, 16 February and 17 February 2023 which were disclosure on the designated media in China and the announcements of the Company dated 18 January, 1 February, 15 February and 16 February 2023 which were disclosure on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), respectively.

Completion of share transfer between the controlling shareholder and the person acting in concert

From 27 February 2023 to 3 March 2023, Red Star Holdings has transferred its 68,023,000 tradable shares of the Company without sales restrictions to its concerted action person Changzhou Meikai Information Technology Co., Ltd. ("**Changzhou Meikai**") through block trading, accounting for 1.56% of the Company's total share capital, with an average transfer price of RMB5.17 per share. The above share transfer registration procedures have been completed. Changzhou Meikai is a wholly-owned subsidiary of Red Star Holdings, and will be locked up for six months after receiving this part of the shares, from 3 March 2023 to 2 September 2023.

For details, please refer to the announcements of the Company dated 4 March 2023 which were disclosure on the designated media in China and the announcements of the Company dated 3 March which were disclosure on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), respectively.

Matters related to the freezing, waiting for freezing, and unfreezing of controlling shareholders' shares

On 2 February 2023, the Company received the "Notice on Judicial Freeze and Judicial Transfer of Equity" (2023 SZ No. 0202-1) and "Notice on Assistance in Implementation" (2023) H74 ZB No. 21), and learned that some of the Company's shares held by Red Star Holdings were frozen and marked, of which 84,738 A shares were subject to judicial freeze and 289,730,439 A shares were subject to judicial mark. The total number of shares subject to judicial freeze was 127,270,314 A shares.

On 15 February 2023, 446,085,491 A shares of the Company held by Red Star Holdings were requested by the People's Court of Shizhong District, Jinan City, Shandong Province to wait for a freeze due to a loan dispute. On 17 February 2023, the creditors have lifted the above waiting freeze. On 16 February 2023, Red Star Holdings was informed that its 29,000,000 shares in the Company had been applied for judicial freeze by the People's Court of Shibei District, Qingdao City. As of 18 February 2023, the number of shares held by Red Star Holdings in the Company that were subject to judicial freeze was 156,355,052 A shares, and the number of judicial marks was 289,730,439 A shares, accounting for 10.24% of the total share capital of the Company.

For details, please refer to the announcements of the Company dated 4 February and 18 February 2023 which were disclosure on the designated media in China and the announcements of the Company dated 3 February and 17 February which were disclosure on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), respectively.

Repurchase progress

On 24 April 2022, the 43rd interim meeting of the fourth board of directors of the Company reviewed and approved the Proposal on Review of Repurchase of Company Shares, agreeing that the Company should use its own or self raised funds of not less than RMB150 million and not more than RMB300 million (both inclusive) to repurchase the Company's A-shares. From the end of the reporting period to the date of this announcement, the Company has not repurchased shares.

For details, please refer to the announcements of the Company dated 2 February and 4 March which were disclosure on the designated media in China and the announcements of the Company dated 1 February and 3 March which were disclosure on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), respectively.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of H shares of the Company will be closed from Wednesday, 21 June 2023 to Monday, 26 June 2023, both days inclusive, in order to determine the identity of the H Shareholders who are entitled to attend the annual general meeting on 26 June 2023. All share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged for registration with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 20 June 2023.

The Shareholders whose names appear on the register of members of the Company on Wednesday, 21 June 2023 after close of business are entitled to attend and vote at the annual general meeting.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Other than disclosed in this announcement and deviation from Code Provision C.2.1, the Company has complied with the principle and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Reporting Period.

DEVIATION FROM CODE PROVISION C.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. CHE Jianxing ("**Mr. CHE**") is the chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in our Group and that Mr. CHE has assumed the role of chief executive officer and the general manager of our Company since June 2007, the Board considers it beneficial to the business prospect and operational efficiency of our Group that Mr. CHE, in addition to acting as the chairman of the Board, continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) any decision to be made by our Board requires approval by at least a majority of our directors and that our Board has 5 independent non-executive directors out of the current 13 directors, which is in compliance with the Listing Rules requirement of one-third of the Board, and we believe that there is sufficient checks and balances in the Board; (ii) Mr. CHE and the other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require, among other things, that he acts for the benefit and in the best interests of our Group and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries were made to all directors and supervisors who had confirmed that they had complied with all the provisions and standards as set out in the Model Code during the year ended 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The forty-third extraordinary meeting of the forth session of the Board was held by the Company on 24 April 2022 to review and approve, among other items, the relevant resolution on the A Share Repurchase Plan (the "**Repurchase**"). The total amount of funds for the Repurchase shall not be less than RMB150 million and shall not exceed RMB300 million (both inclusive). The A Shares to be repurchased will be reserved exclusively for the employee stock ownership plan or share incentive plan of the Company. Calculating at the maximum amount of funds for the repurchase is RMB300 million, and the maximum price for the repurchasing A Shares is RMB11.04 per A Share, the number of A Shares which can be repurchased by the Company is 27,173,913 Shares, representing approximately 0.62% of the existing total share capital of the Company of 4,354,732,673 Shares. The implementation period of the Repurchase Plan will be no more than 12 months from the date when the A Share Repurchase Plan is considered and approved at the Board meeting. During the Reporting Period, under this resolution, a total of 1,044,800 A shares of the Company were repurchased by the Company by means of centralized bidding transaction via the system of the Shanghai Stock Exchange ("**SSE**"), representing approximately 0.0240% of the total share capital of the Company. The total amount of funds paid was RMB5,003,480.17 (exclusive of transaction costs). The lowest transaction price was RMB4.42 per share and the highest transaction price was RMB5.21 per share. The monthly breakdown of A Share repurchase made by the Company during 2022 is as follows:

Month	**Shares repurchased**	**Highest transaction price per share (RMB)**	**Lowest transaction price per share (RMB)**	**Total amount of funds paid (RMB, exclusive of transaction cost)**
July 2022	384,800	5.21	5.2	2,004,308
September 2022	660,000	4.63	4.42	2,999,172.17

Save as disclosed in this announcement, the Group did not purchase, sell or redeem any listed securities of the Company during the Reporting Period.

PUBLIC ISSUANCE OF A SHARE AND USE OF PROCEEDS

A shares of the Company were listed and traded on the Shanghai Stock Exchange on 17 January 2018 (Stock Code: 601828) at the issue price of RMB10.23 per share with an issuance size of 315,000,000 shares. The total proceeds raised from this offering was RMB3,222,450,000.00, and the net proceeds raised (after deducting the issuing expenses of A shares of RMB172,442,150.37) was RMB3,050,007,849.63 ("**A Shares Offering Proceeds**"). The net amount raised per subscribed share is RMB9.68 per share, and the closing price per share on the date of listing was RMB14.42. For details, please refer to the announcements of the Company dated 2 January 2018, 16 January 2018, 7 February 2018 and 7 September 2018, the Company has utilized the net proceeds in accordance with the purposes as disclosed. As of the end of the Reporting Period, the Group has utilized approximately 89% of the net proceeds in total for fundraising investment projects and replenishing liquidity as required.

Analysis of the use of proceeds from issuance of A share as of 31 December 2022 is as follows:

Unit: RMB'000

Total amount of fund raised	3,222,450
Issuance expense	172,442
Net fund raised	3,050,008

Proposed investment projects		**Total investment planned** *(RMB'000)*	**Total utilized investment as of the end of Reporting Period** *(RMB'000)*	**Balance of the investment amount as of the end of Reporting Period** *(RMB'000)*	**Remarks**
Home furnishing shopping	Tianjin Beichen Shopping Mall Project	245,137	245,137	–	Fully invested
mall construction project	Hohhot Yuquan Shopping Mall Project	76,825	76,825	–	Fully invested
	Dongguan Wanjiang Shopping Mall Project	164,145	164,145	–	Fully invested
	Harbin Songbei Shopping Mall Project	294,809	294,809	–	Fully invested
	Urumqi Convention and Exhibition Mall Project(1)	669,084	666,733	2,351(1)	Fully invested
	Changsha Jinxia Shopping Mall Project	190,000	146,238	43,762	Expected to be invested by December 2025
	Xining Expo Shopping Mall Project	110,000	110,013(2)	(13)	Fully invested
	Sub-total	1,750,000	1,703,900(1)	46,100	–
New intelligent home furnishing shopping mall project		400,000	114,745	285,255	Expected to be invested by December 2024
Repayment of bank loans		400,000	400,000	–	Fully invested
Supplement of liquidity		150,008	150,008	–	Fully invested
Repayment of interest-bearing debts		350,000	350,000	–	Fully invested
Total		3,050,008	2,718,653	331,356	–

Note:

(1) The Company would determine the actual usage of the remaining funds raised subject to the subsequent capital arrangements.

(2) Including the interest generated from the account of raised funds and used for the project.

NON-PUBLIC ISSUANCE OF A SHARES AND USE OF PROCEEDS

In September 2021, the Company issued 449,732,673 shares to specific investors in the non-public issuance, at an issue price of RMB8.23 per share, with the total proceeds of RMB3,701,299,898.79. After deducting issuance expenses (exclusive of tax) of RMB22,936,099.50, the actual net proceeds were RMB3,678,363,799.29. For details, please refer to the announcements of the Company dated 3 May 2020, 3 June 2020, 23 June 2020, 19 April 2021, 18 May 2021 and 21 October 2021 and the circulars of the Company dated 3 June 2020 and 26 April 2021. As of the end of the Reporting Period, the Company invested into the above proceeds-funded projects, a total of approximately 50% of the proceeds from the non-public issuance of shares in 2021.

An analysis of the use of the proceeds from the non-public issuance of A shares as of 31 December 2022 is set out below:

Unit: RMB'000

Total Proceeds	3,701,299.9
Issuance expenses	22,936.1
Net proceeds	3,678,363.8

Proposed investment projects		Total investment planned *(RMB'000)*	Total utilized investment as of the end of Reporting Period *(RMB'000)*	Balance of the investment amount as of the end of Reporting Period *(RMB'000)*	Remarks
Tmall "Home Decoration Tongcheng Station" Project		220,000.0	–	220,000.0	Expected to be invested by December 2024
3D Shejiyun Platform Construction Project		283,944.7	23,946.2	276,998.6	Expected to be invested by December 2024
Construction Project for New Generation Home Improvement Platform System		350,000.0	169,762.4	348,418.4	Expected to be invested by December 2024
Home Furnishing Mall Construction Project	Foshan Lecong Shopping Mall Project	1,000,000.0	200,000.0	800,000.0	Expected to be invested by December 2024
	Nanning Dingqiu Shopping Mall Project	560,000.0	360,348.6	199,651.4	Expected to be invested by December 2024
	Nanchang Chaoyang Xincheng Shopping Mall Project	160,910.0	160,910.0	_	Fully invested
	Sub-total	1,720,910.0	914,967.2	999,651.4	–
Repayment of Interest-bearing Debts of the Company		1,103,509.1	1,103,509.1	–	Fully invested
Total		3,678,363.8	2,018,476.3	1,845,068.4	–

The expected timeline for using the unutilised net proceeds is based on the best estimation of the business market situations made by the Board and might be subject to changes based on the market conditions. Change in the timeline, if any, will be disclosed publicly by the Company in accordance with the requirements of the relevant rules as and when appropriate to update its shareholders and potential investors.

AUDIT COMMITTEE

As at the date of this announcement, the Board has established the audit committee (the "**Audit Committee**"), which comprises independent non-executive Directors, Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao, and non-executive Director, Mr. ZOU Shaorong. Mr. QIAN Shizheng is the chairman of the Audit Committee.

The audit committee of the Company has reviewed the annual results announcement and the audited consolidated annual financial statements for the year ended 31 December 2022.

WORK OF HLB HODGSON IMPEY CHENG LIMITED ON THE PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary results announcement have been compared by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor on this preliminary result announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2022 ANNUAL REPORT

This announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaredstar.com. The Company's 2022 annual report containing all the information as required by the Listing Rules will be dispatched to Shareholders and published on the website of the Hong Kong Stock Exchange and on the website of the Company in due course.

By Order of the Board
Red Star Macalline Group Corporation Ltd.
CHE Jianxing
Chairman

Shanghai, the PRC
30 March 2023

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing and LI Jianhong; the non-executive Directors are CHEN Zhaohui, JIANG Xiangyu, Hu Xiao, ZHENG Yongda, WANG Wenhuai and ZOU Shaorong; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao, ZHAO Chongyi and QIN Hong.