



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

(A SINO-FOREIGN JOINT STOCK COMPANY INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA WITH LIMITED LIABILITY)  
STOCK CODE: 1528



**2022**

Annual Report

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# Company Profile

The Company was founded in 2007, and its H shares were listed on the Main Board of the Hong Kong Stock Exchange in June 2015 (Stock Code: 1528) and its A shares were listed on the Shanghai Stock Exchange in January 2018 (Stock Code: 601828).

As a leading home improvement and furnishings shopping mall operator, as well as a pan-home furnishings platform service provider in China, the Company mainly engages in offering comprehensive services for merchants, consumers and partners through operation and management of Portfolio shopping malls, managed shopping malls, shopping malls operated through franchising and strategic cooperation. At the same time, the Company also involved in pan-home furnishing consumption services, including home decoration and internet retail.

According to the statistics of Frost & Sullivan, the Company is a nationwide home improvement and furnishing shopping mall operator in China, which ranks first in terms of area of operational premises, the number of malls, and the geographic coverage. As at the end of the Reporting Period, the Group operated 94 Portfolio shopping malls, 284 Managed Shopping Malls and 8 home furnishing shopping malls through strategic cooperation. In addition, the Group opened 57 franchised home improvement material projects by way of franchising, including a total of 476 home improvement material stores/industry streets. The Company's Portfolio shopping malls and Managed Shopping Malls spread over 223 cities in 30 provinces, municipalities and autonomous regions in China, with a total operating area of 22,508,291.30 sq.m., which offer more than 36,000 brands in total. In 2022, the Group had a 19.0% market share in the chain home improvement and furnishing mall sector and a 8.4% market share in the whole home improvement and furnishing mall sector (including chain and non-chain) in terms of retail sales, owning the largest market share in China's steadily growing home improvement and furnishing retail industry.

The Group has been committed to "building warm and harmonious homes and enhancing taste for home life of Chinese", and will continue to steadily promote its main and expansionary businesses around the "Asset-Light and Operation-Heavy" business model. The Group continues to expand its network in the lower-tier markets through the asset-light operation model, and to consolidate Red Star Macalline's market leadership in the home improvement and furnishing industry in China. At the same time, the Group will accelerate the development of expansionary businesses, focus on new retailing, deepen engagement in the home improvement business, and consolidate 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 for the pan-home improvement and furnishings industry".

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. CHE Jianxing (*Chairman*)  
Mr. LI Jianhong

### Non-executive Directors

Mr. CHEN Zhaohui  
Mr. JIANG Xiangyu  
Ms. HU Xiao  
Mr. ZHENG Yongda (*Vice Chairman*)  
Mr. WANG Wenhui  
Mr. ZOU Shaorong

### Independent Non-executive Directors

Mr. QIAN Shizheng  
Mr. LEE Kwan Hung, Eddie  
Mr. WANG Xiao  
Ms. ZHAO Chongyi  
Ms. QIN Hong

## SUPERVISORS

Mr. PAN Ning (*Chairman*)  
Ms. CHAO Yanping  
Mr. ZHENG Hongtao  
Mr. CHEN Gang

## AUDIT COMMITTEE

Mr. QIAN Shizheng (*Chairman*)  
Mr. LEE Kwan Hung, Eddie  
Mr. WANG Xiao  
Mr. ZOU Shaorong

## REMUNERATION AND EVALUATION COMMITTEE

Mr. QIAN Shizheng (*Chairman*)  
Mr. CHE Jianxing  
Mr. WANG Xiao  
Ms. QIN Hong  
Mr. ZHENG Yongda

## NOMINATION COMMITTEE

Mr. LEE Kwan Hung, Eddie (*Chairman*)  
Mr. CHE Jianxing  
Ms. ZHAO Chongyi  
Ms. QIN Hong  
Mr. ZHENG Yongda

## STRATEGY AND INVESTMENT COMMITTEE

Mr. CHE Jianxing (*Chairman*)  
Ms. ZHAO Chongyi  
Ms. QIN Hong  
Ms. HU Xiao  
Mr. WANG Wenhui

## JOINT COMPANY SECRETARIES

Ms. QIU Zhe  
Ms. NG Sau Mei

## AUTHORIZED REPRESENTATIVES

Mr. CHE Jianxing  
Ms. QIU Zhe

## REGISTERED OFFICE

Suite F801, 6/F  
No. 518, Linyu Road  
Pudong New District  
Shanghai  
The PRC

## HEADQUARTERS IN THE PRC

Red Star Macalline Headquarter  
No. 2/5, Lane 1466, Shenchang Road  
Minhang District  
Shanghai  
The PRC



## Corporate Information

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower 2  
Times Square  
1 Matheson Street  
Causeway Bay, Hong Kong

### H SHARE REGISTRAR

#### Computershare Hong Kong Investor Services Limited

Room 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

### LEGAL ADVISORS

#### As to Hong Kong and United States law

Clifford Chance  
27/F Jardine House  
One Connaught Place  
Central  
Hong Kong

#### As to the PRC law

Llinks Law Offices  
19/F One Lujiazui  
68 Yin Cheng Road Middle  
Shanghai 200120  
The PRC

### AUDITOR

Zhongxingcai Guanghua Certified Public Accountants LLP  
24th Floor, Tower A, Wan Tong Financial Center  
No. 2 Fuchengmenwai Street  
Xicheng District  
Beijing  
the PRC

HLB Hodgson Impey Cheng Limited  
31/F, Gloucester Tower, The Lankmark  
11 Pedder Street  
Central  
Hong Kong

### PRINCIPAL BANKS

#### Industrial and Commercial Bank of China

Shanghai Branch Banking Department  
No. 24 Zhongshan Dongyi Road  
Shanghai  
The PRC

#### China Minsheng Bank Corp., Ltd.

Shanghai Xuhui Branch  
No. 1033 Zhaojiabang Road, Xujiahui  
Shanghai  
The PRC

#### Bank of Communications

Shanghai Putuo Branch  
No. 2000 Zhongshan North Road  
Shanghai  
The PRC

### STOCK CODES

Hong Kong Stock Exchange: 1528  
Shanghai Stock Exchange: 601828

### COMPANY'S WEBSITE

[www.chinaredstar.com](http://www.chinaredstar.com)

# Financial and Operational Highlights

## FINANCIAL HIGHLIGHTS

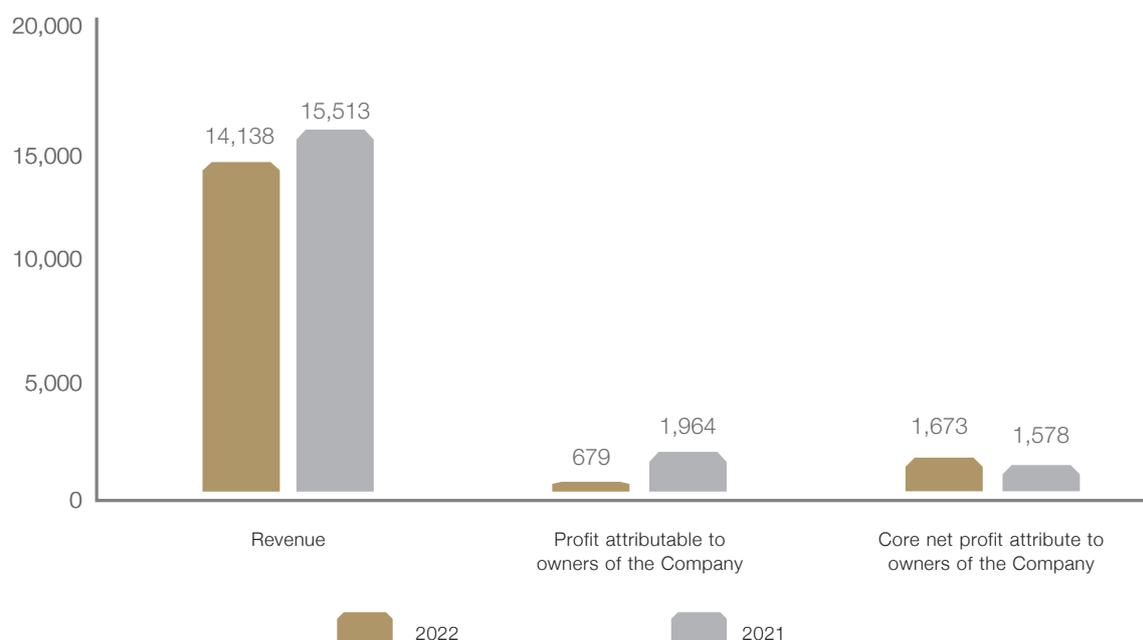
	For the year ended 31 December	
	2022	2021
	(RMB'000, except otherwise stated)	
Revenue	14,138,320	15,512,792
Gross profit	8,844,699	10,160,616
Gross profit margin	62.6%	65.5%
Profit for the year	816,884	2,100,698
Profit attributable to owners of the Company	678,566	1,963,619
Profit margin attributable to owners of the Company	4.8%	12.7%
Core net profit attributable to owners of the Company <sup>(2)</sup>	1,672,882	1,578,470
Core net profit margin attributable to owners of the Company <sup>(3)</sup>	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 report, 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

RMB million





## Financial and Operational Highlights

### OPERATIONAL HIGHLIGHTS

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

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

*Note:*

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

# Chairman's Statement



Dear every shareholder:

On behalf of the Board of Directors, I am pleased to present to all of you the results of the Company and its subsidiaries (the “**Group**” or “**we**”) for the year ended 31 December 2022 (the “**Reporting Period**”): In 2022, we achieved the revenue of RMB14,138.3 million, total profit for the year attributable to owners of the Company amounted to RMB678.6 million, the core net profit attributable to owners of the Company amounted to RMB1,672.9 million.

2022 is a crucial year for the development of China’s 14th Five Year Plan and the beginning of the second centenary goal. At the same time, facing the opportunities and challenges brought by the external environment, the Company has always grasped the main line of high-quality development, stabilized its performance foundation, and formed a new business situation that combines “stability” and “progress”. In the face of drastic changes in the market environment, we comprehensively promoted refined management, promoted digital transformation, focused on strengthening our own hematopoietic capacity, improved quality and efficiency, reduced burdens and slimmed down, and achieved the first step of comprehensive strategic transformation.

Based on the business decisions of the Board of Directors, the Company actively implements the “heavy operation” strategy, deeply builds ten theme pavilions, optimizes the layout of shopping malls categories, continues to expand the area of smart electrical appliances, catering and other categories, and explores new hot selling brands to settle in; In addition, the Company further explores a new online and offline integrated retail model through methods such as the “10,000 Top Shopping Guides Live Streaming”, “Tuan Xin Jia”, and “Tmall Local Station Product Aggregation”, aiming to create a comprehensive online and offline home retail business network that integrates multiple store formats, category expansion, brand selection, scene experience, and systematic marketing. With the support of online operation capabilities, Red Star Macalline has created a new retail online and offline integrated service loop with the shortest link, accelerating the improvement of marketing efficiency for brand merchants from online promotion, recommendation to transformation.

The Company has always attached importance to shareholder returns and shared the growth of the Company with its shareholders. Despite many difficulties and challenges, upon comprehensively considering the Company’s profitability, the shareholder returns and the demands for sustainable development in the future, the Board of Directors proposed to pay a dividend of RMB0.034 per share at the end of 2022, thus maintaining the continuity of dividends.



## Chairman's Statement

### THE ASSET-LIGHT EXPANSION RESPONDS TO THE UPGRADING OF CONSUMER DURABLES IN THE LOWER-TIER MARKETS AND STRENGTHENS THE GROUP'S COMMERCIAL NETWORK MAP AND INDUSTRY LEADERSHIP POSITION

According to the statistics of Frost & Sullivan, the Company is the largest national home improvement and furniture mall operator in China with the largest operating area, the largest number of malls and the widest geographical coverage. As at the end of the Reporting Period, the Company has been operating 94 self-operated malls, 284 managed malls and 8 home furnishing malls through strategic corporation. In addition, the Company has authorized the opening of 57 franchised projects of home furnishing and building materials by means of franchise, including 476 home furnishing and building materials stores/industrial streets.

By virtue of its recognized brand, mature business processes and vast brand and distributor resources, the Company has adopted an asset-light strategy to rapidly expand its footprint in third-tier and lower-tier cities through its managed mall business model and franchise model. "Red Star Macalline", as a main brand of the Company, spans three sub-stores: mid-end, mid-to-high-end and high-end. Over 80% of its self-operated stores are located in the core areas of first – and second-tier cities, while nearly 70% of its managed stores are located in third-tier cities and below, fully consolidating the brand mindset of the mid – and high-end markets and expanding its nationwide business network. In the meantime, in the face of strong demands for upgrading durable consumer goods and policy guidance in the lower-tier markets, the main and secondary brands are being driven by a double-wheeled approach by supplementing the "Xingyijia" sub-brand mall positioned in the mid-end. In the future, we will leverage our nationwide network, marketing management and supply chain to help brand factories and distributors achieve the strategic goal of expansion into the lower-tier markets.

### THE OPERATION-HEAVY STRATEGY STRENGTHENS THE FOUNDATION AND BUILDS A HIGH LEADING THRESHOLD WITH REFINED OPERATIONAL CAPABILITIES

Under the environment of channel innovation in the home furnishing industry and the increasing fragmentation of traffic in the stock age, in 2022, the Company coordinated the positioning planning of multi-store malls in the same city and selected 100 MALLs representing the Group's strategic layout of merchandise and consumer stratification and precise operation, namely 32 No.1 stores, 9 Supreme MALLs and 59 benchmark malls. To sum up, Red Star Macalline aims to build a brand-new high-end retail domain that combines multiple avant-garde functions such as store presentation, brand upgrading, scenario-based experience and systematic sourcing. On this course, Red Star Macalline has always been emphasizing on operations, creating a harmonious and win-win ecosystem and continuously refining and deepening the home furnishing industry, with a view to bringing a complete transformation from fragmentation to concentration of home furnishing consumption. And in the meantime, it has been continuing to implement the strategy of expansion of categories and focus on operations, optimizing the brand structure and accelerating the creation of category-themed pavilions, with a view to meeting the increasingly diversified needs of consumers in the stock age. More and more categories are entering the Red Star Macalline platform, enriching the shopping mall ecosystem while also helping more home brands achieving cross-regional expansion. The three major store layout and ten theme pavilions aggregate global traffic. Based on a comprehensive digital analysis of products and consumers, the company subdivides categories and brands, and high-precision secondary distribution of consumer traffic to brand merchants' stores, achieving the interconnection and linkage of public and private domain traffic, and ultimately achieving the undertake, reuse, and deep operation of on-site traffic.

### **PRACTICING DIGITAL REFORM, DEEPENING OMNI-CHANNEL ONLINE OPERATIONS AND STRIVING TO BECOME A NEW RETAIL BENCHMARK IN THE HOME IMPROVEMENT AND FURNITURE INDUSTRY**

In line with the tenet of “focusing on user needs”, the Company continues to deepen its strategic cooperation with Alibaba and establish an integrated online and offline operation system around the “Tmall Local Station”. During the Reporting Period, the Company has always attached importance to building the self-building and operation capacities of Local Station, and has completed the upgrading and innovation of product selection, product operation, traffic undertaking, content supply form and marketing mode. In terms of basic capacity construction, the “Tmall Local Station” continues to deepen its product operation, upgrading from basic product listing optimization to core product pool operation, further improving product quality. Cities and shopping malls have accumulated a batch of high-quality products through continuous operation, which can continuously and stably obtain traffic and customer capital from online sources, further promoting business growth. At the same time, we will make further efforts in “content-oriented products” to promote the continuous implementation of panoramic video projects, providing consumers with a comprehensive and free channel to watch products. The newly added online shopping guide project allows online brand guides to provide high-quality services to consumers as soon as possible.

### **DEEPLY FOCUSING ON THE HOME IMPROVEMENT BUSINESS, OPENING UP THE FULL-CYCLE SERVICES OF HOME IMPROVEMENT CONSUMPTION AND STRENGTHENING THE USER MINDSET OF “CHOOSING DECORATION AND PURCHASING HOME FURNISHINGS AT RED STAR MACALLINE”**

Relying on its strong supply chain integration capability, its nationwide network of physical shopping malls and its own home improvement management system platform, the Company has accomplished the counter-trend expansion of its home improvement business while shouldering the mission of solving customers' pain points. By the end of the Reporting Period, the Company's home improvement shops had covered more than 200 cities in 25 provinces, municipalities and autonomous regions across China. At the same time, the Company has increased the construction of the new generation home decoration platform system project, optimized and iterated the online process of the core home decoration business, and significantly optimized functional modules such as materials, orders, supply chain management, engineering construction site, and final account management. By utilizing the advantages of system computing, business efficiency has been improved.



## Chairman's Statement

### ACTIVELY EMBRACING CHANGES AND LEADING INDUSTRY TRANSFORMATION

In 2023, the Company will continue to firmly implement its three-year business plan and continue to promote multi-store layout and category pavilion landing, with consumer demands as the guide. In the meantime, it will refine traditional categories, tap the new categories with market potentials on top of the ten major categories, continuously expand and extend them, and improve the regulation and iteration of in-store categories. In terms of online operations, it will continue to deepen the strategic cooperation with various online core traffic platforms, consolidate the development of "Tmall Local Station", and carry out the year-round work around the three core strategies of "making greater traffic/customer resources, accomplishing closed-loop business and strengthening core promotions", and it will continue to promote the integration of online and offline operations through in-depth online operations and precise offline traffic attraction. Moreover, the Company will continue to support traditional brand owners and distributors to build online operation positions.

Under the strategic guidance of "Asset-Light, Operation-Heavy and Reduced-Leverage", the Company will continue to promote various changes and optimisation initiatives, uphold the deep understanding of "ingenuity" and keen consumer insight, give full play to its solid operation and management experience and advantages of its nationwide commercial network, stay true to its mission and accumulate its strengths so as to create more perfect mall environments and service experience so as to actively embrace trends and changes.

**CHE Jianxing**

*Chairman*

30 March 2023



# Management Discussion and Analysis

## INDUSTRY OVERVIEW

In 2022, faced with 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 point 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.

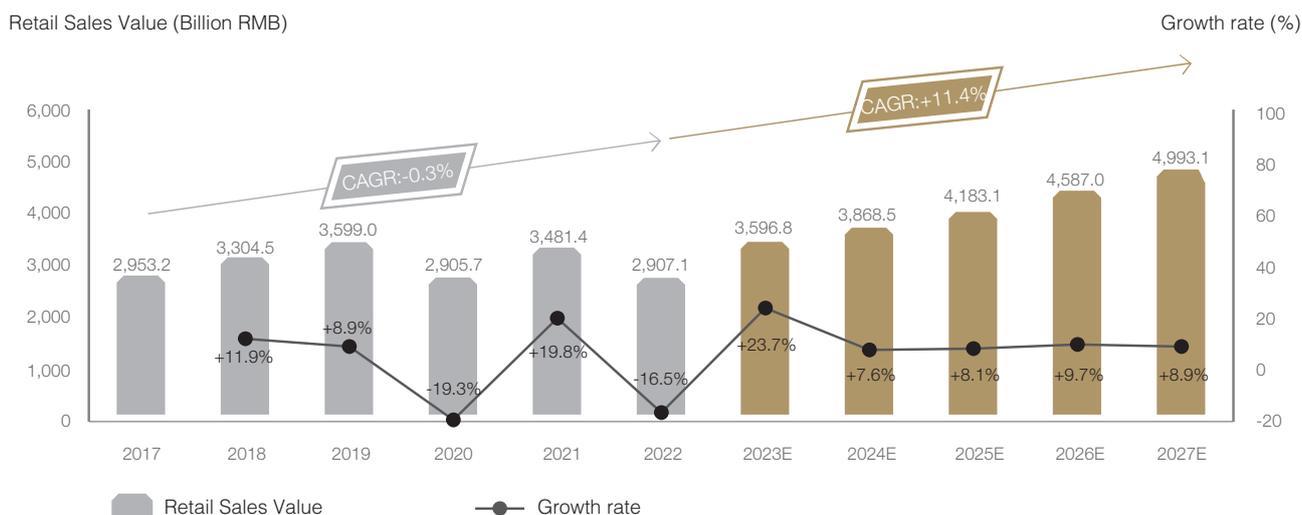
# Management Discussion and Analysis

## INDUSTRY OVERVIEW (continued)

In addition, the dividends of the existing housing market have gradually emerged. On the one hand, since the start of “housing reform” in 1998, China’s real estate market has entered a stage of rapid development. During this period, houses delivered have now begun to face aging problems, and rigid demand for improvement and renewal is rapidly emerging. On the other hand, according to data from the Equal Ocean Intelligence, the proportion of existing housing transactions in the total number of transactions in first tier cities has reached nearly 70%. The decoration demand generated by existing housing transactions is an important component of the home consumption market. Referring to the more mature overseas real estate market, the trend of increasing in the proportion of existing housing transactions will gradually spread to lower tier cities in the future.

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.

According to the statistics of Frost & Sullivan, in 2022, the operating performance of home retail channels declined, and the market size fell back to RMB2.9 trillion, and a compound annual growth rate (CAGR) of -0.3% from 2017 to 2022.



Source: Frost & Sullivan

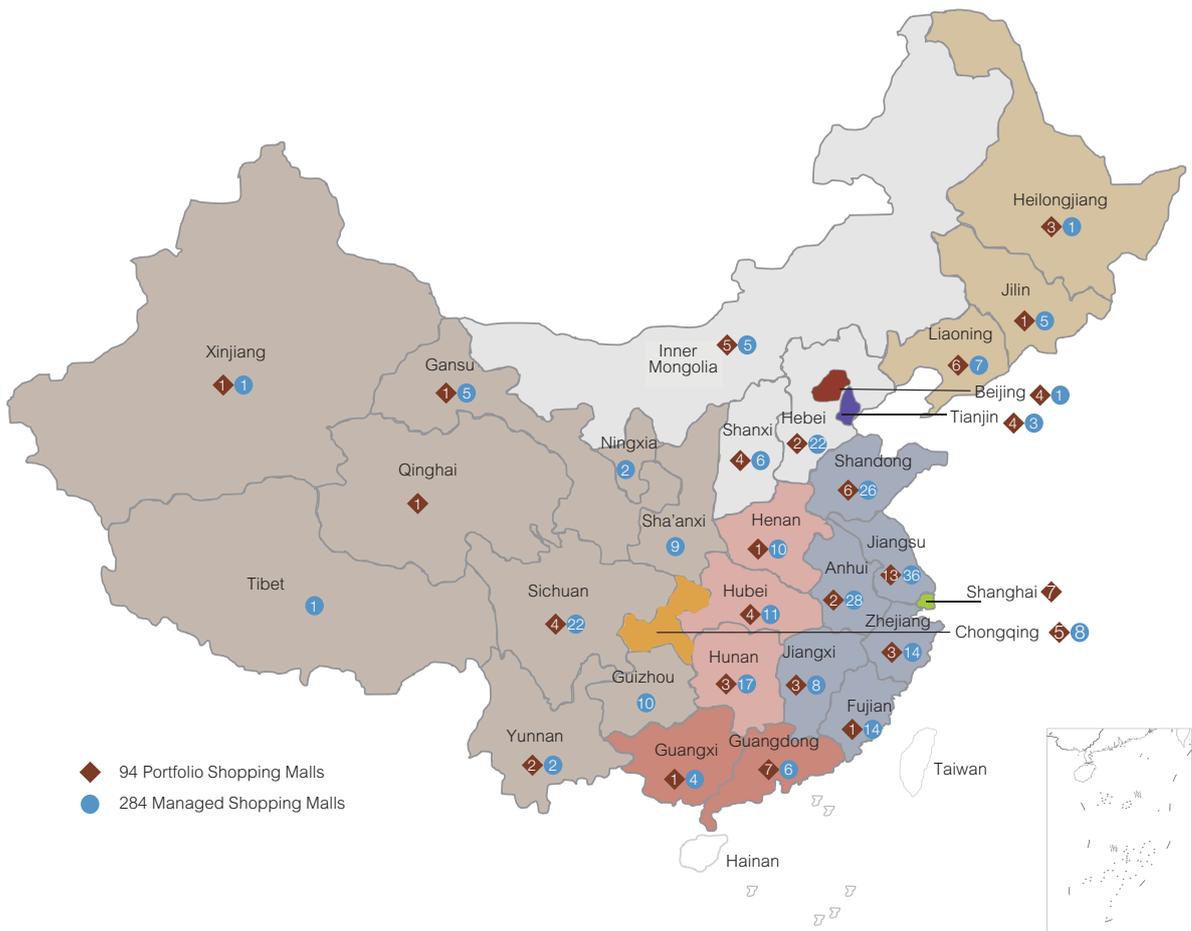
## BUSINESS REVIEW

During the Reporting Period, the Group 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 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

## 1.1 Business development and arrangements

The following map sets forth the geographical distribution of our shopping malls as at the end of the Reporting Period:



*Note:* Geographically, Northeast China includes Heilongjiang Province, Jilin Province, Liaoning Province; North China (excluding Beijing and Tianjin) includes Shanxi Province, Hebei Province, Inner Mongolia Autonomous Region; East China (excluding Shanghai) includes Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Fujian Province; Central China includes Hunan Province, Hubei Province, Henan Province; South China includes Hainan Province, Guangdong Province, Guangxi Zhuang Autonomous Region; West China (excluding Chongqing) includes Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Yunnan Province, Sichuan Province, Guizhou Province, Tibet Autonomous Region.

## Management Discussion and Analysis

### 1. BUSINESS DEVELOPMENT AND ARRANGEMENTS: CONTINUOUS EXPANSION OF PRESENCE IN THIRD AND LOWER-TIER CITIES, AND ESTABLISHMENT OF A NATIONWIDE OMNI-CHANNEL COMMERCIAL NETWORK (continued)

#### 1.1 Business development and arrangements (continued)

The following table sets forth the number and operating area of our Portfolio Shopping Malls and Managed Shopping Malls in operation by region as at the end of Reporting Period:

Color	Region <sup>(1)</sup> (Municipality/ Administrative Region)	Portfolio Shopping Malls		Managed Shopping Malls	
		Number of shopping malls	Sub-total of Operating Area (sq. m.)	Number of shopping malls	Sub-total of Operating Area (sq. m.)
	Beijing	4	349,337	1	112,400
	Shanghai	7	905,650	-	-
	Tianjin	4	462,091	3	177,196
	Chongqing	5	394,683	8	264,079
	Northeast China	10	1,101,531	13	676,682
	North China (excluding Beijing, Tianjin)	11	671,503	33	1,551,406
	East China (excluding Shanghai)	28	2,499,738	126	6,719,056
	Central China	8	867,278	38	1,712,415
	South China	8	359,693	10	502,392
	Western China (excluding Chongqing)	9	758,299	52	2,422,863
	<b>Total</b>	<b>94</b>	<b>8,369,802</b>	<b>284</b>	<b>14,138,489</b>

Note:

- (1) The information disclosed above is obtained according to the following statistic standards. The provinces, municipalities and autonomous regions of the PRC are divided into seven large regions and four municipalities (excluding Hong Kong, Macau and Taiwan regions), among which, Northeast China includes Heilongjiang Province, Jilin Province, Liaoning Province; North China (excluding Beijing and Tianjin) includes Shanxi Province, Hebei Province, Inner Mongolia Autonomous Region; East China (excluding Shanghai) includes Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Fujian Province; Central China includes Hunan Province, Hubei Province, Henan Province; South China includes Hainan Province, Guangdong Province, Guangxi Zhuang Autonomous Region; Northwest China (excluding Chongqing) includes Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Yunnan Province, Sichuan Province, Guizhou Province, Tibet Autonomous Region; four municipalities are Beijing, Shanghai, Tianjin and Chongqing, respectively.

# 1. BUSINESS DEVELOPMENT AND ARRANGEMENTS: CONTINUOUS EXPANSION OF PRESENCE IN THIRD AND LOWER-TIER CITIES, AND ESTABLISHMENT OF A NATIONWIDE OMNI-CHANNEL COMMERCIAL NETWORK (continued)

### 1.1 Business development and arrangements (continued)

While maintaining the healthy growth of its Portfolio Shopping Malls, the Group 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 Group 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 Group steadily increases its market share while controlling the capital investment in the Group’s self-built shopping malls.

During the Reporting Period, the Company formulated a citywide 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 Supreme 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 continued to expand its main categories to ten categories, and accelerated the construction of category theme pavilions, so as to quickly gain traction with consumers in the mid-and high-end markets. At the same time, we will fully explore and actively introduce medium- and high-frequency categories such as smart intelligence appliances and catering to create integrated consumption across multiple formats.

As of the end of the Reporting Period, the Group operated 94 Portfolio Shopping Malls, 284 Managed Shopping Malls and 8 shopping malls through strategic cooperation<sup>(1)</sup>, 57 franchised home improvement material projects by way of franchising<sup>(2)</sup>, including a total of 476 home improvement material stores/industry streets<sup>(3)</sup>, covering 223 cities in 30 provinces, municipalities and autonomous regions in China, with a total operating area of 22,508,291.30 sq.m.

As of the end of the Reporting Period, the Company operates 94 portfolio Shopping Malls. The total operating area of Portfolio Shopping Malls of the Group covering is 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<sup>(4)</sup> 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, we opened one new Portfolio Shopping Mall. In addition, one Portfolio Shopping Mall were closed and one Portfolio Shopping Mall was converted into Managed Shopping Mall. As of the end of the Reporting Period, we had 19 pipeline Portfolio Shopping Malls.



# 1. BUSINESS DEVELOPMENT AND ARRANGEMENTS: CONTINUOUS EXPANSION OF PRESENCE IN THIRD AND LOWER-TIER CITIES, AND ESTABLISHMENT OF A NATIONWIDE OMNI-CHANNEL COMMERCIAL NETWORK (continued)

### 1.1 Business development and arrangements (continued)

As of the end of the Reporting Period, the operating area of the Managed Shopping Mall is 14,138,489 sq.m., with an average occupancy rate of 86.7%. Among them, 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 Group 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 Group has obtained land use rights/land parcels for 315 contractual projects. Among them, the number of pipeline Managed Shopping Malls in third and lower-tier cities accounted for over 70%. Along with steady social and economic development of the country, further progress on urbanization strategy, and stable growth in disposable income per capita, the Group 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, are jointly invested, jointly held and jointly operated by the Company and its partners.
- (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 the 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 at the end of the Reporting Period.

# 1. BUSINESS DEVELOPMENT AND ARRANGEMENTS: CONTINUOUS EXPANSION OF PRESENCE IN THIRD AND LOWER-TIER CITIES, AND ESTABLISHMENT OF A NATIONWIDE OMNI-CHANNEL COMMERCIAL NETWORK (continued)

### 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 Local 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.

# 1. BUSINESS DEVELOPMENT AND ARRANGEMENTS: CONTINUOUS EXPANSION OF PRESENCE IN THIRD AND LOWER-TIER CITIES, AND ESTABLISHMENT OF A NATIONWIDE OMNI-CHANNEL COMMERCIAL NETWORK (continued)

## 1.3 Online and offline integration (continued)

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

### 2.1.1 Multi-store plan, theme pavilions landing, expansion of new categories, creating integrated consumption across multiple formats

In the face of changes of the consumption trend and market competition trend, based on regional positioning, customer group classification, quality category selection and other more specific factors, the Company has successively constructed a high-end traffic ecosystem covering building materials, furniture and home appliances, in the 100 super Malls and ten major category theme pavilions in China. In terms of upgrading of the store form in shopping malls, in 2022, the Company continued to promote the implementation of the strategy of the one benchmark shopping mall in one province strategy. The Company developed the city-wide differentiated positioning plan for multi-store shopping malls, and selected 100 malls that represent the strategic arrangements of the Group: 32 No.1 Stores, 9 Supreme Malls and 59 Benchmark Malls, and accelerated the construction and implementation.

## 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 (continued)

### 2.1 Tenant sourcing management (continued)

#### 2.1.1 Multi-store plan, theme pavilions landing, expansion of new categories, creating integrated consumption across multiple formats (continued)

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 has upgraded its nine major categories strategy to ten 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 suspended ceiling and 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 2022, category A and import areas in the top 100 MALLs accounted for 52.6%, of which the area for top new hot-selling brands in the industry accounted for 12.1%. Category A and import areas in China accounted for 48.8%, of which the area for top new hot-selling brands in the industry accounted for 8.9%.

Combined with the extension category integration mode, the Company actively expanded mid – and high-frequency consumer goods, and increased the proportion of rental area, so as to shorten the cycle of consumers visiting the stores and revitalize the traffic to the stores. Taking the smart electrical appliances hall as an example, it is different from traditional home appliance stores, with the new systematic, scenario-based and high-end features. Based on a rich and effective variety of consumer touch forms and marketing activities, it has improved consumers' combined purchase rate and per customer transaction volume. In this way, the top and medium-ranking brands and dealers were highly attracted to shopping malls, thus driving the rapid establishment of multiple smart electrical appliances pavilions, and increasing the rental area of relevant 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. CONTINUOUS UPGRADING OF OPERATION MANAGEMENT, AND IMPLEMENTATION OF THE STRATEGY OF “SHIFT OF FOCUS FROM ASSETS TO OPERATION”, WITH A FOCUS ON USER MENTALITY (continued)

### 2.1 Tenant sourcing management (continued)

#### 2.1.2 Accelerate the implementation of the strategy of three cities and five exhibitions and the exhibition and store alliance, and develop the home furnishing marketing IP

The Company regarded “315” and “818” as the core node of offline marketing activities to incubate recognizable home furnishing marketing IP, and gradually strengthen the reputation and influence on the urban dealers side and the brand headquarters side. The Company has also invited brands and dealers to deeply participate in marketing activities. In the 315FUN SiHi Shopping Festival (315FUN 肆嗨購節) promotion event, Red Star Macalline promoted the docking and deployment of various provincial operation development centers and brand distributors of the group, achieving the integration of operations from the group to the group, various industrial chains and business sectors, as well as the sinking and integration of various small and micro enterprises with various provincial operation development centers across the country. It broke the past single local linkage and achieved deep cooperation from top to bottom.

#### 2.1.3 Establish a business middle-office for tenant sourcing to improve the ability to serve brands and dealers

During the Reporting Period, in terms of brand factories service terminal, the Company continued to optimize the key account service system, further upgrade the functions including visualization of key account data and accurate connection for channel promotion, optimized, launched and made available the service platforms for online communication with brands and customers, and established dedicated service accounts, so as to improve the efficiency in serving key accounts and cooperation stickiness. In terms of serving distributors, the Company continued to strengthen the research into the distributor information of shopping malls in China with the help of the Longyi System (龍翼系統) and accumulated the data to further improve the capability for serving distributors, thus enhancing the tenant management efficiency and reducing the operating cost.

The middle office for the investment promotion business established by the Company is linked with shopping malls, brand factories and distributors to create a new online road show and investment promotion model for strict selection and investment promotion, and promote the integration of online and offline investment promotion. During the Reporting Period, the Company provided investment promotion services for more than 40 commercial cooperative brands and new hot-selling potential brands. The Company's investment promotion team helps the commercial cooperative brands and new hot-selling potential brands improve their efforts to reach distributors, and assists the brands to enhance the investment promotion effect, thus filling a gap in the market.

## 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 (continued)

### 2.1 Tenant sourcing management (continued)

#### 2.1.4 Constantly improve the refined rental management level and achieve sustainable growth of rental income through category adjustment

During the reporting period, further refinement of the floor level and category price difference specifications was required, with the requirement of “three levels, one level and one price”. The booth rent grading and pricing mechanism was improved, and through the integration of big data systems, system and manual calibration functions were added to further refine management, improve overall management efficiency, and ensure the healthy and sustainable growth of overall rent.

In terms of specific category floor placement, the theme pavilion has played an effective planning and adjustment role in the flow of each floor area. By scheduling trend categories and high margin categories to gather on the high area floors, it effectively releases the rental value of the high area floors and further reduces differential land rent. While improving the efficiency of the site, specific operational measures such as category standardization and non cross layer secondary categories are taken to accurately operate the traffic to the store and assist in the sustained growth of rental income.

### 2.2 Marketing management

#### 2.2.1 “Super category Festival” helps realize category refined marketing

As the home furnishing industry gradually enters the era of refined operations, the “Super Category Carnival” came into being with the initial establishment of theme pavilions. It has become an extremely influential category marketing activity both inside and outside the industry. Based on the orderly completion of the ten category pavilions in China, the “Super Category Carnival” activities normalized category marketing. Intensive and deep engagement in vertical activities categories contributed to supplementing daily traffic operation other than promotion activities of shopping malls, and further enhanced consumers’ stickiness to the brand of Red Star Macalline. In 2022, a total of 10 category carnivals were held. Through the category classification operation strategy, the Company focused resources on core categories and events, including 145 major events. The refined operation was based on the principle of “one store, one scheme.”

## 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 (continued)

### 2.2 Marketing management (continued)

#### 2.2.1 “Super category Festival” helps realize category refined marketing (continued)

Meanwhile, the Company consolidated and strengthened industry resources, further focused on refined marketing for categories and expanded marketing differentiation. In 2022, the Company achieved a deep integration of “home decoration + home furnishings + Internet operation” for the first time, incubating the first marketing IP “Red Star Macalline 315 FUN Sihai Shopping Festival (紅星美凱龍 315FUN 肆嗨購節)” in the home furnishing industry to stimulate spending and build a high-end traffic ecosystem. Meanwhile, through the creation of “annual 51 joyful shopping (一年一度 51 狂享購)” and “618 joyful season for ideal life (618 理想生活狂歡季)” and other promotional activities, the Company continuously improved the practice of online and offline diversified marketing activities, and created diversified model cases. There was a total of over 1 billion marketing broadcast exposure for the three major promotional activities.

#### 2.2.2 Diversified marketing channels help increase stores traffic

During the Reporting Period, by focusing on 8 traffic operation channels, including community-based marketing, digital precision marketing, live streaming, membership marketing and property marketing, we explored traffic operation SOP, so as to empower planning and marketing personnel of shopping malls in marketing and create private traffic pools of shopping malls. Meanwhile, with online operation capabilities, Red Star Macalline built an online and offline integrated service close-loop with the shortest chain to accelerate and promote the marketing efficiency of brand merchants in the process covering online marketing, offline undertake and conversion.

In terms of digital precision marketing, the Company and ByteDance’s two major 2B platforms “Ocean Engine” and “Volcano Engine” jointly launched the “Double Engine Project” to explore new marketing models based on the home furnishing industry scenarios. By integrating the resources of shopping malls, brand factories and tenants and through in-depth cooperation with ByteDance, the Company continued to optimize the media portfolio structure, process, tool application and post-link undertaking, and strengthen the production capacity of plane and short videos in terms of content. During the Reporting Period, the customer acquisition cost, overall intention rate and regular customer review rate were significantly optimized and improved. In terms of the we-media matrix, during the Reporting Period, the Company recorded a total of 0.6 billion exposure through operation on we-media platforms including WeChat, microblog, TikTok, video channel and Xiaohongshu (小紅書).

## 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 (continued)

### 2.2 Marketing management (continued)

#### 2.2.2 Diversified marketing channels help increase stores traffic (continued)

In terms of digital operation and management, the Company has focused on upgrading the core digital marketing tools covering the three major modules of “event marketing”, “traffic operation” and “marketing management”. In addition, the Company has realized full-link marketing from online customer attraction, user operation to offline conversion by fully linking the advantages of TikTok-based interaction, Tencent-based communication and Alibaba-based transaction. Meanwhile, a full closed-loop process of screening, triggering, distribution and deposition of traffic clues after acquisition can be realized by further iterating functions such as intelligent marketing core, labelling system for hidden number outbound calls and instant triggering. During the Reporting Period, the digital marketing tools have achieved full coverage of major core shopping malls.

#### 2.2.3 Establish a joint marketing model, integrate upstream marketing resources and highlight the value-empowering function of the platform

The joint marketing model is a new attempt of the Company for joint construction of a win-win ecosystem in the industry, based on the targeted placement platform built by the Company, with the aim of cooperating with stakeholders in the household industry chain to create value for the ecosystem partners, with an open and inclusive attitude. Based on empowerment by the IMP platform, the Company is continuously deepening the new joint marketing model of working with brand factories and distributors in online interactive traffic driving and offline experience and transaction in the home decoration industry, so as to enable the fast construction of digital, full-domain, scenario, chain and cycle user management consortium in the industry, thus gradually and fundamentally addressing pain points in marketing, including difficulties in gaining targeted traffic, high traffic costs, and low utilization rate of traffic. 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. CONTINUOUS UPGRADING OF OPERATION MANAGEMENT, AND IMPLEMENTATION OF THE STRATEGY OF “SHIFT OF FOCUS FROM ASSETS TO OPERATION”, WITH A FOCUS ON USER MENTALITY (continued)

### 2.3 Operational management

During the Reporting Period, the Company promoted the upgrading of operation management with on-site management, risk control management, goods management, service improvement and talent development as the core. The Company comprehensively improved customer home furnishing consumption experience and satisfaction through upgrading the membership management system, enhancing the professionalism of the 400 call center, updating and improving the operation management standards, post process and tenant credit management system, promoting the integration of green and environmentally friendly commercialization and integration of home furnishing and home decoration, continuously carrying out customer evaluation, paying attention to customer experience and feedback.

In terms of the system for management of goods quality, the Company continuously promoted green and environmentally friendly commercialization, to give play to the greater value of environmental protection. During the Reporting Period, on the basis of the Mysterious Buyer Inspection project for Portfolio Shopping Malls, according to the enterprise standards of Red Star Macalline, in combination of the Green Pacemaker project, the Company engaged 20 national and provincial authoritative testing organizations to carry out the Mysterious Buyer Inspection in 156 key shopping malls in China, which covered 26 categories and approximately 2,000 batches. The Company made overall plans for sampling inspections of key brands in China and the handling of non-conformity problems, thus greatly improving the efficiency of management and control of key brands, reducing the probability of goods management risks in shopping malls, and improving the standardization and qualification rate in sampling inspections of goods quality in shopping malls.

In terms of the tenant credit system, the Company continuously carried out the management of tenants with the tenant credit classification as the core, updated and issued the System of Red Star Macalline Group for Credit Management of Tenants in Shopping Malls, and actively explored the “consumer + shopping mall credit” joint supervision model. Through the introduction of customer evaluation indicators, the Company gave full play to the important role of the voice of consumers in the credit rating of tenants. The Company carried out management from six aspects, namely integrity, services, price, quality, image, blacklisted behaviors. Meanwhile, the Company normalized, deepened and diversified integrity publicity, so that consumers could obtain dynamic information on the integrity of tenants in shopping malls at any time and place. The Company established an all-round and powerful tenant management standard, and announced five-star tenants on their storefront signboards and in public areas, electronic large screens, etc.

## 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 (continued)

### 2.3 Operational management (continued)

In terms of the customer service system, 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.

Meanwhile, 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.

As at the end of the Reporting Period, the Company recorded a net customer recommendation value was of 74.53%, service satisfaction rate was 94.61%, delivery and installation satisfaction rate was 94.55%, goods satisfaction rate was 94.44%, and environmental satisfaction rate was 96.32%.

# Management Discussion and Analysis

## FINANCIAL REVIEW

The key financial performance indicators of the Company can generally be categorized into revenue, profit attributable to owners of the Company and core net profit attributable to owners of the Company. These indicators provide a measurement of our performance against the key drivers of the Company. For details of the financial performance indicators, please refer to “Revenue” and “Profit attributable to owners of the Company, Core net profit attributable to owners of the Company and earnings per share” on page 26 and page 29, respectively.

### 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	<b>7,867,647</b>	<b>55.6</b>	8,094,818	52.1
Managed Shopping Malls	<b>2,375,962</b>	<b>16.8</b>	3,256,245	21.0
Construction and design	<b>1,233,331</b>	<b>8.7</b>	1,498,608	9.7
Related home decoration and sales of merchandise	<b>641,384</b>	<b>4.5</b>	1,395,547	9.0
Others	<b>2,019,996</b>	<b>14.4</b>	1,267,574	8.2
Total	<b>14,138,320</b>	<b>100.00</b>	15,512,792	100.00

## FINANCIAL REVIEW (continued)

### 2. Cost of Sales

The cost of sales of the Group mainly included the cost of operation and management of Owned/Leased Portfolio Shopping Malls, the cost of project consulting and management service, the cost of construction and design, the cost of related home decoration and sales of merchandise. The cost of sales of the Group decreased from RMB5,352.2 million in 2021 to RMB5,293.6 million in 2022, representing a decrease of 1.1%, mainly due to the decrease in the corresponding cost resulted from the decline in the scale of business related to Managed Shopping Malls and home decoration and sales of merchandise.

The following table sets forth our cost of sales by segments:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Owned/Leased Portfolio Shopping Malls	1,512,648	28.6	1,258,980	23.5
Managed Shopping Malls	1,410,068	26.6	1,551,333	29.0
Construction and design	1,044,100	19.7	1,089,090	20.4
Related home decoration and sales of merchandise	488,147	9.2	1,108,772	20.7
Others	838,658	15.9	344,001	6.4
<b>Total</b>	<b>5,293,621</b>	<b>100.0</b>	<b>5,352,176</b>	<b>100.0</b>

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### 3. 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%

### 4. Sales 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.

### 5. 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.

## FINANCIAL REVIEW (continued)

### 6. Financial 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.

Interest expenses were mainly comprised of interest of bank and other borrowings, interest of financial lease and bond interests, etc.. Interest expenses decreased from RMB3,076.8 million in 2021 to RMB2,855.3 million in 2022, representing a decrease of 7.2%.

### 7. Treasury Policies and Objectives

The Group adopted prudent liquidity risk management policies in order to maintain flexibility of fund utilization, which included maintaining sufficient cash and funding through an adequate amount of committed credit facilities.

### 8. Income Tax Expenses

During the Reporting Period, the income tax expenses 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.

### 9. 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	<b>678,566</b>	1,963,619	-65.4%
Profit margin for the year attributable to owners of the Company	<b>4.8%</b>	12.7%	a decrease of 7.9 ppts
Core net profit attributable to owners of the Company	<b>1,672,882</b>	1,578,470	6.0%
Core net profit margin attributable to owners of the Company	<b>11.8%</b>	10.1%	an increase of 1.7 ppts

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



## Management Discussion and Analysis

### FINANCIAL REVIEW (continued)

#### 10. 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.

#### 11. Deposits, Prepayment and Other Receivables

As of the end of the Reporting Period, the book value of deposits prepayment and other receivables of the Group was RMB6,096.6 million, representing a decrease of RMB569.5 million from RMB6,666.1 million as at the end of 2021, which was mainly due to a decrease in collection and payment of merchant goods and prepaid taxes during the reporting period.

#### 12. Financial Instrument at FVTOCI

As of the end of the Reporting Period, the book value of financial instruments at FVTOCI of the Group was RMB2,586.6 million, which was mainly due to the disposal of investment projects and changes in fair value in the current period.

#### 13. Investment Properties and Loss 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 fluctuation 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 decrease in the valuation of investment properties at the end of the period.

#### 14. 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.

## FINANCIAL REVIEW (continued)

### 15. Bank Balances and Cash 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 (of which, the cash and cash equivalents decreased RMB3,489.7 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.

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net cash flow from operating activities	<b>3,879,003</b>	<b>5,380,669</b>
Net cash flow from investment activities	<b>687,695</b>	(126,813)
Net cash flow from financing activities	<b>(8,059,246)</b>	(5,053,633)
Impact of exchange rate changes on cash and cash equivalents	<b>2,825</b>	(3,298)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,489,723)</b>	<b>196,925</b>

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.



## Management Discussion and Analysis

### FINANCIAL REVIEW (continued)

#### 16. Debt Profile and Debt Ratio

As of the end of the Reporting Period, the total amount of debt of the Group was RMB34,484.0 million, of which banks and other borrowings were RMB31,609.3 million, bonds were RMB2,254.2 million.

The following table sets out our profile debt:

	As at 31 December 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
<b>Bank and other borrowings</b>		
Secured	28,269,466	28,071,849
Unsecured	50,080	665,970
Commercial mortgage-backed securities	3,289,806	5,442,317
<b>Total</b>	<b>31,609,352</b>	<b>34,180,136</b>
Fixed-rate borrowings	11,573,044	8,023,149
Floating-rate borrowings	20,036,308	26,156,987
<b>Total</b>	<b>31,609,352</b>	<b>34,180,136</b>
<b>The borrowings are repayable</b>		
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
<b>Total</b>	<b>31,609,352</b>	<b>34,180,136</b>
<b>Actual interest rate range</b>		
Fixed-rate borrowings	4.79-15.40	3.40-15.40
Floating-rate borrowings	3.65-8.00	4.25-8.00

## FINANCIAL REVIEW (continued)

### 16. Debt Profile and Debt Ratio (continued)

	31 December 2022 RMB '000	31 December 2021 RMB '000
<b>Medium-term notes:</b>		
Medium-term notes of 2019(First tranche)	–	499,927
Medium-term notes of 2020(First tranche)	500,000	499,258
<b>Public offering:</b>		
Public offering of Corporate Bonds of 2016(First tranche)(7-year)	–	32,533
Public offering of Corporate Bonds of 2019(First tranche) (Type 2)	829	829
Public offering of Corporate Bonds of 2020(First tranche)	–	499,740
Public offering of Corporate Bonds of 2020(Second tranche)	–	499,300
Public offering of Corporate Bonds of 2020(First tranche) (Type 1) to professional investors	30,000	498,122
<b>USD Bonds:</b>		
USD Bonds of 2017(5-year)	–	1,906,608
USD Bonds of 2022(3-year)	1,723,400	–
<b>Total</b>	<b>2,254,229</b>	<b>4,436,317</b>

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### 16. Debt Profile and Debt Ratio (continued)

Among the total debts of the Group, the portion repayable within one year or on demand amounted to RMB7,784.9 million, the portion repayable over one year but less than two years amounted to RMB7,395.3 million, the portion repayable over two years but less than five years amounted to RMB10,075.7 million and the portion repayable over five years amounted to RMB9,228.1 million. The Group will promptly repay the above borrowings at maturity.

The following table sets out our major debt ratios:

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

	For the year ended 31 December 2022	2021
Interest expenses coverage ratio <sup>(3)</sup>	2.01	1.94

*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 borrowing, long-term borrowing, bond payables, financial lease payables, and commercial mortgage-backed securities payables) less cash and bank balances and then divided by total equity at the end of each period.
- (3) Interest expense coverage ratio is our adjusted EBITDA divided by our interest expenses before capitalization for each period. Adjusted EBITDA represents profit before tax, adding back finance costs, depreciation, amortisation and impairment, further adjusted to exclude loss on fair value changes, share of results of associates, share of results of joint ventures, other gains and losses, other expenses and other income.

### FINANCIAL REVIEW (continued)

#### 17. 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 balances with a balance of RMB150.7 million for deposit reserve placed with the central bank, hedging operations, etc.

#### 18. Contingent Liabilities

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

#### 19. 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.

#### 20. 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.

#### 21. 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 RMB1,413.0 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 RMB217.0 million.



# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### 22. Significant Investment

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

### 23. 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 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.

### 24. Human Resources

As of the end of the Reporting Period, the Group had 18,101 employees (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.

## RISK FACTORS

There is no significant change in risk factors faced by the Company for current year as compared with those for the previous year, and the specific risk factors are as follows:

### 1. Risks Caused by Slackened Macro-Economy and Cyclical Fluctuation of Real Estate Industry

In recent years, China's macroeconomic growth has continued to show a slowdown trend. In the meantime, the real estate industry, as a basic industry under continuous regulation and control in China, is closely related to the country's macroeconomic development and exhibits strong cyclical characteristics. The slowdown in macroeconomic growth and the adverse changes caused by cyclical fluctuations in the real estate industry may weaken the demand in the home improvement and furniture retail industries, which will have a certain negative impact on the Company's operating results.

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. Firstly, China is still in the stage of sustained urbanization development, and its urbanization rate is still not high compared to developed countries; Secondly, the reasonable demand in the real estate market will gradually be released, and many measures will be introduced in various regions to support the demand for rigid and improved housing, which will help increase the willingness of homebuyers to purchase a house; 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 addition, the dividends of the existing housing market have gradually emerged. On the one hand, since the "housing reform" in 1998, China's real estate market has entered a stage of rapid development. During this period, houses delivered have now begun to face aging problems, and rigid demand for improvement and renewal is rapidly emerging. On the other hand, according to data from the Equal Ocean Intelligence, the proportion of existing housing transactions in the total number of transactions in first tier cities has reached nearly 70%. The decoration demand generated by existing housing transactions is an important component of the home consumption market. Referring to the more mature overseas real estate market, the trend of increasing the proportion of stock housing transactions will gradually spread to lower tier cities in the future.

With the growth of residents' income level, the continuous increase in quality demand, the deepening of green environmental protection concepts, and the continuous promotion of urbanization, the consumption demand for home decoration and furniture by the people will continue to be promoted; The accelerated establishment of a new and healthy real estate market and the continuous growth of demand for refurbishment of existing houses will also bring sustained development space to the industry.

According to the statistics of Frost & Sullivan, the sales of China's home furnishing market is expected to grow to RMB7.2 trillion at a compound annual growth rate (CAGR) of 10.6% from 2022 to 2027.



# Management Discussion and Analysis

## RISK FACTORS (continued)

### 1. Risks Caused by Slackened Macro-Economy and Cyclical Fluctuation of Real Estate Industry (continued)

The Company will give full play to the advantages as a leading enterprise, actively seize the development opportunities in the industry, and consolidate its market leadership through rapid and steady expansion of shopping mall network, refined operation and layout of new retail. Meanwhile, the Company will also enhance its scale benefits and operating efficiency, and strengthen the sustained and stable profitability, thus better responding to and resisting the risks of macroeconomic and industrial fluctuations.

### 2. Risks Associated with Talent Shortage and Loss

As our business scale is under continuous development and expansion, demand for high-level management talent and professionals increases continuously. If the Company's reserve of talent cannot keep up with the rapid development rate of the business, then it will pose an adverse impact on the Company's operational stability.

We have set up different personnel training and reserve plans for the fresh graduates, excellent employees and supervisory employees, and have continued to contribute resources to provide various types of education and training opportunities for the employees so as to enhance their knowledge and technical level as well as the ability of practicing business. Meanwhile, the Company has been strengthening information construction so as to improve the efficiency of business, and thus providing guarantee for the building of our pool of talent required for business expansion.

### 3. Risks Associated with Expanding Business Development

Based on the nationwide retail platform and the largest database of businesses and consumers in the Chinese home improvement and furnishing industry, we plan to further develop the attractive Internet-related products and services as well as the supply chain related products and services. Compared with our shopping mall business, the business model and risks of expanding business may vary, but we may not have enough experience to effectively manage such expanding business and the related risks. Such expanding business may bring us new challenges and risks. If the expanding business fails to achieve the expected results, then our business, financial condition, results of operations and prospects as a whole may be adversely affected.

By relying on a strong industrial influence in the existing business accumulation, rich management experience and national distribution network system, we will provide high-quality brand, market, customer and product resources support for the implementation of the above-mentioned expanding business. It will flexibly select and adjust the operating mode based on the market changes and business needs, so as to reduce the uncertainty of expanding business and other related risks.

### RISK FACTORS (continued)

#### 4. Risks Caused by Uncertainty in Share Transfer Transactions

On 17 January 2023, the controlling shareholder of the company, RSM Holding, the actual controller of the company, Mr. Che Jianxing, and Xiamen C&D Inc. (廈門建發股份有限公司) jointly signed the “Share Transfer Agreement between Xiamen C&D Inc., Red Star Macalline Holdings Group Co., Ltd., and Che Jianxing regarding Red Star Macalline Home Furnishing Group Co., Ltd.” with effective conditions. The company’s control may change.

According to the provisions of the aforementioned share transfer agreement, the main terms of this share transfer arrangement, pricing, consideration payment, share completion arrangement, and post-completion matters have not yet come into effect, and are yet to take effect when the internal review process of Xiamen C&D is approved, the state-owned asset management department of Xiamen C&D approves, and will become effective if there are no objections to the transaction that cause obstacles.

According to relevant laws and regulations, this transaction still needs to be approved through the internal review procedures of Xiamen C&D, approved by the Xiamen State owned Assets Supervision and Administration Commission, reviewed by the Anti Monopoly Bureau for concentration of business operators, obtained compliance confirmation from the Shanghai Stock Exchange, and fulfilled the procedures of China Securities Depository and Clearing Co., Ltd. Shanghai Branch’s share transfer registration.

Given that the controlling shareholders of the company currently have rights restrictions such as pledges and freezes on their shares, if the rights restrictions on the underlying shares cannot be lifted before completion, there is a risk that the target shares cannot be transferred.

Therefore, there is significant uncertainty regarding the final implementation of this transaction. Investors are advised to pay attention to the relevant risks.

This transaction will not affect the normal production and operation of the company. The company will closely monitor relevant matters and urge relevant parties to disclose progress in a timely manner. It will also strictly comply with the relevant regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange to fulfill its information disclosure obligations.



## Management Discussion and Analysis

### RISK FACTORS (continued)

#### 5. Other Risks

As of the end of 2022, the Company operated 94 portfolio shopping malls, and the related property assets were included in investment properties, and the fair value model was adopted for subsequent measurement. As of the end of the Reporting Period, the book value of the Company's investment properties was RMB10.002 billion, accounting for 77.2% of total assets. As the Company's future expansion focuses on the asset-light model, there will be limited investment in the construction of self-owned properties reserved, and the scale of investment real estate will be stable in the future. During the Reporting Period, the investment properties of the Company realized a loss on fair value changes of RMB0.7 billion. During the Reporting Period, the fair value of the Company's investment properties maintained stable overall, which did not have adverse effect on the financial position, operating performance and shareholder dividends of the Company.

The changes in the fair value of the Company's investment properties are affected by factors such as China's macroeconomic growth momentum, urbanization, residents' disposable income level, control policies and prosperity of the real estate market, and the consumption environment of the home improvement and furnishing industry. In the future, if there is any significant adverse change in the above factors, the value of the Company's investment properties measured at fair value will also fluctuate downwards, and the gain from fair value changes included in the current profit and loss will correspondingly reduce or even cause losses, thereby adversely affecting the Company's financial conditions and operating results. The decline in the fair value of investment properties will affect the Company's profit available for distribution, which may adversely affect the future dividends of the Company.

In addition, the fair value model is adopted for subsequent measurement of the Company's investment properties, which is not comparable with the cost model commonly used by A-share listed companies in the industry. Therefore, investors are advised to exercise caution.

### OUTLOOK AND PROSPECTS

The Company has persistently adhered to the mission of “building a warm and harmonious homeland and enhancing consumption and lifestyle”. In 2023 and thereafter, the Company will continue to follow the operation and management model of “market-oriented management and shopping mall management”, including further enhancing user mentality, focusing on operations, fighting corruption and upholding integrity, broadening sources of income and reducing expenditure, to provide better and more professional services for consumers, consolidate our market leadership and strengthen the brand image of “Home Furnishing Expert” of “Red Star Macalline” in the consumers’ mind to build the most pioneering and professional “omni-channel platform provider in the home improvement and furnishing industry”.

The Company’s future development plans are as follows:

#### **1. To Continue to Transform into “Asset-Light and Operation-Heavy” Business Model, and Further Strengthen the Market Leadership through the Combination of Full – Brand and Omni-Channel Network**

In terms of shopping mall network construction, the Company will fully ride the tide of the thriving trend shown in the industry arising from the acceleration of urbanization, improvement in living standards and the increased population mobility, and continue to selectively expand our network of home furnishing malls in cities with attractiveness. We will further strengthen the market leading position in Tier I and II Cities through self-operation mode, and continue to selectively open new home shopping malls in the core cities; at the same time, by relying on the sound brand reputation, mature shopping mall development, tenant sourcing and operation and management capabilities in the home improvement and furnishing industry, the Company will quickly penetrate into the Tier III Cities and other cities through the asset-light management and franchise business model, so as to further expand the operation coverage of companies in the country, and thus accelerate market penetration.

The Company will continue to deepen the operation of theme pavilions. By targeting the segment consumption circles, the Company will accurately operate the traffic to the store, thereby guiding connected sales between categories and extending the consumption chain of consumers in shopping malls. Gathering consumers by category can also realize the flow of consumers across brands, thereby enhancing the operation efficiency of shopping malls. The Company will continue to upgrade the operation capabilities, categories and brands, consumer services and reputation, marketing and other aspects of shopping malls, create more and better shopping malls, and deliver value samples of in-depth operations to consumers and the industry. In addition, the Company will continue to explore and promote cross industry cooperation, improve the rental rate in the mall, and achieve the integration of multiple formats.

The Company will continue to empower brands and merchants on the marketing side. The Company will further advance national promotions, category festivals and other marketing activities, and incubate the home furnishing marketing IP. As the largest operator of home improvement and furniture shopping malls in China, the Company will continuously enhance its digital marketing capabilities and deepen the R&D of marketing tools based on the complete information of home improvement and furniture consumer portraits and product portraits it has mastered, so as to further empower brands and merchants, strengthen their stickiness to the Company, and use joint marketing as a way to leverages more marketing budgets of brands and merchants into the Company.



## Management Discussion and Analysis

### OUTLOOK AND PROSPECTS (continued)

#### 2. To Deeply Carry out Home Decoration Business, Make a Breakthrough in Full-Cycle Services of Home Furnishings Consumption

The Company will deepen the integration of home decoration and home marketing, strengthen the user mentality of “choosing decoration and buying home is all in Red Star Macalline”, practice the strategic goal of “high-end home decoration is one stop”, and provide consumers with one-stop solutions from design, decoration, goods to services. The Company will continue to rely on the operation capability of the whole category, the integration capability of the supply chain, and the physical network of more than 400 shopping malls across the country to operate the household decoration brands of different consumer groups, improve the service quality, standardize the construction process, improve the construction technology, and strengthen the monitoring and management.

In addition, the Company will continue to promote the construction of digital and marketing capabilities in home decoration business, empower business operations, and gradually build a digital home decoration platform.

#### 3. To Implement the Digital Reform, Deeply Penetrate in New Retail

The Company will strengthen the digital operation of shopping malls, while consolidating the development of “Tmall Same City Station”, explore more new online retail channels that reach consumers, and achieve global customer acquisition and marketing.

The Company will continue to support traditional brand merchants and distributors in various aspects such as product selection, digital upscaling, and traffic acquisition to have the ability to operate online. At the same time, we will deepen our commodity operations, carry out regular live streaming, and enhance our organizational capabilities.

The Company will adhere to and continuously deepen the integration of online and offline, deepen the consumer mentality of “online pre-selection, offline experience and transaction”, and improve consumer profiles and help consumers clarify their consumption needs through in-depth online operations, thereby achieving precise drainage of offline transactions and efficient conversions.

#### 4. To Optimize the Capital Structure and Continue to Implement the Leverage Reduction Strategy

Benefited from the asset-light business expansion model, the Company can achieve rapid penetration in third-tier and lower-tier cities while controlling capital expenditures. The Company will continue to cut down capital expenditures, optimize the capital structure with steady operating cash flow, reduce the scale of interest-bearing liabilities and the asset-liability ratio, and constantly implement the “lowering leverage” strategy.

#### 5. To Continuously Improve Corporate Governance of the Company, Standardized Operation, and Fulfill Our Social Responsibility

The Company will make continuous improvement in its corporate governance structure, organizational process and management mechanism, abide by national laws and business ethics and create the commercial atmosphere of “standardized operation” as well as proactively undertake and fulfill its social responsibility.

# Directors, Supervisors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. CHE Jianxing**, aged 56, the founder of our Group. Mr. CHE started his career in furniture manufacturing in the late 1980s. He established Changzhou Red Star Furniture Store (常州市紅星傢俱城) in December 1990 and served as its general manager from 1990 to 1994; he founded Red Star Furniture Group Co., Ltd. in June 1994 and served as its chairman of the board of directors and general manager from 1994 to 2007; he founded Red Star Limited, the predecessor of the Company, in 2007, and has served as the Chairman and the general manager since 2007. Mr. CHE is Ms. CHEN Shuhong's husband and Ms. CHE Jianfang's brother. Mr. CHE is a member of the executive committee of All-China Federation of Industry & Commerce, the vice president of Shanghai Federation of Industry and Commerce and a standing member of the thirteen session of the Political Consultative Conference Shanghai Committee (上海市政協第十三屆委員會). Mr. CHE was awarded the "Working Model of Jiangsu Province" by Jiangsu Provincial People's Government in April 2006, the "National Excellent Private Enterprise Owner Caring for Employees (全國關愛員工優秀民營企業家)" by All-China Federation of Industry & Commerce and All-China Federation of Trade Union in June 2007, the "Most Respectful Entrepreneur of Jiangsu Province over the 30 Years of Opening and Reform (改革開放 30 年江蘇省最受尊敬企業家)" in 2008, the "Changzhou Outstanding Entrepreneur" by the Changzhou government in January 2012, the "Shanghai Top 10 Outstanding Persons of Commerce (上海商業十大傑出人物)" by Shanghai Commercial Association in October 2012, the "Glory Star of Shanghai (上海市光彩之星)" by Shanghai Federation of Industry and Commerce in June 2013, the "Shanghai Outstanding Star (上海傑出之星)" by the Shanghai government, Shanghai Federation of Industry and Commerce and Shanghai Outstanding Enterprise Promotion Association (上海光彩事業促進會) in February 2014, the "Leader of the Third Session of Industry and Commerce of Shanghai (第三屆上海市工商業領軍人物)" by Shanghai Commercial Association and Shanghai Enterprise Association (上海市企業聯合會) in March 2018, the "Outstanding Individual in the Work of Unionization of Shanghai (上海市統一戰線工作先進個人)" by Shanghai Unionization Department (上海市統戰部) in December 2018 and the "Excellent Entrepreneur of Shanghai (上海市優秀企業家)" by Shanghai Enterprise Association in February 2019.

**Mr. LI Jianhong**, aged 50, joined our Company in February 2013 and has been a vice general manager of our Company since March 2013. He is primarily responsible for the investment and financing of our Company. Prior to joining our Company, Mr. LI worked as the head of the finance department of Xiamen Customs in the 1990s. Mr. LI joined Man Wah Holdings Ltd. (敏華控股有限公司), a company listed on the Stock Exchange (Stock Code: 01999) in September 2000 and served as its executive director and chief operating officer from April 2005 to October 2011. Mr. LI has also served as the chairman of Dongfeng Design Institute Co., Ltd. (a subsidiary of RSM Holding) since June 2019. Mr. LI graduated with a bachelor's degree in accounting from Xiamen University (廈門大學) in July 1994, and obtained a distance education degree in executive master of business administration from Peking University (北京大學) in January 2007. Mr. LI obtained a master of business administration degree from Booth School of Business, University of Chicago in March 2010. Mr. LI was accredited as a Chinese Certified Public Accountant (non-practicing member) by CICPA in June 2001.



## Directors, Supervisors and Senior Management

### NON-EXECUTIVE DIRECTORS

**Mr. ZHENG Yongda**, aged 52, has served as the general manager assistant, executive deputy general manager and general manager of Xiamen C&D Inc., (廈門建發股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600153) since April 2004, and he also works as the secretary of the party committee and chairman since April 2020. He has worked as the deputy general manager and general manager of the No.6 import and export department of Xiamen C&D Inc. from February 1998 to January 2002; the general manager of Xiamen C&D Packaging Co., Ltd. (廈門建發包裝有限公司) from January 2000 to January 2002; the general manager of Xiamen C&D Paper & Pulp Co., Ltd. (廈門建發紙業有限公司) from February 2002 to May 2010; the deputy general manager of Xiamen C&D Group Co., Ltd. (廈門建發集團有限公司) since December 2015; the deputy secretary of the party committee and general manager of Xiamen C&D Group Co., Ltd. since February 2022. He is also a Director of C&D Real Estate Corporation Limited (建發房地產集團有限公司) since May 2020; a Director of Lianfa (Group) Co., Ltd. (聯發集團有限公司) since June 2020; and a Director of Xiamen Zijin Tongguan Investment Development Co., Ltd. (廈門紫金銅冠投資發展有限公司) since January 2021. Mr. ZHENG obtained his bachelor's degree from Xiamen University (廈門大學) in July 1993.

**Mr. WANG Wenhui**, aged 51, has served as the salesman, business director and deputy manager of the investment department, deputy manager (in charge of work), general manager and investment director of the No.2 investment department since he joined Xiamen C&D Group Co., Ltd. in August 1998, and has acted as the deputy general manager since January 2016. He is a member of the party committee of Xiamen C&D Corporation (廈門建發集團) since February 2018. He is also the chairman of Xiamen Jianfa Emerging Industry Equity Investment Co., Ltd. (廈門建發新興產業股權投資有限公司) since November 2014 and the chairman of King Dragon Life Insurance Co., Ltd. (君龍人壽保險有限公司) since May 2019. Mr. WANG graduated from Xiamen University and obtained a master's degree in August 1998; he was awarded with the title of intermediate economist in December 1999.

**Mr. ZOU Shaorong**, aged 47, has successively served as the general manager of legal affairs department and legal affairs director of Xiamen C&D Group Co., Ltd. since August 1998. He has served as the general legal consultant of Xiamen C&D Group Co., Ltd. since February 2019; the investment director of Xiamen C&D Group Co., Ltd. since February 2020; the secretary of the board of directors of Xiamen C&D Group Co., Ltd. since March 2020; a supervisor of Xiamen C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153) from May 2016 to May 2022 and a Director of Xiamen C&D Inc. since May 2022. Mr. ZOU graduated from Xiamen University with a master's degree in June 2011.

**Mr. CHEN Zhaohui**, aged 44, joined Zhongrong Life Insurance Co., Ltd. in July 2017, served as the chief actuary from July 2017 to December 2018, the deputy general manager since December 2018 and the deputy general manager and person in charge of finance since January 2019. He successively worked at Minsheng Life Insurance Co., Ltd., Sun Life Everbright Life Insurance Co., Ltd., BOB-Cardif Life Insurance Co., Ltd., Bohai Life Insurance Co., Ltd. and Asia Pacific Actuarial Department of PricewaterhouseCoopers from July 2003 to July 2017, during which he was in charge of product development, actuarial evaluation, asset and liability management, solvency management and other related work and corresponding team management.

Mr. CHEN studied at Nankai University from September 2000 to July 2003 and obtained a master's degree in economics. Mr. Chen is also a fellow member of China Association of Actuaries (FCAA) and Society of Actuaries (FSA).



## Directors, Supervisors and Senior Management

**Mr. JIANG Xiangyu**, aged 37, has served as General Manager of the Equity Investment Department of AEON Insurance Asset Management Co., Ltd. since January 2017. Prior to this, Mr. JIANG served as a consultant of Deloitte Touche Tohmatsu Certified Public Accountants from August 2008 to August 2010, and as an investment manager of SINALIS from September 2011 to December 2013. From June 2014 to September 2016, he served as Senior Investment Manager of the Asset Management Center of AEON Life Insurance Co., Ltd., and from September 2016 to December 2016, he served as Assistant to the General Manager of the Equity Investment Department of AEON Insurance Asset Management Co., Ltd. Currently, he is also a director of Beijing Capital Development Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600376). Mr. JIANG graduated from the Chinese University of Hong Kong with a master's degree in Business Administration.

**Ms. Hu Xiao**, aged 43, serves as a director and managing director of the strategic investment department of Alibaba Group Holding Ltd. (阿里巴巴集團控股有限公司) (a company listed on the New York Stock Exchange under the stock code of BABA, and on the Stock Exchange under the stock code of 9988) consecutively since March 2017. Ms. Hu served as an accountant of KPMG Huazhen LLP (畢馬威華振會計師事務所) from September 2002 to July 2003, a research assistant of the stock research department of China International Capital Corporation Limited (中國國際金融股份有限公司) (a company listed on Shanghai Stock Exchange under the stock code of 601995, and on the Stock Exchange under the stock code of 3908) from July 2003 to July 2006, an associate and vice president of Citigroup Global Markets Asia Limited consecutively from July 2008 to July 2012, a vice president and director of Merrill Lynch (Asia Pacific) Limited consecutively from July 2012 to March 2017. She has served as a non-executive director of Huatai Securities Co., Ltd. (華泰證券股份有限公司) (a company listed on Shanghai Stock Exchange under the stock code of 601688, and on the Stock Exchange under the stock code of 6886) since October 2018 and a non-independent director of YTO Express Group Co., Ltd. (圓通速遞股份有限公司) (a company listed on Shanghai Stock Exchange under the stock code of 600233) since February 2021. Ms. Hu graduated from The Hong Kong University of Science and Technology with a master degree in business administration in April 2008.



## Directors, Supervisors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LEE Kwan Hung, Eddie**, aged 57, has been appointed as our independent non-executive Director since February 2015. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to the nomination of our Directors and senior management. From December 1992 to April 1994, Mr. LEE worked in the Listing Division of the Stock Exchange, where he served as a manager and later a senior manager, and was a partner of Woo Kwan Lee & Lo from April 2001 to February 2011. Mr. LEE is currently a consultant at Howse Williams law firm. He has been an independent non-executive director of several companies listed on the Stock Exchange, including Embry Holdings Limited (安莉芳控股有限公司) (stock code: 1388) since November 2006, NetDragon Websoft Inc. (網龍網絡控股有限公司) (stock code: 777) since June 2008, Newton Resources Ltd. (新礦資源有限公司) (stock code: 1231) since December 2010, Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司) (stock code: 6868) since August 2011, Glory Sun Financial Group Limited (stock code: 1282) since November 2015, FSE Services Group Limited (stock code: 331) since November 2015, and Ten Pao Group Holdings Limited (天寶集團控股有限公司) (stock code: 1979) since November 2015. Mr. LEE was an independent non-executive director of China BlueChemical Ltd. (stock code: 3983) (until May 2021).

Mr. LEE obtained his Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989, respectively. He was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997.

## Directors, Supervisors and Senior Management

**Mr. QIAN Shizheng**, aged 70, joined our Company in April 2016 and has been appointed as our independent non-executive Director since then. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors and senior management. Mr. QIAN has over 30 years of experience in the theory and practice of finance and accounting. Mr. QIAN served as the Deputy Dean of the Department of Accounting at Fudan University (復旦大學) from August 1983 to December 1997. During the period from January 1998 to June 2012, he served as the executive director and later the vice president of Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company listed on the Stock Exchange (stock code: 363), and concurrently served as the vice chairman of Haitong Securities Co., Ltd. (海通證券股份有限公司), a company listed on both the Shanghai Stock Exchange (stock code: 600837) and the Stock Exchange (stock code: 6837) as well as an independent director at Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600649), Shanghai Lujiazui Finance and Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易區開發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600663), Hanhua Financial Holding Co., Ltd. (瀚華金控股份有限公司), a company listed on the Stock Exchange (stock code: 3903), Jingrui Holdings Limited (景瑞控股有限公司), a company listed on the Stock Exchange (stock code: 1862), Lonking Holdings Limited (中國龍工控股有限公司), a company listed on the Stock Exchange (stock code: 3339). Mr. QIAN returned to Fudan University in July 2012 and is now a professor at the School of Management of Fudan University. Mr. QIAN is concurrently acting as an independent director at Spring Airlines Co., Ltd. (春秋航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601021) and Shanghai Laiyifen Co., Ltd. (上海來伊份股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603777).

Mr. QIAN obtained his bachelor's degree in economics from the Accounting Department at Shanghai University of Finance and Economics in July 1983 and obtained his master's degree in economics and PhD in management from Fudan University in January 1993 and July 2001, respectively.



## Directors, Supervisors and Senior Management

**Mr. WANG Xiao**, aged 48, currently is a partner in the capital markets practice of Hillhouse investment. During April 2000 and March 2001, he served as manager in the head office of Bank of China. During March 2001 and March 2011, he served as senior manager in the Shanghai Stock Exchange. From March 2011 to April 2015, he served as an investigator of the CSRC. From April 2015 to December 2015, he served as a member of the executive committee of Shanghai Lujiazui International Financial Assets Commodity Exchange Co., Ltd. (上海陸家嘴國際金融資產交易市場股份有限公司) and Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) (listed on the Stock Exchange of Hong Kong, stock code: 2318 and listed on the Shanghai Stock Exchange, stock code: 601318). He served as an independent director of Long Yuan Construction Group Co, Ltd. (listed on the Shanghai Stock Exchange, stock code: 600491) since March 2017. Mr. WANG is a professor (part-time) of the China Insurance Actuarial Research Institute (中國保險精算研究院) of Central University of Finance and Economics (中央財經大學) and is also a columnist of Caixin.com. Mr. WANG is a certified public accountant of the PRC and a CFA charterholder.

Mr. WANG studied at and obtained a master's degree in accounting from the Central University of Finance and Economics (中央財經大學) from September 1997 to April 2000, a master's degree in finance from the London Business School from September 2007 to June 2008. He obtained his PhD degree in management from Fudan University from September 2004 to June 2009.

**Ms. ZHAO Chongyi**, aged 48, served as the general manager of Chateau Medicis (France), Asia regional partner and deputy president of Barnes International (France), and director and president of Barnes Asia Limited (Hong Kong), and currently is the deputy chairman and senior executive vice president of Grand Parc Du Puy Du Fou (France) in Asia region, the co-founder and director of Tandem Partners Limited (Hong Kong), and the founder and director of Chinaccessory Manufactory Co. Limited (Hong Kong).

Ms. ZHAO obtained a master's degree in business administration in the Open University of Hong Kong, (now known as Hong Kong Metropolitan University (香港都會大學)), from September 2001 to June 2003. Ms. ZHAO received executive education from The John F. Kennedy School of Government at Harvard University from August 2014 to December 2014 and from The Cheung Kong Graduate School of Business (長江商學院) from June 2017 to June 2018.

**Ms. QIN Hong**, aged 59, worked at the Urban-Rural Construction Economic Research Institute of China, the Institute of Housing and Real Estate of the Policy Research Centre of Ministry of Housing and Urban-Rural Development and was transferred to Renmin University of China in May 2019. She is currently a senior researcher at the National Institute of Development and Strategy, Renmin University of China. She served as an independent non-executive director at Fang Holdings Limited (listed on the New York Stock Exchange, stock code: SFUN) from November 2019 to June 2020.

Ms. Qin graduated from the Department of Economics of Capital Construction of the Graduate School of Chinese Academy of Social Sciences and obtained a master's degree in economics.

### SUPERVISORS

**Mr. PAN Ning**, aged 56, has been the chairman of the Supervisory Committee of the Company since February 2012. He was previously a vice general manager of the Company from June 2007 to December 2011, mainly responsible for overseeing the audit and evaluating investment decisions of the Company. Prior to joining the Company, Mr. PAN worked as an officer at the Changzhou branch of the People's Bank of China, the Changzhou branch of Industrial and Commercial Bank of China and Changzhou Commercial Bank from November 1983 to March 2002. Mr. PAN served as a vice president of Red Star Furniture Group from 2002 to 2007, mainly responsible for corporate finance work.

Mr. PAN completed a part-time course in finance at Jiangsu Radio and Television University (江蘇廣播電視大學) (now known as Jiangsu Open University (江蘇開放大學)) in July 1991 and a postgraduate course in monetary banking at Suzhou University (蘇州大學) in June 1998. He completed the "Senior Executive Program for China" jointly organized by China Europe International Business School, Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2009. Mr. PAN completed the finance executive master of business administration course in Shanghai Advanced Institute of Finance (上海交通大學上海高級金融學院) and obtained his master's degree in executive master of business administration in June 2016. Mr. PAN was accredited by the Jiangsu branch of Industrial and Commercial Bank of China as an economist in June 1992.

**Ms. CHAO Yanping**, aged 52, has been the employee representative Supervisor of the Company since December 2010. Ms. CHAO has been serving as a general manager of the Company's first business development center since June 2007, mainly responsible for overseeing business development and operations of the Company. Prior to joining the Company, Ms. CHAO worked as the general manager of Shanghai region in Red Star Furniture Group from 2002 to 2007, mainly responsible for investment and development projects. Ms. CHAO completed the part-time course of business administration at the University of Shanghai for Science and Technology in January 2010.



## Directors, Supervisors and Senior Management

**Mr. ZHENG Hongtao**, aged 56, joined our Company in January 2016 and has been an independent Supervisor. He has been engaging in teaching and research work at Beijing National Accounting Institute (北京國家會計學院) as a director of corporate governance and risk control center. Mr. ZHENG was a teacher at Guangdong Zhongkai Technology and Economics College (廣東仲愷技術經濟學院) from July 1995 to December 1996. From January 1997 to October 1997, Mr. ZHENG was a researcher at the Rural Economics Research Center of the Ministry of Agriculture (農業部農村經濟研究中心). From October 1997 to September 1998, Mr. ZHENG served as an investment project manager at the investment banking division of Everbright Securities Company Limited (光大證券股份有限公司) (which was subsequently listed on both the Stock Exchange (stock code: 6178) and the Shanghai Stock Exchange (stock code: 601788)).

Mr. ZHENG is currently an independent director of China SUFA Technology Industry Co., Ltd., CNNC (中核蘇閩科技實業股份有限公司), Venustech Group Co., Ltd. (啟明星辰信息技術集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002439), CNFC Overseas Fisheries Co., Ltd. (中水集團遠洋股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000798) and Zhejiang Hongwei Supply Chain Group Co., Ltd. (浙江宏偉供應鏈集團股份有限公司). In February 2010, Mr. ZHENG was named as a professor by the Ministry of Finance of the People's Republic of China. Mr. ZHENG was an independent director of Tangshan Jidong Cement Co., Ltd. (唐山冀東水泥股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000401) and Hengxin Mobile Business Co., Ltd. (恒信移動商務股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300081) and Beijing Tianli Mobile Service Integration, Inc. (北京無線天利移動信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300399), during the three years prior to the date of this annual report.

In February 2010, Mr. ZHENG was named as a professor by the Ministry of Finance of the People's Republic of China.

Mr. ZHENG participated in post-doctoral research in finance at Zhongnan University of Economics and Law (中南財經政法大學) from July 2002 to December 2006. He graduated from Huazhong Agricultural University (華中農業大學) with a doctoral degree in agricultural economics and management and a master's degree in agriculture in June 2001 and June 1995, respectively.

## Directors, Supervisors and Senior Management

**Mr. CHEN Gang**, aged 46, joined our Company in January 2016 and has been an independent Supervisor of our Company. Mr. CHEN served as the senior manager and business director of the headquarters of investment banking of Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), formerly known as United Securities Co., Ltd. (聯合證券有限責任公司) and the general manager of its investment banking (4) division of Shanghai from July 2001 to August 2006. From August 2006 to February 2007, he served as an assistant general manager of the headquarters of mergers and acquisitions financing department and the person in charge of the Shanghai branch of China Securities. From February 2007 to January 2010, he served as the vice general manager and the executive general manager of the headquarters of investment banking of Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), formerly known as Qilu Securities Co., Ltd. (齊魯證券有限公司). From February 2010 to December 2016, he successively acted as assistant to president and general manager of the investment banking division of Zhongshan Securities Co., Ltd., vice general manager of the OTC Market division and general manager of the new third board business of Zhongshan Securities Co., Ltd. From January 2017 to September 2018, he served as the vice-president of Lian Chu Securities Co., Ltd. (聯儲證券有限責任公司) and the general manager of the investment banking division. He has been a partner of Shanghai Lanjue Investment Management Co., Ltd. (上海藍爵投資管理有限公司) from October 2018 to November 2020. Since 2020, he has served as the founding partner of Shanghai Tongjing Technology Innovation Fusion Industry Fund Management Co., Ltd. (上海同璟科創融合產業基金管理有限公司) (under construction). Mr. CHEN graduated from Beijing University of Posts and Telecommunications (北京郵電大學) with a major in English for Science and technology and a bachelor's degree in engineering in July 1998. Mr. CHEN completed the finance courses (including insurance courses) of the Economics College in Fudan University and obtained a master's degree in economics in July 2001, completed the world economy courses of the Economics College in Fudan University and obtained a doctoral degree in economics in July 2009, and engaged in post-doctoral research on politics in the International Relationships and Public Affairs College in Fudan University and graduated in July 2012. Mr. CHEN concurrently serves as an independent director of HONSUN, Honghui Optics Communication, Etone Information, Shanghai Shengnong and Chinanets, a master tutor of the School of Economics at Fudan University, a master tutor of the Fanhai International Finance School at Fudan University, the director of the Art Finance Institution of Asian Humanity and Nature Research (Macao), and the deputy director of the Shanghai Financial Committee of China National Democratic Construction Association. Mr. CHEN was accredited as a Chinese Certified Public Accountant by Shanghai Institute of Certified Public Accountants (上海註冊會計師協會) in November 2004, and was certified as Senior Certified Public Accountant (the 3rd batch) by The Chinese Institute of Certified Public Accountants in March 2018. In September 2009, Mr. CHEN was accredited by Jiangsu Office of Personnel (江蘇省人事廳) as a senior economist. Mr. CHEN was listed in the first batch of sponsors in the Chinese securities market in 2004, and was certified as an international registered auditor by The Association of International Accountants in 2017; and Mr. CHEN acquired the qualification for APMI management accountant (senior member) in September 2018.



## Directors, Supervisors and Senior Management

### SENIOR MANAGEMENT

**Ms. CHE Jianfang**, aged 54, joined our Company in June 2007 and has been a vice general manager of our Company since then and was an executive Director of our Company from June 2007 to January 2023. Ms. CHE is primarily responsible for merchandising management of our Company. Prior to joining our Company, Ms. CHE worked as the general manager at the Changzhou Red Star Furniture General Factory (常州市紅星傢俱總廠) from 1990 to 1993, mainly responsible for general operation of the business. She served as the general manager responsible for national investment operation at Red Star Furniture Group from 1994 to 2007. Ms. CHE is Mr. XU Guofeng's wife and Mr. CHE Jianxing's sister. Ms. CHE completed the "Senior Executive Program for China" jointly organized by China Europe International Business School (中歐國際工商學院) ("CEIBS"), Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2007. She also completed the China CEO Program jointly organized by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, the International Institute for Management Development and London Business School in July 2011, the second phase of the CEO Alumni Humanities course of Cheung Kong Graduate School of Business in November 2016, and the CEO Leading the Future course of Shanghai Advanced Institute of Finance in March 2017. Ms. CHE completed the executive master of business administration (EMBA) program in PBC School of Finance, Tsinghua University in April 2018. Currently, Ms. CHE serves as a member of Shanghai Pudong New Area Committee of CPPCC, the vice chairman of the Federation of Industry and Commerce of Pudong New Area (浦東新區工商聯), a member of the Central Enterprise Committee of the China National Democratic Construction Association (中國民主建國會中央企業委員會), the executive director of the Enterprise Committee of Shanghai Committee of the China National Democratic Construction Association (中國民主建國會上海市委員會企業委員會), the chairman of the Red Star Macalline Branch of the China National Democratic Construction Association (中國民主建國會紅星美凱龍支部), the vice chairman of Shanghai Entrepreneur Association (上海市企業家聯合會), and vice president of the Fourth Council of Shanghai Outstanding Enterprise Promotion Association (上海市光彩事業促進會), and has always been committed to social welfare undertakings and initiated the establishment of "Red Star True Love Fund". Ms. CHE has been honored as the Model of "Accomplishments of Females" by All-China Women's Federation, the "Top Ten Entrepreneurs" of Changzhou City, the "National Outstanding Achievement Award for Excellent Entrepreneurial Women", the "Excellent Entrepreneur" in the National Building Decoration Materials Industry, the "Glory Star of Shanghai in 2017", "The March 8th Red Banner Pacesetter in Shanghai in 2017-2018", the "Top Ten Outstanding Entrepreneurs" by Shanghai Committee of China National Democratic Construction Association", the "Advanced Individual in Prevention and Control of COVID-19 Pandemic" by Shanghai Committee of China National Democratic Construction Association and other awards.

**Mr. JIANG Xiaozhong**, aged 53, joined our Company in June 2007. Mr. JIANG was an executive Director of our Company from December 2012 to January 2023 and has been a vice general manager of our Company since December 2012. Mr. JIANG is primarily responsible for business development and operation of our Group. Prior to joining our Company, from June 1994 to June 2007, Mr. JIANG served in various positions at Red Star Furniture Group, including as secretary of the communist party branch committee, secretary of the communist party committee and as vice president, primarily responsible for business operation, administration and communist party committee related work. Mr. JIANG completed a three-year correspondence course for cadre in administrative management at the Communist Party School of Jiangsu Province (江蘇省委黨校) in July 1992. He completed his studies in the executive master of business administration program at Cheung Kong Graduate School of Business (長江商學院) in September 2011.



## Directors, Supervisors and Senior Management

**Ms. QIU Zhe**, aged 45, has been the Executive President since joining our Company in July 2021, and she has also served as the Secretary to the Board since December 2021, mainly responsible for the Company's legal compliance, corporate governance, internal control, investor relations and information disclosure. Ms. QIU has the practicing qualification of Chinese certified public accountant and was accredited as the Secretary to the Board by the Shanghai Stock Exchange in September 2021. Prior to joining our Company, Ms. QIU worked at Ernst & Young Hua Ming LLP Shanghai Branch from September 1999 to May 2018; she then worked at the Investor Relations Department of Alibaba Group and served as Director of Investor Relations from June 2018 to June 2021. Ms. QIU has obtained a master's degree in accounting from the Chinese University of Hong Kong, and was accredited as the certified public accountant by the Chinese Institute of Certified Public Accountants.

**Mr. LIU Yuanjin**, aged 68, joined our Company in June 2007 and has been a vice general manager of our Company. He is primarily responsible for the business development and operations of our Company. Prior to joining our Company, Mr. LIU worked at Changzhou Juqian Street Primary School (常州市局前街小學) from September 1971 to January 1977. Mr. LIU was a member and a deputy secretary of the communist youth league committee of Tianning District, Changzhou City from January 1977 to September 1981. From July 1985 to August 1997, Mr. LIU worked in the government of Tianning District, Changzhou City, where he served as head of the industry department, head of the planning economy department and the deputy district chief. From August 1997 to December 2003, Mr. LIU served as deputy head and deputy secretary of the central management committee and a member of the party committee of the Changzhou National High Technology Development Zone (常州市國家高新技術開發區), and concurrently served as the deputy district chief and deputy secretary of the communist party committee of Xinbei District, Changzhou City. Mr. LIU served as a vice president of Red Star Furniture Group from 2004 to 2007, mainly responsible for project development. Mr. LIU completed his studies in engineering management at Tianjin University (天津大學) in July 1985. He completed the "Senior Executive Program for China" jointly organized by CEIBS, Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2007. He completed the EMBA course of Cheung Kong Graduate School of Business (長江商學院) in 2014. Mr. LIU also completed his CEO course of China Europe International Business School in 2017. He is currently studying his CEO course at Cheung Kong Graduate School of Business.

**Mr. XI Shichang**, aged 48, joined our Company in July 2010 and has been the chief financial officer of our Company since December 2010. He is primarily responsible for overseeing corporate finance and financial management of our Company. Prior to joining our Company, from October 1999 to December 2002, Mr. XI worked at Shanghai Zhong Yong Xin Accounting Firm (上海中永信會計師事務所). From January 2003 to July 2010, Mr. XI worked at Deloitte Touche Tohmatsu CPA Limited. Mr. XI graduated with a bachelor's degree in finance from Shanghai University of Finance and Economics (上海財經大學) in July 1995 and a master of business administration degree from the executive master of business administration program at CEIBS in October 2013. Mr. XI has been a Certified Public Accountant (non-practicing member) accredited by The Chinese Institute of Certified Public Accountants and a member of the Institute of Public Accountants, Australia since June 2011.



# Report of Directors

The Board of Directors of the Company is pleased to present this annual report together with the audited Consolidated Financial Statements of the Group for the end of the Reporting Period.

## CORPORATE INFORMATION, GLOBAL OFFERING AND A-SHARE LISTING

The Company was incorporated in the PRC on 6 January 2011 as a sino-foreign joint stock company with limited liability. The Company's H Shares were listed on the Main Board of the Stock Exchange (stock code: 1528) on 26 June 2015. The A Shares of the Company were listed and commenced trading on the Shanghai Stock Exchange (stock code: 601828) on 17 January 2018.

## PRINCIPAL ACTIVITIES

The Group operates as a leading home improvement and furnishing shopping mall operator in China principally engaged in the operation of Owned/Leased Portfolio Shopping Malls, Managed Shopping Malls, construction and design, sales of merchandise and related services businesses. The principal activities of the Group are as follows:

- i. Owned/Leased Portfolio Shopping Malls including leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them;
- ii. Managed Shopping Malls including 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;
- iii. Construction and design including providing building installation and decorating services in shopping malls, which are held by owners of Managed Shopping Malls and owners of external commercial properties; and
- iv. Sales of merchandise and related services including retail sales of home furnishing merchandise and providing related decorating services.

Please refer to Note 54 to the Consolidated Financial Statements on page 351 for details of the principal activities of the principal subsidiaries of the Group. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

## SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to page 5 of this report for a summary of financial information and operating results of the Group for the end of the Reporting Period.

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the section headed "Chairman's Statement" on page 7 as well as the section headed "Management Discussion and Analysis" on page 11. Description of possible risks that the Group may be facing can be found in the section headed "Management Discussion and Analysis" on page 11. Also, the risk management objectives and policies of the Group can be found in the section headed "Corporate Governance Report" on page 108. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2022 are provided in Note 55 to the Consolidated Financial Statements on page 378 and the section headed "Report of Directors" on page 54. An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Management Discussion and Analysis" on page 11.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

We are subject to certain environmental protection laws and regulations, including the Prevention and Control of Water Pollution Law of the People's Republic of China 《中華人民共和國水污染防治法》, the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China 《中華人民共和國大氣污染防治法》, the Prevention and Control of Noise Pollution Law of the People's Republic of China 《中華人民共和國環境噪聲污染防治法》, the Prevention and Control of Environmental Pollution by Solid Waste Law of the People's Republic of China 《中華人民共和國固體廢物污染環境防治法》, the Environmental Impact Assessment Law of the People's Republic of China 《中華人民共和國環境影響評價法》, the Administrative Regulations on Environmental Protection for Acceptance Examination upon Completion of Buildings 《建設項目竣工環境保護驗收管理辦法》 and the Administrative Regulations on Environmental Protection for Development Projects 《建設項目環境保護管理條例》.



## Report of Directors

Each of our property development projects is required under the laws of China to undergo environmental impact assessments. We must submit the relevant environmental impact study or report to the environmental authorities, along with other required documents, for evaluation and approval by the authorized environmental protection authorities. The approval from the relevant government authorities will specify the standards applicable to the construction projects with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular project. Upon completion of each project, the relevant government authorities will also inspect the site to ensure that all applicable environmental standards have been complied with.

We have taken and will continue to take specific measures to ensure our compliance with applicable environmental laws and regulations, including (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also undertake voluntary environmental protection actions and make energy conservation and emission reduction our top considerations when designing our property projects. We expect the annual costs of compliance going forward to be substantially similar, assuming that there will not be any material changes in environmental protection laws and regulations.

As at the end of the Reporting Period, none of our shopping malls had received any material fines or penalties associated with any breach of any environmental laws or regulations since the commencement of their operations.

The Board has overall responsibility for our environmental, social and governance (“ESG”) strategy and reporting. The Board is responsible for evaluating and determining our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. A confirmation regarding effectiveness of these systems has been provided to the Board for the year ended 31 December 2022. A separate ESG report complying with the disclosure requirements under Appendix 27 to the Listing Rules will be published by the Group on the same day as this report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group and its activities are required to comply with the requirements of laws and regulations of China, including but not limited to The Company Laws of the People's Republic of China 《中華人民共和國公司法》, The Law of the PRC on Protection of Consumer Rights and Interest 《中華人民共和國消費者權益保護法》, The Law of Administration of Urban Real Estate of the PRC 《中華人民共和國城市房地產管理法》, Construction Law of the People's Republic of China 《中華人民共和國建築法》, laws, regulations and other normative documents. The Group focuses on internal risk management and control. The independent financial management center, legal department, internal control compliance department are established and are responsible for conducting specific analysis and review of the laws and regulations applicable to each business of the Company within the internal approval process and assign a professional team to effectively conduct management, inspections and rectification, to ensure that the Group is in compliance with relevant laws and regulations in all major aspects.

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects. The Group has adopted the Model Code.

## DIVIDEND POLICY

The Articles of Association states that the Company may distribute dividends in cash or shares. The profit distribution of the Company should focus on the reasonable return for shareholders, and the profit distribution policy should maintain its continuity and stability; unless under special circumstances, the Company should distribute dividends mainly in cash if it records profit in the year and the accumulated undistributed profits are positive. The total profit distributed in cash for each year should not be less than 20% of the net profit that is available to distribute to shareholders of the Company.

The profit distribution policy of the Company is in compliance with the Articles of Association as well as the approval procedures. The policy, which has been reviewed by independent non-executive Directors, fully protects the legitimate rights and interests of medium and small investors and has clear standards on dividend distributions and dividend distribution ratio. The conditions and procedures of the adjustments and modification on the profit distribution policy are in compliance with relevant requirements and transparent.



## Report of Directors

### RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands well that employees are valuable assets and thus offers a competitive remuneration portfolio to attract and motivate employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustments to align the market standards. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing premium products and services to customers. During the Reporting Period, the Group has no material and significant dispute with suppliers and/or customers.

### KEY RISKS AND UNCERTAINTIES

For details of the Group's key risks and uncertain factors for the end of the Reporting Period, please refer to page 37 in the section headed "Management Discussion and Analysis – RISK FACTORS".

### BANK LOANS AND OTHER BORROWINGS

Please refer to Note 34 to the Consolidated Financial Statements on pages 244 for details of bank loans and other borrowings of the Group as of the end of the Reporting Period.

### BONDS/DEBT INSTRUMENTS

On 12 September 2018, the Company received the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) issued by the National Association of Financial Market Institutional Investors (the "NAFMII"), expressing its consent for the registration of the mid-term notes of the Company, with a registration amount of RMB5 billion. The registration amount will be valid for two years from the date of the Notice for Acceptance of Registration issued by the NAFMII. From 23 January 2019 to 24 January 2019, the issuance of the 2019 first tranche of mid-term notes of the Company was completed, with an actual amount of RMB500 million in total and an interest rate of 5.75%. The mid-term notes were issued on the national interbank bond market. For details, please refer to the announcement of the Company dated 25 January 2019.

On 22 May 2019, in order to better play the role of non-financial corporate debt financing instruments on the Company's overall capital use, after re-evaluating its debt financing instrument structure, the Company applied to the NAFMII for the reduction of the registration amount of the mid-term notes under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506).

On 6 June 2019, the Company received the Letter in Relation to the Reduction of Registered Amount of Mid-Term Notes of Red Star Macalline Group Corporation Ltd. (Zhong Shi Xie Han [2019] No. 567) issued by the NAFMII approving the reduction of RMB3 billion from the registration amount of the mid-term notes of the Company under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506). The remaining valid registration amount under the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) is RMB2 billion after the reduction of RMB3 billion from the original registration amount of RMB5 billion.

From 16 January 2020 to 17 January 2020, the issuance of the 2020 first tranche of mid-term notes of the Company was completed with an actual amount in total of RMB500 million with an interest rate of 5.70%. The mid-term notes were issued on the national interbank bond market. For details, please refer to the announcement of the Company dated 20 January 2020. The mid-term notes were still outstanding on 31 December 2022.

On 5 June 2019, the Group publicly issued Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche) (hereinafter referred to as the “**2019 Corporate Bonds**”), which classified into two types. The total issuance scale of the type 1 and type 2 does not exceed RMB2 billion (including RMB2 billion). In this tranche of bonds issue, the option to call back among varieties is introduced, and the call back percentage is not limited. The issue price is RMB100/sheet, which is issued in the form of book keeping to qualified investors offline. Type 1 is 5-year (with the issuer’s option to adjust the coupon rate and bondholders’ resale option at the end of the third year), and type 2 is 4-year (with the issuer’s option to adjust the coupon rate and bondholders’ resale option at the end of the second year). In 2019, the actual issuance scale of corporate bonds type 2 was RMB2.00 billion, and the coupon rate was 5.35%; the type 1 was not issued. The bond was registered for selling back in 2021, and the remaining RMB829,000 was included in the escrow plan and will mature in 2023.

On 28 October 2020, The Group issued the “Public offering of Corporate Bonds of 2020 of Red Star Macalline Group Corporation Ltd. (First tranche) to professional investors” in October 2020. The Bond has an issue price of RMB100/sheet value and a duration of 3 years, with interest paid annually and the option to adjust the coupon rate and investors’ resale option at the end of the second year (2022). The actual issuance scale was RMB500 million, with a coupon rate of 6.20%, and the remaining RMB30,000,000 was included in the escrow plan and will mature in 2023.

On 13 August 2022, the Group issued US\$-denominated bonds totally US\$249.7 million with fixed interest rate, at a coupon rate at 5.2%. The maturity of the bond is 3 years, shall be paid semi-annually. For details, please refer to the announcement of the Company dated, 24 August and 26 August 2022.

## CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the Reporting Period.

### INVESTMENT PROPERTIES

All investment properties we owned were for rental income, and they are subject to medium-term lease in the PRC. Set out below are investment properties that are considered material by our Directors.

No.	Property	Existing use	Market value in existing state as at the end of the Reporting Period RMB '000
1.	Shanghai Zhenbei Phase II Mall No. 1058 Zhenbei Road Putuo District Shanghai The PRC	Shopping Mall	5,479,000
2.	Shanghai Pudong Hunan Mall No. 518 Linyu Road Pudong New District Shanghai The PRC	Shopping Mall	5,001,000
3.	Shanghai Wenshui Mall No. 1555 Wenshui Road Baoshan District Shanghai The PRC	Shopping Mall	4,555,000
4.	Zhengzhou Shangdu Mall No. 1 Shangdu Road Zhengdong New District Zhengzhou City Henan Province The PRC	Shopping Mall	4,280,000
5.	Nanjing Kazimen Mall No. 29 Kazimen Street Qinhuai District Nanjing City Jiangsu Province The PRC	Shopping Mall	4,244,000

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No.	Property	Existing use	Market value in existing state as at the end of the Reporting Period RMB '000
6.	Shenyang Tiexi Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	Shopping Mall	2,691,000
7.	Beijing East Fourth-Ring Mall No. 193 East Fourth-Ring Middle Road Chaoyang District Beijing The PRC	Shopping Mall	2,629,000
8.	Jinan Tianqiao Mall No. 225 Beiyuan Street Tianqiao District Jinan City Shandong Province The PRC	Shopping Mall	2,576,755
9.	Hangzhou Zhizun Mall No. 888 Gudun Road Xihu District Hangzhou City Zhejiang Province The PRC	Shopping Mall	2,457,000
10.	Chongqing Jiangbei Shopping Mall No. 888 Xinnan Road Yubei District Chongqing The PRC	Shopping Mall	2,354,000

## PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 18 to the Consolidated Financial Statements on page 221 for details of movements in the property, plant and equipment of the Group for the end of the Reporting Period.



## Report of Directors

### DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at the end of the Reporting Period amounted to RMB8,143.26 million.

Please refer to the statement of changes in equity on page 143 and the Company's balance sheet on page 348 for the change in reserves of the Group and information about the statement of financial position of the Company for the end of the Reporting Period.

### MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisition or disposal of the subsidiaries, associates and joint ventures during the Reporting Period.

### 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 25 August 2023.

### TAXATION RELIEF

Pursuant to the PRC Individual Income Tax Law 《中華人民共和國個人所得稅法》, the Implementation Regulations of the PRC Individual Income Tax Law 《中華人民共和國個人所得稅法實施條例》, other laws and regulations and relevant regulatory documents promulgated by the State Taxation Administration of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong, or Macau.

For non-resident enterprise holders of H Shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H Shares pursuant to relevant regulatory documents of the State Taxation Administration of the PRC.

For investors of the Shanghai Stock Exchange investing in the H Shares of the Company, the Company will distribute the cash dividend to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited which, as the nominee of the investors of H Shares of Southbound Trading, will then distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》, for domestic individual investors, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

Should the holders of H Shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in mainland China, Hong Kong, and other countries (regions) on the possession and disposal of the H Shares of the Company.

## RETIREMENT BENEFITS

Please refer to Note 42 to the Consolidated Financial Statements on page 256 for details of retirement benefits of the Group for the end of the Reporting Period.

## FINANCIAL SUMMARY

The Group's financial summary for the last five financial years is set out on page 382 of this annual report. This summary does not form part of the Consolidated Financial Statements.

## MAJOR SUPPLIERS AND CUSTOMERS

The sales attributable to top five customers were RMB721.7 million, accounting for 5.1% of the total annual sales.



## Report of Directors

Purchases from the top five suppliers were RMB269.7 million, accounting for 7.8% of the total annual purchases.

Due to the nature of the Group's business, the sales attributable to top five customers accounted for less than 30% of the annual sales, and the purchases from the top five suppliers accounted for less than 30% of the total annual purchases.

## CHARITABLE DONATIONS

The donations by the Group for the end of the Reporting Period amounted to approximately RMB6.0 million.

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 51 to the Consolidated Financial Statements, the following transactions constitute continuing connected transactions and connected transactions for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements of Chapter 14A of the Listing Rules for all the continuing connected transactions and connected transactions.

Save as disclosed in this annual report, during the Reporting Period, the Company had no related party transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.



### Continuing Connected Transactions

#### (i) **Contract Management Agreements with Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui Real Estate Co., Ltd. and Shaanxi Hongrui**

The Company and each of Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui Real Estate Co., Ltd. (currently known as “**Jining Hongrui Market Management Company Limited**”) and Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (“**Associated Business Partners**”) entered into the contract management agreement and the supplementary agreement (the “**Contract Management Agreements**”), as the case may be, pursuant to which the Company will manage and operate the home improvement and furnishing shopping malls owned by each respective Associated Business Partner. As such contract management agreements are of the same nature and have been entered into with parties who become connected persons of the Company under Rule 14A.07 of the Listing Rules by virtue of being the Associates of Mr. CHE Jianxing, whom is an executive Director of the Company, these agreements have been classified as aggregated under the Listing Rules.

As such, the contract management transactions contemplated under the Contract Management Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Under each of the contract management agreements, the Company initially charged our Associated Business Partners a fixed amount of the management fee ranging from RMB2.0 million to RMB6.0 million per annum, as the case may be, which was in line with our pricing policy for contract management arrangements entered into prior to 2013. In December 2013 and January 2014, the Company entered into supplemental agreements with Xuzhou RSHFC, Xuzhou RSHFP and Jining Hongrui Market Management Company Limited, under which the Company and the relevant Associated Business Partners agreed to revise the pricing mechanism relating to the management fee from a fixed flat rate to a percentage of the total amount of rental received by each respective Associated Business Partner, subject to a minimum amount of the annual management fee. The adjustment was made after arm’s length negotiations between us and each respective Associated Business Partner to reflect current market conditions. The terms and conditions under our contract management agreements with Yangzhou RSHFP and Shaanxi Hongrui remain unchanged, except that the Company waived part of the management fee payable by Shaanxi Hongrui in 2014 on a one-off basis due to Shaanxi Hongrui’s special request. Each of these five contract management agreements is for a term ranging from seven to ten years commencing from its signing date.

The amount of the management fee under the five contract management agreements was determined based on: (i) the local market conditions; (ii) our estimation of the future rental income level for each respective shopping mall; and (iii) our respective business partner’s expectation of the future rental income.



## Report of Directors

For each of the years ended 31 December 2020, 2021 and 2022, the Company received management fees in the total amount of RMB13.7 million, RMB15.7 million and RMB15.3 million under the five contract management agreements with the Associated Business Partners. Each of the contract management agreements is for a term ranging from 3 to 10 years commencing from its respective signing date, while the contract management agreements with Shaanxi Hongrui Home Furnishings Plaza Co., Ltd., Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. and Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. respectively were valid until 29 September 2022 and 31 December 2022. On 30 September 2022 and 30 December 2022, the Company entered into a new contract management agreement with Shaanxi Hongrui Home Furnishings Plaza Co., Ltd., Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. and Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. for a fixed term of three years. As the Group will continue carrying out the transactions contemplated thereunder in its ordinary and usual course of business, the Board proposed to set the new annual caps for the contract management agreement with Shaanxi Hongrui Home Furnishings Plaza Co., Ltd., Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. and Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. which in turn also lead to changes to the overall annual caps for the contract management transactions for the years ended 31 December 2022, 2023 and 2024. As the maximum applicable ratio for the transactions contemplated under the Contract Management Agreements for the years ending 31 December 2023 and 2024 is less than 0.1%, the Contract Management Agreement is fully exempt from shareholder approval, annual review and all disclosure requirements with effect from 1 January 2023.

For the Reporting Period, the management fees received and receivable by the Company pursuant to these agreements and these supplemental agreements amounted to RMB15.3 million.

Most of the home improvement and furnishing shopping malls managed and operated by us under the five contract management agreements are located in Tier III Cities and other cities in the PRC. The Associated Business Partners intended to leverage our operational experience and reputation through cooperation with us. Our Directors believe that it is in our interest, and in line with our business strategy, to leverage the Associated Business Partners' knowledge and experience to expand our geographic coverage and improve our market share and brand awareness in these new local markets, with relatively low capital need.

### (ii) Design Services Framework Agreement of RSM Holding

On 30 March 2022, Shanghai Red Star Macalline Building Design Company Limited (上海紅星美凱龍建築設計有限公司) ("**Shanghai Macalline Building Design**"), an indirect wholly-owned subsidiary of the Company entered into the design services framework agreement with RSM Holding effective from 17 April 2022. Pursuant to which, Shanghai Macalline Building Design provided design services to RSM Holding or its subsidiaries for a consideration of not more than RMB90,000,000 with a term of one year which expired on 31 March 2023. For further details, please refer to the announcement of the Company dated 30 March 2022.

RSM Holding is held as to 92% by Mr. CHE Jianxing, chairman, chief executive officer and an executive Director of the Company. Shanghai Macalline Building Design is an indirect wholly-owned subsidiary of the Company. As a result, RSM Holding is a connected person of the Company and the transactions under the above-mentioned design services framework agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of the engineering design services provided by Shanghai Macalline Building Design, the Directors believe that the Group will be able to ensure that the design work necessitated by the commercial buildings managed by RSM Holding and its subsidiaries are of satisfactory quality. The Directors also consider that entering into the design services framework agreement allows the Group to better manage the quality of the relevant commercial buildings and lays a solid foundation for the long-term development of such commercial buildings. For further details, please refer to the announcements of the Company dated 30 March 2022.

During the Reporting Period, according to the above-mentioned design services framework agreements, the amount of engineering design services paid by RSM Holding was RMB2.39 million.

### **(iii) Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction with RSM Holding**

On 30 March 2022, the Company and RSM Holding entered into the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction with effect from 30 March 2022, pursuant to which the Company or its subsidiaries will provide renovation engineering and construction services to RSM Holding or its subsidiaries for a consideration of up to RMB700,000,000, with a term of one year which expired on 31 March 2023. For further details, please refer to the announcement of the Company dated 30 March 2022.

RSM Holding is the controlling shareholder of the Company, therefore, RSM Holding and its associates are connected persons of the Company, and the transactions under the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction with RSM Holding constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors believe that the Group will be able to further expand the scale of decoration and renovation business and improve the ability to undertake business through the decoration engineering and construction services provided by the Group, which will lay a foundation for the long-term development of decoration and renovation engineering businesses and supply chain business of the Group and has a positive impact on the current and future results.

During the Reporting Period, according to the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction with RSM Holding, the engineering construction fees actually incurred by RSM Holding was RMB80.9 million.



## Report of Directors

### (iv) Framework Agreement for Software and Computer Information System Integration Services with Shanghai Red Star Cloud

On 30 March 2022, the Company and Shanghai Red Star Cloud Computing Technology Co., Ltd. (“**Shanghai Red Star Cloud**”), an indirect subsidiary of RSM Holding, entered into a framework agreement for computer information system integration services, pursuant to which Shanghai Red Star Cloud will provide computer information system integration services to the Company and its subsidiaries at a consideration of up to RMB92,000,000, for a term from 17 April 2022 to 31 March 2023.

RSM Holding is the controlling shareholder of the Company, and Shanghai Red Star Cloud is its indirect subsidiary. Therefore, Shanghai Red Star Cloud is a connected person of the Company, and the transactions under the framework agreement for computer information system integration services constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The Directors believe that through the computer information system integration services provided by Shanghai Red Star Cloud, the Company will be able to better communicate and understand project requirements, manage the project progress and quality, while in order to ensure the safety and stability of the system project, Shanghai Red Star Cloud can provide follow-up irregular services. For further details, please refer to the announcement of the Company dated 30 March 2022.

During the Reporting Period, according to the framework agreement for computer information system integration services, the real amount of computer information system integration services provided to the Company was RMB43.03 million.

### (v) House Leasing Contract, Parking Space Leasing Agreement and Property Service Contract with Shanghai Xingzhiyu

On 30 December 2021, the Company and Shanghai Xingzhiyu Commercial Management Co., Ltd. (“**Shanghai Xingzhiyu**”) entered into the House Leasing Contract in relation to leasing of the commercial office building of the Company, and the House Leasing Contract in relation to the property management matters of the commercial office building of the Company. Pursuant to the House Leasing Contract, the Company will lease the commercial office building of the Company to Shanghai Xingzhiyu from 1 January 2022 to 31 December 2022, and the rental is RMB7.8 per square meter per day. For the year ended 2022, the annual cap for the rental was RMB59 million.

Furthermore, on the same day, the Company entered into the Property Service Contract with Shanghai Xingzhiyu in relation to the property management matters of the commercial office building of the Company. Pursuant to the Property Service Contract, Shanghai Xingzhiyu will provide property management services for the commercial office building of the Company from 1 January 2022 to 31 December 2022, with the property service fee of RMB28 per square meter per month. For the year ended 2022, the annual cap for the property service fee and other fees was RMB14.5 million.

On the same day, Shanghai Yuxu Enterprise Management Company Limited (“**Shanghai Yuxu**”), a wholly-owned subsidiary of the Company, entered into the Parking Space Leasing Agreement with Shanghai Xingzhiyu in relation to leasing of the parking spaces. Pursuant to the Parking Space Leasing Agreement, Shanghai Yuxu will lease the parking spaces to Shanghai Xingzhiyu from 1 January 2022 to 31 December 2022, and the monthly rental for each parking space is RMB800. For the year ended 2022, the annual cap for the parking space rental was RMB0.29 million.

On 30 December 2022, the Company and Shanghai Xingzhiyu entered into the House Leasing Contract in relation to leasing of the commercial office building of the Company, and the House Leasing in relation to the property management matters of the commercial office building of the Company. Pursuant to the House Leasing Contract, the Company will lease the commercial office building of the Company to Shanghai Xingzhiyu from 1 January 2023 to 31 December 2023, and the rental is RMB7.8 per square meter per day. For the year ended 2023, the annual cap for the rental was RMB51.3 million.

Furthermore, on the same day, the Company entered into the Property Service Contract with Shanghai Xingzhiyu in relation to the property management matters of the commercial office building of the Company. Pursuant to the Property Service Contract, Shanghai Xingzhiyu will provide property management services for the commercial office building of the Company from 1 January 2023 to 31 December 2023, with the property service fee of RMB28 per square meter per month. For the year ended 2023, the annual cap for the property service fee and other fees was RMB16.3 million.

On the same day, Shanghai Yuxu, a wholly-owned subsidiary of the Company, entered into the Parking Space Leasing Agreement with Shanghai Xingzhiyu in relation to leasing of the parking spaces. Pursuant to the Parking Space Leasing Agreement, Shanghai Yuxu will lease the parking spaces to Shanghai Xingzhiyu from 1 January 2023 to 31 December 2023, and the monthly rental for each parking space is RMB800. For the year ended 2023, the annual cap for the parking space rental was RMB0.29 million.

Shanghai Xingzhiyu is a wholly-owned subsidiary of RSM Holding, and RSM Holding is a controlling shareholder of the Company, therefore, Shanghai Xingzhiyu is a connected person of the Company, and the transactions between Shanghai Xingzhiyu and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors believe that Shanghai Xingzhiyu, a wholly-owned subsidiary of RSM Holding, focuses on property service management with a relatively professional management team. The transactions are in line with the normal development needs of the Company and are conducive to making full use of the Company’s assets, improving the efficiency of asset utilization and operations of the Company, as well as unified management of the headquarters of the building, which will bring a positive impact on the future operations of the Company. For further details, please refer to the announcement of the Company dated 30 December 2021 and 30 December 2022, respectively.

During the Reporting Period, the housing rental and parking space rental paid and payable by Shanghai Xingzhiyu were RMB48.21 million and RMB0.22 million, respectively. During the Reporting Period, the property service fee and other fees paid and payable by the Company to Shanghai Xingzhiyu was RMB13.02 million.





## Report of Directors

### (vi) Lease Agreement of Shanghai Xinhua Cheng Cheng

On 17 April 2020, Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司) (“**Shanghai Hongxin Oukai**”), a subsidiary of the Company, entered into the lease agreement with Shanghai Xinhua Cheng Cheng Asset Management Co., Ltd. (上海新華成城資產管理有限公司) (“**Shanghai Xinhua Cheng Cheng**”) in connection with the leasing of the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, which became effective from 1 May 2020. According to the agreement, Shanghai Xinhua Cheng Cheng rented the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai from Shanghai Hongxin Oukai as the parking garage for the commercial properties it held, with a term of three years. The total rent is RMB60 million (that is, an annual rent of RMB20 million), payable over a period of three years in three equal instalments. Shanghai Xinhua Cheng Cheng has a right of first refusal to renew the Lease upon its expiry on the same terms.

Shanghai Xinhua Cheng Cheng was indirectly held as to 60% by the Company’s executive Director Mr. CHE Jianxing. As a result, Shanghai Xinhua Cheng Cheng is a connected person of the Company. The Lease constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Directors believe that the mall on Wuzhong Road, held by Shanghai Hongxin Oukai, is located in one of the densely populated core business circles in Shanghai and as the Red Star Macalline Grand Mall, it is a large-scale high-end home furniture shopping mall with the main business of imported high-end home furniture brand. The shopping mall held by Shanghai Xinhua Cheng Cheng is adjacent to the mall on Wuzhong Road, with high footfall and garage use frequency. The transaction will increase the rate of garage usage and footfall in the home furniture shopping mall and further improve market share and influence in the business circle, which will help the Company further consolidate its leading position in the Shanghai market and will be beneficial to its long-term development. For further details, please refer to the announcement of the Company dated 17 April 2020.

During the Reporting Period, according to the Lease Agreement, the amount of rental paid and payable by Shanghai Xinhua Cheng Cheng was RMB19.05 million.

### (vii) Commercial Factoring Contract with Red Star Commercial Factoring

On 14 May 2021, the Company and RSM Holding entered into an equity transfer agreement in relation to Red Star Commercial Factoring, pursuant to which the Company agreed to dispose of and RSM Holding agreed to acquire a 100% equity interest in Red Star Commercial Factoring.

On 25 September 2020, Red Star Commercial Factoring entered into a commercial factoring contract (the “**Factoring Contract**”) with Sunan Construction. The upper limit for accounts receivable financing is RMB173,000,000, which will be provided by the factor in instalments.

Macalline Commercial Factoring has provided and will continue to provide Sunan Construction with accounts receivable financing services (“**Factoring**”). Immediately following the completion of the agreed transfer of a 100% equity interest in Red Star Commercial Factoring by the Company to RSM Holding, Red Star Commercial Factoring will become a wholly-owned subsidiary of RSM Holding, the controlling shareholder of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, Red Star Commercial Factoring will become a connected person of the Company, and the Factoring Contract and the transactions thereunder will become continuing connected transactions of the Company.

The Directors believe that reduction of risks from accounts receivable and debt structure improvement by Sunan Construction through the Factoring is conducive to further development of business of the Company. The terms of the Factoring Contract are fair and reasonable, and the Factoring thereunder is carried out on normal commercial terms and in the ordinary and usual course of business of the Company, and is in the interests of the Company and the shareholders of the Company as a whole.

During the Reporting Period, the amount of accounts receivable financing of Sunan Construction was RMB34.9 million in accordance with the Factoring Contract.



## Report of Directors

### Confirmation of Independent Non-executive Directors

The independent non-executive Directors, after taking into consideration of factors such as market environment, transaction amounts, corporate governance, have confirmed that the abovementioned continuing connected transactions and connected transactions for the year ended 31 December 2022 were entered into by the Group: (i) in the ordinary course of business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Internal Control Procedures Adopted by the Company in respect of the Implementation of Continuing Connected Transaction

The Company has assigned the finance department to monitor the continuing connected transactions. The finance department will prepare relevant information and materials in relation to the continuing connected transactions and submit the same to the Secretariat of the Board of Directors for compliance checking before submitting all relevant information and materials to the Board for consideration. All relevant information will be attached as appendices to the board resolutions. In relation to those continuing connected transactions conducted during the Reporting Period, the finance department and the Secretariat of the Board of Directors have reviewed and considered the relevant information and materials to ensure compliance with relevant requirements (such as not exceeding the annual caps and ensuring the transactions are carried out in accordance with their respective terms) so as to protect the interests of our Shareholders.

### Confirmation of Auditor

The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board of Directors, (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group, (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not carried out, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the transactions, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the related annual caps for the year ended 31 December 2022. A copy of the auditor's letter has been provided to the Stock Exchange.

## SHARE CAPITAL

Please refer to Note 40 to the Consolidated Financial Statements on page 253 for details of movements in the Company's total issued shares for the end of the Reporting Period.

## EQUITY-LINKED AGREEMENT

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company for the end of the Reporting Period.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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	5.20	2,004,308.00
September 2022	660,000	4.63	4.42	2,999,172.17

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

# Report of Directors

## A SHARE OPTION INCENTIVE SCHEME

The Board passed a resolution on 22 February 2020, which proposed the adoption of the A Share Option Incentive Scheme by the Company (“**A Share Option Incentive Scheme**” or the “**Scheme**”), and reviewed and approved the A Share Option Incentive Scheme at the 2020 first extraordinary general meeting, A Shareholders’ Class Meeting and H Shareholders’ Class Meeting on 21 April 2020. In accordance with the relevant authorization, the Company convened the ninth extraordinary meeting of the fourth session of the Board on 13 May 2020 to adjust the list of Participants and the number of share options (the “**Share Options**”) granted under the First Grant of the A Share Option Incentive Scheme, the twenty-ninth extraordinary meeting of the fourth session of the Board on 11 August 2021 to adjust the number of Share Options granted and exercise price, and cancelled certain Share Options. For details, please refer to the relevant announcements of the Company dated 23 February 2020, 21 April 2020, 14 May 2020, 11 August 2021 and 29 June 2022, and the relevant circular dated 27 March 2020.

As at 31 December 2022, all the share options to be granted under the Scheme have been cancelled or lapsed. Set out below are details of the outstanding options granted under the A Share Option Incentive Scheme:

Relevant Grantee	Number of Shares involved in the Share Options Granted	Date of Grant	Exercise Period	Validity Period	Exercise Price	Closing Price of the Share immediately before the Date of Grant	Outstanding as of 31 December 2021	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2022
Employees	27,759,600	13 May 2020	50% from the first trading day after the expiry of the 12th month from 13 May 2020 to the last trading day of the 24th month from 13 May 2020;	Form 13 May 2020 and end on the date on which all the Share Options granted to the Participants under the Scheme have been exercised or cancelled, and shall be no longer than 36 months	RMB9.79	RMB9.55	12,811,700	-	12,811,700	-	0
			50% from the first trading day after the expiry of the 24th month from 13 May 2020 to the last trading day of the 36th month from 13 May 2020								

The following is a summary of the principal terms of the Scheme:

### Purpose of the A Share Option Incentive Scheme

For the purpose of further improving the corporate governance structure of the Company, establishing and enhancing the long-term incentive and constraint mechanism of the Company, attracting and retaining talents, fully mobilizing the proactiveness and creativities of the core cadres of the Company, effectively promoting the cohesiveness of the core team and the core competitiveness of the enterprise, effectively aligning the interests of Shareholders, the Company and the core team, enabling all parties to focus on the long-term development of the Company, and ensuring the achievements of the development strategies and operation objectives of the Company, the Scheme is made on the premise of fully protecting the interests of Shareholders and on the principle of income equivalent to contribution, and in accordance with the requirements under the relevant laws, regulations and normative documents including the Company Law of the People's Republic of China (the "Company Law"), the Securities Law of the People's Republic of China (the "Securities Law") and the Administrative Measures on Share Incentives of Listed Companies (the "Administrative Measures"), as well as the requirements under the Articles of Association.

### Number and Scope of Participants

The First Grant under the Scheme involved a total of 982 Participants. The Participants included core cadres of the Company (including subsidiaries).

In view of the fact that under such Scheme, 108 original participants resigned or voluntarily waived the exercise of their rights, on 11 August 2021, the Board of the Company considered and approved to cancel a total of 2,136,200 share options granted to such participants but not yet exercised (including the Shares obtained upon conversion of capital reserve into share capital for the profit distribution for 2019), and the number of the participants was reduced to 874.

Pursuant to the Administrative Measures, the Participants mentioned above did not include the Independent Directors, the Supervisors of the Company and any Shareholder or actual controller individually or jointly holding more than 5% of the Shares of the Company and their spouse, parents and children.

### Number of Shares and the Upper Limit of the Share Options Granted to the Each Participants under the Scheme

The number of A Share Options to be granted under the Scheme is 30,850,000, representing approximately 0.71% of the total issued share capital of 4,354,732,673 shares of the Company as at the date of this report, among which, the first grant of Share Options consists of 25,236,000 shares ("First Grant of Share Options"), representing approximately 0.58% of the total issued share capital of 4,354,732,673 Shares of the Company as at the date of this report and 81.80% of the total number of Share Options under the Grant; the reserved share options consist of 5,614,000 shares ("Reserved Share Options"), representing approximately 0.13% of the total issued share capital of 4,354,732,673 Shares of the Company as at the date of this report and 18.20% of the total number of Share Options under the Grant. The aggregate number of Shares to be granted to any Participant under the A Share Option Incentive Scheme during the Validity Period shall not exceed 1.00% of the total share capital of the Company.





## Report of Directors

Each share option granted under the Scheme is entitled to purchase one A Share of the Company at the Exercise Price during the Exercise Period upon the fulfillment of vesting conditions and arrangement. The Share Options granted to the Participants shall not be transferred, used for guarantee or repayment of debts during the Vesting Period. Share Options shall not be entitled to voting rights before being exercised, and do not involve in the distribution of stock bonus and dividends. Unless otherwise provided by the lock-up provisions under the Scheme, the Participants shall be entitled to all the rights of ordinary shareholders and perform related obligations in respect of the A shares acquired by them in accordance with the law.

### Validity Period, Date of Grant, Vesting Period, Exercise Arrangement and the Lock-up Period of the Scheme

#### (i) Validity Period

The Validity Period of the Scheme shall commence from the Date of Grant of the Share Options, and end on the date on which all the Share Options granted to the Participants under the Scheme have been exercised or cancelled, and shall not be longer than 36 months.

All the share options to be granted under the Scheme have been cancelled or lapsed during the Reporting Period and therefore there is no remaining life of the Scheme.

#### (ii) Date of Grant

In accordance with the relevant requirements of the Administrative Measures, the Date of Grant of the First Grant of Share Options under the Scheme is 13 May 2020.

The Date of Grant of Reserved Share Options shall be confirmed by the Board within 12 months after the consideration and approval at the Shareholders' general meeting.

The Date of Grant of Share Options must be a trading day under SSE Listing Rules. If the date determined in accordance with the above principles is not a trading day, the Date of Grant shall be postponed to the first trading day thereafter.

#### (iii) Vesting Period

All Share Options granted to the Participants are subject to different Vesting Periods, and each of such periods shall begin on the date in which the registration of the granted Share Options is completed.

The interval between the Date of Grant and the first Exercise Date of the Share Options shall not be less than 12 months.

## (iv) Exercise Arrangement

The Participants of the Scheme may begin to exercise Share Options upon the expiration of the Vesting Period. The Exercise Date must be the trading day within the Validity Period of the Scheme, but the Share Options cannot be exercised in the following periods:

- (a) 60 days prior to the announcement of the Company's annual reports, including the date of the announcement of the Company's annual report, or the period from the last day of the relevant financial year up to the date of the announcement of the Company's annual report (the shorter one prevails);
- (b) 30 days prior to the review of the announcement of the interim report or the quarterly report, including the date of announcement of the interim report or the quarterly report, or the period from the last day of the relevant quarter or half-year up to the date of the announcement of the Company's periodical report (the shorter one prevails);
- (c) 10 days prior to the release of the Company's results preview or preliminary report;
- (d) the period starting from the date when a material event, which may significantly affect the trading price of the Company's stock and its derivatives, occurs or is in the process of decision-making, up to two trading days after the event being disclosed in accordance with laws;
- (e) other periods as stipulated by the CSRC and the stock exchanges.

Upon the fulfillment of conditions of the exercise of the Share Options, the Share Options are exercisable in two tranches upon expiry of 12 months from the Date of Grant. The exercise arrangement for the First Grant of Share Options and the Reserved Share Options are as follows respectively:

The exercise arrangement for the First Grant of Share Options:

Exercise Arrangement	Exercise Period	Proportion of exercisable Share Options to the total number of Share Options granted
First Exercise Period	Commencing from the first trading day after the expiry of the 12th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 24th month from the Date of Grant	50%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 36th month from the Date of Grant	50%



## Report of Directors

The exercise arrangement for the Reserved Share Options:

Exercise Arrangement	Exercise Period	Proportion of exercisable Share Options to the total number of Share Options granted
First Exercise Period	Commencing from the first trading day after the expiry of the 12th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 24th month from the Date of Grant	50%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 36th month from the Date of Grant	50%

Share Options for which the Exercise Conditions are not fulfilled during the above agreed period shall not be exercised or deferred to the next exercise period, and the relevant Share Options of such Participants shall be cancelled by the Company in accordance with the principles stipulated in the Scheme. After the end of each Exercise Period of the Share Options, the Share Options exercisable by the Participants for the current period that have not been exercised shall be terminated and cancelled by the Company.



### (v) Lock-up Period

The lock-up requirements for Shares of the Company granted to the Participants under the Scheme shall be implemented in accordance with the relevant laws, administrative regulations and normative documents including the Company Law and the Securities Law, as well as the Articles of Association. Details are as follows:

- (a) where a Participant is a Director or a member of the senior management of the Company, the number of Shares of the Company that may be transferred each year during his or her term of office shall not exceed 25% of the total number of Shares of the Company held by him or her. No Shares of the Company held by him or her shall be transferred within half a year after his or her termination of office;
- (b) where a Participant is a Director or a member of the senior management of the Company and he or she disposes of any Shares of the Company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains;
- (c) if there is any amendment to the requirements regarding the transfer of Shares by Directors and senior management of the Company under relevant laws, administrative regulations and normative documents including the Company Law and the Securities Law, as well as the Articles of Association during the Validity Period of the Scheme, such amended requirements thereunder shall apply to the Shares transferred by such Participants during the relevant times.

### Exercise Price and Basis of Determination

#### (i) Exercise Price under the First Grant of Share Options

The Exercise Price under the First Grant of Share Options under the Scheme shall be RMB11.02 per Share. Upon fulfillment of Exercise Conditions, each Share Option granted to the Participants can purchase one Share of the Company at the price of RMB11.02.

In view of the implementation and completion of the profit distribution plan for 2019, the Company distributed a cash dividend of RMB0.253 (tax inclusive) per share, based on the Company's total share capital of 3,550,000,000 shares, and issued 0.1 share per share by way of conversion of capital reserve to all of its shareholders, on 11 August 2021, the Board considered and approved to adjust the number and exercise price of the Scheme pursuant to the relevant provisions under the A Share Option Incentive Scheme. The adjusted exercise price under the first grant of the Share Options is RMB9.79 per share.



## Report of Directors

### (ii) Basis of determination of the Exercise Price under the First Grant of Share Options

The Exercise Price under the First Grant of Share Options shall not be less than the nominal value of the Shares and in principle the higher of:

- (a) the average trading price of the A Shares of the Company on the trading day immediately preceding the date of announcement of the Scheme (draft), being RMB11.02 per share;
- (b) the average trading price of the A Shares of the Company for the 20 trading days immediately preceding the date of announcement of the Scheme (draft), being RMB11.02 per share.

### (iii) Basis of determination of the Exercise Price of the Reserved Share Options

The Exercise Price of the Reserved Share Options shall be consistent with the Exercise Price under the First Grant of Share Options.

In the event of capitalization of capital reserves, bonus issue, share subdivision, rights issue, share consolidation of the Company during the period from the date of announcement of the Scheme to the completion of share registration of Share Options by the Participants, the number of the Share Options shall be adjusted accordingly.

## A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

In order to establish and improve the benefit-sharing mechanism between employees and the Shareholders to further improve the corporate governance of the Company, enhance the cohesion of employees and corporate competitiveness, and promote the Company's long-term, sustainable and healthy development, and in order to help enhance the employees' sense of responsibility towards the Company effectively, attract and retain outstanding management talents and core calibers, thus further enhancing employees' cohesion and the vitality of the Company, the Company formulated the Third Phase of the Employee Stock Ownership Plan of Red Star Macalline Group Corporation Ltd. (the "**Employee Stock Ownership Plan**") in accordance with the relevant laws and regulations and the Articles of Association. The relevant resolutions of the Employee Stock Ownership Plan have been approved by the Board and the general meeting of the Company by resolutions on 6 February 2021 and 19 March 2021, respectively.

The Employee Stock Ownership Plan does not involve granting the Company the option to issue new shares or any other new securities. The participants of the Employee Stock Ownership Plan are Directors, Supervisors, senior management of the Company and management and core personnel of its subsidiaries, the total number of which shall not be more than 800.

The source of the funds for the Employee Stock Ownership only Plan includes the participant's self-raised funds. The Company did not invest any fund in The funds raised by the Employee Stock Ownership Plan shall not exceed RMB300 million in total, divided into "units" for subscription and each unit is equal to RMB1.00. The total number of Shares of the Company held by any Holder according to the number of units he/she subscribed for in the plan shall not exceed 0.1% of the total share capital of the Company.

The Employee Stock Ownership Plan will be managed by an appointed professional agency with asset management qualifications through the establishment of the Directional Plan. The source of shares of the Employee Stock Ownership Plan is the shares of the Company obtained and held through purchases on the secondary market or other means as permitted under the laws and regulations within six months after consideration and approval of the plan at the shareholders' general meeting. As of 13 May 2021, all purchases of stocks had been completed under the Employee Stock Ownership Plan, among which, 15,780,000 shares of the Company had been bought through "Shaanxi International Investment – Macalline Phase III Employee Shareholding Single Fund Trust Plan" (the "**Trust Plan**"), accounting for approximately 0.36% of the Company's total share capital as at the date of this report, with an average transaction price of approximately RMB9.50 per share and a total transaction amount of about RMB149.943 million.

The lock-up period of the Employee Stock Ownership Plan shall be 12 months, commencing from the date when the Company announces the registration of the last tranche of the Underlying Shares under the Trust Scheme, i.e. 13 May 2021 to 12 May 2022. As at 12 May 2022, the lock-up period already expired. The Management Committee will, within 12 months after the expiry of the lock-up period, be entitled to authorize the Asset Management Agency to sell or transfer the purchased Shares of the Company in accordance with the arrangements of the Employee Stock Ownership Plan and the prevailing market conditions. As of the date of this report, the shares held by the Employee Stock Ownership Plan have not changed.

The term of the Employee Stock Ownership Plan is 24 months commencing on the date on which the Employee Stock Ownership Plan draft was considered and approved by the general meeting of the Company and the Company announced the transfer of the last underlying shares to the Trust Plan (13 May 2021). Having been approved by the second Employee Stock Ownership Plan holders' meeting and the Board, the term of the Employee Stock Ownership Plan was extended to 28 January 2024 and the Management Committee was authorized to determine, at its discretion, matters in relation to the temporary extension of the term of the Employee Stock Ownership Plan and the disposal of equities, if not all the shares held under the Employee Stock Ownership Plan can be sold before the expiry of the term due to objective reasons or special circumstances, provided that the Management Committee shall continue to promote the sale and disposal of shares held under the Employee Stock Ownership Plan as soon as the above impact disappears. The remaining term of the Employee Stock Ownership Plan is around nine months.

### SUPPLEMENTAL INFORMATION REGARDING THE EXTENSION OF THE TERM OF THE PLAN (PHASE II) FOR PURCHASE OF THE SHARES OF THE COMPANY BY CERTAIN EMPLOYEES OF CONTROLLING SHAREHOLDER OF THE COMPANY AND ITS SUBSIDIARIES

Reference was made to the announcement of the Company dated 19 March 2023 regarding Announcement on Extension of the Term of the Plan (Phase II) for Purchase of the Shares of the Company by Certain Employees of Controlling Shareholder of the Company and its Subsidiaries, the Plan (Phase II) for Purchase of the Shares of the Company by Certain Employees of Controlling Shareholder of the Company and its Subsidiaries as mentioned in the aforesaid announcement is a share scheme of the controlling shareholder of the Company and is not a share scheme of the Company. Therefore the Plan (Phase II) for Purchase of the Shares of the Company by Certain Employees of Controlling Shareholder of the Company and its Subsidiaries is not constitute a share scheme of the Company subject to Chapter 17 of the Listing Rules.

### USE OF PROCEEDS FROM A SHARE OFFERING

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 fund-raising investment projects and replenishing working capital 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 funds raised	3,222,450
Issuance expense	172,442
Net funds raised	3,050,008

Proposed investment projects		Total investment planned (RMB'000)	Accumulated investment amount 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 mall construction project	Tianjin Beichen Shopping Mall Project	245,137	245,137	-	Fully invested
	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	669,084	666,733	2,351 <sup>(1)</sup>	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	(13)	Fully invested
	Sub-total	1,750,000	1,703,900 <sup>(1)</sup>	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.



## Report of Directors

### NON-PUBLIC ISSUANCE OF A SHARES AND USE OF PROCEEDS

In order to further expand the business deployment of the Company, optimize the financial structure and provide capital support for sustainable development of the Company, 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.

There are over six target subscribers of the non-public issuance of A Shares. They and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons, and after the completion of the subscription of A Shares by each of them in accordance with the Non-public Issuance of A Shares, none of them will become a substantial shareholder.

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 Project	Total Planned Investment (RMB'000)	Total Investment as of the end of the Reporting Period (RMB'000)	Balance of the investment amount as of the end of Reporting Period (RMB'000)	Explanation	
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	6,946.1	276,998.6	Expected to be invested by December 2024	
Construction Project for New Generation Home Improvement Platform System	350,000.0	1,581.6	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	721,258.6	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	1,833,295.4	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.



# Report of Directors

## BOARD OF DIRECTORS

The Directors of the Company during the Reporting Period are:

### Executive Directors

Mr. CHE Jianxing (*Chairman*)

Mr. GUO Binghe (*Vice Chairman*) (resigned on 17 January 2023)

Ms. CHE Jianfang (resigned on 17 January 2023)

Mr. JIANG Xiaozhong (resigned on 17 January 2023)

### Non-executive Directors

Ms. CHEN Shuhong (resigned on 17 January 2023)

Mr. XU Hong (resigned on 19 January 2022)

Mr. JING Jie (resigned on 9 March 2023)

Mr. CHEN Zhaohui

Mr. JIANG Xiangyu

Ms. HU Xiao (appointed on 29 March 2022)

Mr. YANG Guang (appointed on 29 March 2022, resigned on 15 February 2023)

### Independent Non-executive Directors

Mr. QIAN Shizheng

Mr. LEE Kwan Hung, Eddie

Mr. WANG Xiao

Ms. ZHAO Chongyi

Ms. QIN Hong

Each of our Directors entered into a contract with the Company in December 2019, except that Mr. CHEN Zhaohui and Mr. JIANG Xiangyu signed the contracts in March 2021 and September 2021, respectively, and Ms. HU Xiao and Mr. YANG Guang signed the contracts in March 2022. In accordance with article 113 of the Articles of Association, the Directors shall be elected at general meetings for a term of three years, which is renewable upon re-election when it expires.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the end of the Reporting Period, the interests and short positions of the Directors, Supervisors and chief executive in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

## SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

### (i) The Company

Name of Shareholder	Title	Class of Shares	Nature of Interest	Number of Underlying Shares Held	Approximate Percentage of the Relevant Class of Shares <sup>(1)</sup>	Approximate Percentage of Total Shares <sup>(1)</sup>	
CHE Jianxing (車建興) <sup>(2)</sup>	Chairman, Chief Executive Officer and Executive Director	A Shares	Interest of controlled corporation	2,636,081,007	72.95%	60.53%	
				(Long position)	384,480,735	10.64%	8.83%
			Beneficial owner	(Short position)	435,600	0.01%	0.01%
				(Long position)	48,620	0.00%	0.00%
GUO Binghe (郭丙合) (resigned on 17 January 2023)	Executive Director	A Shares	Beneficial owner	288,420	0.01%	0.01%	
CHE Jianfang (車建芳) (resigned on 17 January 2023)	Executive Director	A Shares	Beneficial owner	123,420	0.00%	0.00%	
JIANG Xiaozhong (蔣小忠) (resigned on 17 January 2023)	Executive Director	A Shares	Beneficial owner	1,794,780	0.05%	0.04%	
CHEN Shuhong (陳淑紅) <sup>(3)</sup> (resigned on 17 January 2023)	Non-executive Director	A Shares	Interest of spouse	2,636,516,607	72.96%	60.54%	
				(Long position)	384,480,735	10.64%	8.83%
			(Short position)	48,620	0.00%	0.00%	
			Beneficial owner	(Long position)			

# Report of Directors

*Notes:*

- (1) As at 31 December 2022, the Company had a total of 4,354,732,673 issued shares, including 3,613,447,039 A Shares and 741,285,634 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 60.53% of the total issued Shares of the Company through his 92.00% direct interest in Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) ("RSM Holding"), a limited liability company incorporated in the PRC, and is deemed to be interested in the 2,636,081,007 A Shares held by RSM Holding for the purpose of the SFO.
- (3) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.

## (ii) Associated Corporation

Name of Director	Name of Associated Corporation	Nature of Interest	Equity Interest in the Associated Corporation Held	Approximate Percentage of the Relevant Class of Shares <sup>(1)</sup>
CHE Jianxing	RSM Holding <sup>(1)</sup>	Beneficial interest	184,000,000 (Long position)	92%
CHE Jianfang (resigned as executive Director on 17 January 2023)	RSM Holding <sup>(1)</sup>	Beneficial interest	16,000,000 (Long position)	8%

*Notes:*

- (1) RSM Holding is the investment holding company of the Company, which is held as to 92% by Mr. CHE Jianxing and as to 8% by Mr. CHE Jianxing's sister, Ms. CHE Jianfang and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 31 December 2022, RSM Holding held 2,636,081,007 A Shares of the Company which accounted for approximately 60.53% of the total issued Shares of the Company.

Save as disclosed above, as at the end of the Reporting Period, none of the Directors, Supervisors or chief executive has any interests or short positions in the shares, underlying shares and debentures of the Company or associated corporations (a) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which will be required to be further notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the end of the Reporting Period, the interests or short positions in the shares or underlying shares which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, and which will be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, as well as persons (other than the Directors, Supervisors or chief executive of the Company), or corporations deemed, directly and/or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings were as follows:

Name of Shareholders	Class of Shares	Capacity/nature of Interest	Number of Shares held	Approximate percentage in relevant class of Shares <sup>(1)</sup>	Approximate percentage in total share capital <sup>(1)</sup>
RSM Holding	A Shares	Beneficial owner	2,636,081,007	72.95%	60.53%
			(Long position)		
Alibaba Group Holding Limited <sup>(2)</sup>	A Shares	Interest of controlled corporation	384,480,735	10.64%	8.83%
			(Short position)		
Alibaba Group Holding Limited <sup>(2)</sup>	A Shares	Interest of controlled corporation	427,008,074	11.82%	9.81%
			(Long position)		
Alibaba Group Holding Limited <sup>(2)</sup>	H Shares	Interest of controlled corporation	131,475,421	17.74%	3.02%
			(Long position)		
Taobao China Holding Limited <sup>(2)</sup>	A Shares	Interest of controlled corporation	355,000,000	9.82%	8.15%
			(Long position)		
Taobao China Holding Limited <sup>(2)</sup>	H Shares	Beneficial owner	65,737,711	8.87%	1.51%
			(Long position)		
Taobao Holding Limited <sup>(2)</sup>	A Shares	Interest of controlled corporation	355,000,000	9.82%	8.15%
			(Long position)		
Taobao Holding Limited <sup>(2)</sup>	H Shares	Interest of controlled corporation	65,737,711	8.87%	1.51%
			(Long position)		
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) <sup>(3)</sup>	A Shares	Interest of controlled corporation	355,000,000	9.82%	8.15%
Tao Bao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) <sup>(3)</sup>	A Shares	Interest of controlled corporation	355,000,000	9.82%	8.15%
Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) <sup>(3)</sup>	A Shares	Beneficial owner	355,000,000	9.82%	8.15%
Alibaba Investment Limited <sup>(2)</sup>	H Shares	Interest of controlled corporation	65,737,710	8.87%	1.51%
			(Long position)		
New Retail Strategic Opportunities Fund GP, L.P. <sup>(2)</sup>	H Shares	Interest of controlled corporation	65,737,710	8.87%	1.51%
			(Long position)		
New Retail Strategic Opportunities Fund, L.P. <sup>(2)</sup>	H Shares	Interest of controlled corporation	65,737,710	8.87%	1.51%
			(Long position)		
New Retail Strategic Opportunities GP Limited <sup>(2)</sup>	H Shares	Interest of controlled corporation	65,737,710	8.87%	1.51%
			(Long position)		
New Retail Strategic Opportunities Investments 4 Limited <sup>(2)</sup>	H Shares	Beneficial owner	65,737,710	8.87%	1.51%
			(Long position)		

## Report of Directors

Name of Shareholders	Class of Shares	Capacity/nature of Interest	Number of Shares held	Approximate percentage in relevant class of Shares <sup>(1)</sup>	Approximate percentage in total share capital <sup>(1)</sup>
WONG Man Li <sup>(4)</sup>	H Shares	Interest of controlled corporation	47,904,600 (Long position)	6.46%	1.10%
Man Wah Investments Limited <sup>(4)</sup>	H Shares	Beneficial owner	47,904,600 (Long position)	6.46%	1.10%
HUI Wai Hing <sup>(4)</sup>	H Shares	Interest of the spouse	47,904,600 (Long position)	6.46%	1.10%
WONG Luen Hei <sup>(5)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
UBS Trustees (B.V.I.) Limited <sup>(5)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
New Fortune Star Limited <sup>(5)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
Fuhui Capital Investment Limited <sup>(5)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
China Lesso Group Holdings Limited <sup>(5)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
UBS Group AG	H Shares	Interest of controlled corporation	23,587,462 (Long position)	3.18%	0.54%
			13,848,830 (Short position)	1.87%	0.32%

## Notes:

(1) As at 31 December 2022, the Company had 4,354,732,673 issued Shares in total, comprised of 3,613,447,039 A Shares and 741,285,634 H Shares.

(2) New Retail Strategic Opportunities Investments 4 Limited is directly interested in the 65,737,710 H shares of the Company.

New Retail Strategic Opportunities Investments 4 Limited is directly 100% controlled by New Retail Strategic Opportunities Fund, L.P..

New Retail Strategic Opportunities Fund GP, L.P. is the general partner of New Retail Strategic Opportunities Fund, L.P. and New Retail Strategic Opportunities GP Limited is the general partner of New Retail Strategic Opportunities Fund GP, L.P..

New Retail Strategic Opportunities Fund GP, L.P. is directly 100% controlled by Alibaba Investment Limited, the limited partner of New Retail Strategic Opportunities Fund GP, L.P.. Meanwhile, New Retail Strategic Opportunities GP Limited is directly 100% controlled by Alibaba Investment Limited. Alibaba Investment Limited is directly 100% controlled by Alibaba Group Holding Limited. Therefore, Alibaba Group Holding Limited is deemed to be interested in the 65,737,710 H shares.

Taobao China Holding Limited is directly interested in the 65,737,711 H shares of the Company.

Taobao China Holding Limited is directly 100% controlled by Taobao Holding Limited. Taobao Holding Limited is directly 100% controlled by Alibaba Group Holding Limited. Therefore, Alibaba Group Holding Limited is deemed to be interested in the 65,737,711 H shares.

Alibaba Group Holding Limited is deemed to be interested in the 131,475,421 H shares.

(3) On 14 May 2019, RSM Holding completed the 2019 Non-public Issuance of Exchangeable Corporate Bonds (First Tranche) (the "Exchangeable Bonds"), which had been fully subscribed by Alibaba (China) Technology Co., Ltd.. The Exchangeable Bonds are exchangeable into fully-paid A shares of the Company. Based on the initial conversion price of RMB12.28 per share upon the completion of issuance on 14 May 2019, the underlying shares of the Exchangeable Bonds were 355,000,000 A shares of the Company, which had still been held by RSM Holding as at 31 December 2022.

Alibaba (China) Technology Co., Ltd. was 57.59% and 35.75% controlled by Tao Bao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. respectively. Therefore, Tao Bao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. are deemed to be interested in the underlying A shares of the Exchangeable Bonds.

(4) Man Wah Investments Limited is directly 80% controlled by Mr. WONG Man Li and Man Wah Investments Limited is directly interested in the 47,904,600 H Shares of the Company. Therefore, Mr. WONG Man Li is deemed to be interested in the 47,904,600 H shares through Man Wah Investments Limited.

Ms. HUI Wai Hing is the spouse of Mr. WONG Man Li. Under the SFO, Ms. HUI Wai Hing is deemed to be interested in the same number of shares in which Mr. WONG Man Li is or deemed to be interested.

(5) UBS Trustees (B.V.I.) Limited who is the trustee and sole shareholder of Xi Xi Development Limited ("Xi Xi Development") which in turn is the sole shareholder of New Fortune Star Limited ("New Fortune Star") which in turn holds 68.28% of China Lesso Group Holdings Limited ("China Lesso") which in turn is the sole shareholder of Fuhui Capital Investment Limited ("Fuhui Capital"). The trust was established by Mr. WONG Luen Hei on 22 March 2017.

Accordingly, UBS Trustees (B.V.I.) Limited is deemed to be interested in the shareholding interest of each of Xi Xi Development, New Fortune Star, China Lesso and Fuhui Capital in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at the end of the Reporting Period, the Company is not aware of any other person (other than the Directors, Supervisors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



## Report of Directors

### BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to the section headed “Biographies of Directors, Supervisors and Senior Management” for biographical details of the Directors, Supervisors and senior management of the Company.

### DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS AND INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Each of our Directors entered into a contract with the Company in December 2019, except that Mr. CHEN Zhaohui and Mr. JIANG Xiangyu signed in March and September 2021, respectively, and Ms. HU Xiao and Mr. YANG Guang signed the contracts in March 2022. The principal particulars of these service contracts comprise:

- (a) a term of three years commencing from the date on which the relevant Shareholders’ approvals for the appointment were obtained; and
- (b) termination provisions in accordance with their respective terms.

Each independent non-executive Director shall be subject to retirement by rotation for every two sessions, while other Directors shall be subject to retirement by rotation for every three sessions.

No Director has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory obligations).

Mr. PAN Ning and Ms. CHAO Yanping, the employee representative Supervisors as well as Mr. ZHENG Hongtao and Mr. CHEN Gang, the independent Supervisors, entered into service contracts with the Company in December 2019. The principal particulars of these service contracts comprise:

- (a) a term of three years commencing from the date on which the relevant Shareholders’ approvals for the appointment were obtained (save as from the date on which the third session of the Supervisory Committee commences for the employee representative Supervisors); and
- (b) termination provisions in accordance with their respective terms. The Supervisors may be re-appointed for successive reappointments.

No Supervisor has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory obligations).

Save as disclosed in this annual report, as at the end of the Reporting Period, none of the Directors and the Supervisors or entities connected with the Directors and the Supervisors were materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party.

## CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report with regard to those connected transactions entered into with our Controlling Shareholders, no Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

## MANAGEMENT CONTRACTS

For the year ended 31 December 2022, other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage the whole or any substantial part of any business of the Company during the reporting period.

## DIRECTORS' PERMITTED INDEMNITY PROVISION

At no time during the year ended 31 December 2022 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and Supervisors of the Company (whether made by the Company or otherwise) or of an associated company (if made by the Company). The Company has arranged appropriate directors' and senior officers' liability insurance coverage for the Directors and senior officers of the Group as at the end of the Reporting Period.

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As disclosed in the Prospectus, Mr. CHE and his Close Associates continue to hold interests in certain businesses (the “Restricted Business”), which are in competition, or are likely to compete with the core operations (i.e. the business of operating and managing home improvement and furnishing shopping malls in the PRC) of the Group (the “Core Operations”).

#### 1. Property held by Changzhou RSHFC

Changzhou Macalline, a wholly-owned subsidiary of the Company, has leased a piece of property from Changzhou RSHFC for the operation and management of Changzhou Decoration Mall. Changzhou RSHFC is an individual proprietary enterprise (個人獨資企業) established by Mr. CHE under the PRC laws. Prior to April 2011, Changzhou RSHFC had used the property to operate its Portfolio Shopping Mall which was named as “Changzhou Red Star Mall” at that time. In order to consolidate the Group’s Core Operations and minimize potential competition and conflicts of interests with the Controlling Shareholders, Changzhou RSHFC ceased to engage in home improvement and furnishing shopping mall business from April 2011 and leased the property to Changzhou Macalline in view that the transfer of such property to the Group would give rise to tax implications.

We have adopted corporate governance measures to manage potential conflicts of interest between the Group and the Controlling Shareholders.

Save as disclosed in the Prospectus and in this annual report, none of Directors and Controlling Shareholders has interest in business which is in competition, or is likely to compete, with the Company.

## NON-COMPETITION UNDERTAKING

In order to ensure that there is no competition between our Core Operations and the other business activities of Mr. CHE and his Close Associates, Mr. CHE and RSM Holding have entered into a non-competition undertaking (the “**Non-Competition Undertaking**”) in favor of our Company, under which they have undertaken that they will not directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm, or company, engage, participate or hold any right or interest in any Restricted Business and will use their best efforts to procure that their respective Close Associates (other than any member of our Group) will not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm, or company, engage, participate or hold any right or interest in any Restricted Business.

Under the Non-Competition Undertaking, Mr. CHE and RSM Holding have, among others, (i) undertaken to offer new business opportunities in any Restricted Business to the Company on terms and conditions no less favorable than those offered to them or their respective Close Associates; (ii) undertaken to assist our repurchase of the relevant shopping malls, including Chengdu Jinniu Shopping Mall; and (iii) granted an option and right of first refusal for the Company to purchase the property leased from Changzhou RSHFC. For further details, please refer to the Prospectus – “Relationship with Our Controlling Shareholders”.

Mr. CHE and RSM Holding have confirmed their compliance with the Non-Competition Undertaking during the Reporting Period. The independent non-executive Directors have also reviewed the compliance with the Non-Competition Undertaking by Mr. CHE and RSM Holding and are satisfied that they have complied with the undertakings.

## DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed “Directors’, Supervisors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, at no time during the Reporting Period was the Company or any of its subsidiaries or holding company or any subsidiary of the Company’s holding company, a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.



## Report of Directors

### EMOLUMENTS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to Note 13, 14 to the Consolidated Financial Statements on page 212 for details of the emoluments of the Directors, Supervisors and senior management and the five highest paid individuals of the Company.

The table below shows the remuneration of senior management by band:

(RMB)	2022 (members of senior management)	2021 (members of senior management)
1-1,000,000	–	1
1,000,001-1,500,000	–	–
1,500,001-2,000,000	1	1
2,000,001-2,500,000	1	2
2,500,001-3,000,000	1	1
3,000,001-3,500,000	–	2
3,500,001-4,000,000	1	1
4,000,001-4,500,000	–	1
4,500,001-5,000,000	2	–
5,000,001-5,500,000	1	–
5,500,001-6,000,000	–	–
6,000,001-6,500,000	–	–
6,500,001-7,000,000	2	–

### REMUNERATION POLICY AND DIRECTORS' REMUNERATION

The remuneration of our employees consists of basic salary and performance bonuses. The Company conducts annual evaluations of our employees, supplemented by random checks from time to time. The evaluation results are linked directly with the employees' remuneration. Selected employees with outstanding work performance and records are promoted to managerial positions.

In accordance with the applicable PRC laws and regulations, as well as compulsory requirements of the local authorities where our shopping malls are located, the Company contributed to various social insurance plans such as pension contribution plans, medical insurance plans, unemployment insurance plans, maternity insurance plans and work injury insurance plans for our employees. The amount of required contribution as a percentage of our employees' salaries varies from place to place, depending on relevant salary levels, location of the operation and other factors such as the average age of our employees. During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

Our Directors receive compensation in the form of Directors' fees, salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses. Please refer to Note 13 to the Consolidated Financial Statements on page 212 for details of the Directors' remuneration as at the end of the Reporting Period.

### **CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of the independent non-executive Directors, namely Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie, Mr. WANG Xiao, Ms. ZHAO Chongyi and Ms. QIN Hong, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. The Company considers that the independent non-executive Directors have been independent from the date of their appointment to the end of the Reporting Period and remain so as at the date of this annual report.

### **MATERIAL LEGAL PROCEEDINGS**

As of the end of the Reporting Period, the Company was not involved in any material litigation or claims and no material litigation or arbitration was pending or threatened against the Company so far as the Company is aware.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the Reporting Period, except deviation from code provision C.2.1 of the Corporate Governance Code, the Company has complied with the provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, the Directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. Our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect the interest of our minority shareholders. Please refer to the section headed "Corporate Governance Report" on page 108 for details.



## Report of Directors

### AUDITOR

At the second extraordinary general meeting of 2023 held on 22 February 2023, the Shareholders considered and approved the ordinary resolutions proposing the change of auditors of the Company and the disclosure of financial statements in accordance with International Financial Standards on the H-share market and decided to appoint HLB Hodgson Impey Cheng Limited as the Company's auditor for 2022 in accordance with International Accounting Standards for the period until the conclusion of the next annual general meeting. For details, please refer to the circular dated 3 February 2023 and the announcement dated 1 February 2023 of the Company.

The consolidated financial statements have been audited by the Company's auditor, HLB Hodgson Impey Cheng Limited, which is the Company's auditor for 2022 in accordance with International Accounting Standards.

### AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the Consolidated Financial Statements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the PRC.

### SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange granted a waiver under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company's issued share capital (the "**Minimum Public Float**") on the conditions that:

- i. the Minimum Public Float of the Company should be at the highest of: (a) 15.10%; (b) such percentage of Shares held by the public after completion of the Global Offering; and (c) such percentage of Shares held by the public after the exercise of the over-allotment option;
- ii. the Company will confirm sufficiency of public float in successive annual reports after Listing;
- iii. the Company will implement appropriate measures to ensure continual maintenance of the Minimum Public Float prescribed by the Stock Exchange.

The over-allotment option has not been exercised. Accordingly, the Company has complied with the public float requirement, which is at the highest of such percentage (being 15.10%) of Shares held by the public immediately after the Global Offering. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the waiver.

## VOTING BY POLL

During the Reporting Period, all votes of shareholders were taken by poll in the annual general meeting and extraordinary general meetings of the Company. Pursuant to the Rule 13.39(4) of the Listing Rules, all votes of shareholders will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

## CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Wednesday, 21 June 2023 to Monday, 26 June 2023 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Tuesday, 20 June 2023.

## CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors and Supervisors of the Company during the Reporting Period are set out below:

Name	Position	Details of Change	Reasons of Change
Mr. XU Hong	Non-executive Director	Resigned on January 2022	Job change
Mr. JIN Jie	Non-executive Director	Resigned on March 2022	Job change
Ms. HU Xiao	Non-executive Director	Appointed on March 2022	-
Mr. YANG Guang	Non-executive Director	Appointed on March 2022	-

### FUTURE DEVELOPMENT

Please refer to the section headed “Outlook and Prospects” on page 41 for future development of the Company.

### IMPORTANT EVENTS AFTER THE REPORTING PERIOD

#### 1. Changes in equity and proposed changes in control

Xiamen C&D Inc. (listed on the Shanghai Stock Exchange, securities code: 600153.SH, “**Xiamen C&D**”), together with Red Star Holdings and Mr. Che Jianxing, jointly signed the “Share Transfer Framework Agreement” on 13 January 2023. Xiamen C&D 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 C&D Inc., 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 Xiamen C&D in the Company will increase from 0% to 29.95%. On 23 February 2023, Red Star Holdings notified that Xiamen C&D 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 Xiamen C&D, 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 Xiamen C&D.

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.

### 2. Matters related to exemption and change of the Company's controlling shareholders and actual controllers' intention to reduce their Share 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 extraordinary meeting of the fourth session of the Board of Directors and the 16th extraordinary meeting of the fourth session of the Supervisory Committee, 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 extraordinary general 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.

### 3. On the Change of Directors and the Extension of the Term of the Board of Directors and Supervisory Committee

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 extraordinary meeting of the fourth session of the Board of Directors, deliberating and passing "Proposal on Adding Mr. Zheng Yongda as a Non-Executive Director of the Fourth Session of the Board of Directors of the Company", "Proposal on Adding Mr. Wang Wenhui as a Non-Executive Director of the Fourth Session of the Board of Directors of the Company", "Proposal on Adding Mr. Zou Shaorong as Non-Executive Director of the Fourth Session of the Board of Directors of the Company" and "Proposal on Adding Mr. Li Jianhong as Executive Director of the Fourth Session of the Board of Directors of the Company", nominate and add Mr. Zheng Yongda, Mr. Wang Wenhui, and Mr. Zou Shaorong as non-executive Directors of the fourth Session of the Board of Directors of the Company, and nominate and add Mr. Li Jianhong as executive Director of the fourth Session of the Board of Directors of the Company. The appointment of Mr. Zheng Yongda, Mr. Wang Wenhui, Mr. Zou Shaorong, and Mr. Li Jianhong has been reviewed and approved at the first extraordinary general meeting of the Company in 2023.



## Report of Directors

The 61st extraordinary meeting of the fourth session of the Board of Directors of the Company reviewed and approved the Proposal on Electing the Vice Chairman of the Fourth Session of the 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 Session of the Board of Directors. The Board of Directors of the Company elected Mr. Zheng Yongda as the Vice Chairman of the Fourth Session of the Board of Directors of the Company; agreed that Mr. Zhen Yongda, a non-executive Director, and Ms. Qin Hong, an independent non-executive Director, served as members of the Nomination Committee and the Remuneration Committee; agreed that Wang Wenhui, a non-executive Director, served as a member of the Strategy and Investment Committee; agreed that Mr. Zou Shaorong, a non-executive Director, served 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 session of the Board of Directors of the Company and no longer hold any other positions in the Company.

The term of office of the fourth session of the Board of Directors and Supervisory Committee 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 Supervisory Committee has not yet been completed. In order to ensure the continuity and stability of the work of the Board of Directors and Supervisory Committee, the fifth session of the Board of Directors and Supervisory Committee 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.

#### 4. 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.



### 5. 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 A shares in the Company had been applied for judicial freeze by the People’s Court of Shibe 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 2023 which were disclosure on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>), respectively.

### 6. Repurchase progress

On 24 April 2022, the 43rd extraordinary meeting of the fourth session of the 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 2023 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.

By Order of the Board

**CHE Jianxing**

*Chairman*

Shanghai, 30 March 2023



# Report of Supervisors

## I. MEETINGS OF THE SUPERVISORY COMMITTEE AND RELEVANT RESOLUTIONS

The Supervisory Committee convened a total of nine meetings in 2022, and details of the relevant meetings and the resolutions are as follows:

- (1) On 3 March 2022, the eleventh extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which, the Resolution on the Use of Certain Idle Proceeds for Temporary Replenishment of Working Capital was considered and approved.
- (2) On 30 March 2022, the ninth meeting of the fourth session of the Supervisory Committee was convened, at which the Work Report of the Supervisory Committee of the Company for 2021, the Final Account Report of the Company for 2021, the Financial Budget Report of the Company for 2022, the Financial Statements of the Company for the Year Ended 31 December 2021, the Annual Report and Annual Results of the Company for the Year Ended 31 December 2021, the Profit Distribution Plan of the Company for 2021, the Corporate Environment and Social Responsibility Report of the Company for 2021, the Exclusive Report on the Depositary and Actual Use of Funds Raised by the Company in 2021, the Resolution on the Remuneration of Supervisors of the Company for 2021, the Resolution in Respect of Re-Appointment of Auditor for the Financial Report and the Internal Control Auditor of the Company for 2022 and the Resolution in Respect of the Provision of Asset Impairment Allowances for 2021 were considered and approved.
- (3) On 13 April 2022, the twelfth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which, the Proposal on Changing the Internal Control Audit Organization of the Company for the Year 2022 was considered and approved.
- (4) On 29 April 2022, the tenth meeting of the fourth session of the Supervisory Committee was convened, at which the First Quarterly Report of the Company for 2022 was considered and approved.
- (5) On 29 June 2022, the thirteenth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution in relation to the Cancellation of Part of the Share Options under the Share Option Incentive Scheme of the Company were considered and approved.

- (6) On 30 August 2022, the eleventh meeting of the fourth session of the Supervisory Committee was convened, at which the Interim Financial Statements of the Company as of 30 June 2022, the Interim Report and Interim Results as of 30 June 2022 and the Exclusive Report on the Depositary and Actual Use of Funds Raised by the Company in the First Half of 2022 were considered and approved.
- (7) On 21 October 2022, the fourteenth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which, the Resolution on the Use of Certain Idle Proceeds for Temporary Replenishment of Working Capital was considered and approved.
- (8) On 24 October 2022, the fifteenth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which, the Resolution on the Use of Certain Idle Proceeds for Temporary Replenishment of Working Capital was considered and approved.
- (9) On 28 October 2022, the twelfth meeting of the fourth session of the Supervisory Committee was convened, at which the Third Quarterly Report of the Company for 2022 was considered and approved.

## II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE REGARDING CERTAIN MATTER

- (1) Legal operations: During the year of 2022, members of the Supervisory Committee continued to supervise the Company's operations through attending Board meetings, reviewing exclusive reports, conducting onsite inspections and meetings with staff, conducting audit and specific survey. With reference to various regulations, the Supervisory Committee was of the opinion that the decision-making process of the Company was lawful, the internal control was effective, and the Directors and the senior management of the Company had diligently carried out their duties, and there was no behavior of violation of the laws, regulations, the Articles of Association, nor had they prejudiced the Company's and Shareholders' interests. The Supervisory Committee had reviewed the Company's internal control audit report from Baker Tilly China Certified Public Accountants (Special General Partnership) for the year 2022, and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control, that the audit opinions were objective, and agreed to publish the relevant report.
- (2) Monitoring the Company's financial situation: During the Reporting Period, the Supervisory Committee diligently performed its duty of monitoring the Company's financial conditions, including monitoring the Company's operations and its risks and providing review opinions to each periodic report. The Supervisory Committee was of the opinion that the Company's financial report reflected a true and fair view on the Company's financial conditions and operating results.



## Report of Supervisors

### (3) Use of Proceeds

#### Use of proceeds from the listing of 2018 initial public offering

The A Shares of the Company (stock code: 601828) were listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018. The Company issued 315,000,000 A Shares at the issue price of RMB10.23 per share. The total proceeds raised from this issuance amounted to RMB3,222.45 million, and the net proceeds raised, after deducting the cost of the A Share offering of RMB172.4422 million, amounted to RMB3,050.0078 million. On 7 September 2018, the Company convened the 35th extraordinary meeting of the third session of the Board and the fourth extraordinary meeting of the third session of the Supervisory Committee, which considered and approved the Resolution on the Change in Part of the Fund-raising Investment Projects. The resolution was considered and approved at the 2018 second extraordinary general meeting of the Company held on 28 November 2018.

As of the end of the Reporting Period, the Company cumulatively used 89% of proceeds from 2018 initial public offering of the A Share in the abovementioned fund-raising investment projects.

#### Use of proceeds from the listing of 2021 non-public issuance

In September 2021, the Company issued 449,732,673 shares to specific investors in a non-public manner at an issue price of RMB8.23 per share, raising the total proceeds of RMB3,701,299,898.79. After deducting various tax-exclusive issue expenses of RMB22,936,099.50, the actual net proceeds as raised amounted to RMB3,678,363,799.29.

As of the end of the Reporting Period, the Company cumulatively used 50% of the proceeds raised from the non-public issuance of shares in 2021 to invest in the abovementioned fund-raising investment projects.

### (4) Stock incentive plan: During the Reporting Period, the Company did not carry out any stock incentive.



- (5) Major asset acquisitions and disposals: During the Reporting Period, the Company has not acquired or sold any significant assets.
- (6) Connected and continuing connected transactions: During the Reporting Period, the Supervisory Committee paid attention to the continuing connected transactions of the Company during the year, including: (i) renewal of the building lease agreement, property management service contract and car parking space lease agreement with Shanghai Xingzhiyu Commercial Management Co., Ltd.; (ii) entry into a framework agreement for decoration and construction works and building construction services, a framework agreement for decoration and decoration materials and household supplies and a framework agreement for design services with Red Star Macalline Holdings Group Co., Ltd.; and (iii) entry into a framework agreement for computer information system integration services with Shanghai Red Star Cloud Computing Technology Co., Ltd. In addition, the Supervisory Committee has also considered and reviewed the proposed new annual caps for the above continuing connected transactions.

In the future, with the further development of the Company's businesses, the Supervisory Committee will, based on its existing work nature, firmly implement the Company's established strategies and policies, fulfill its duties strictly as prescribed by national laws and regulations as well as the Articles of Association, and supervise the Company to operate in such a way as to promote compliance in the Company's operation, and practically guarantee and safeguard the legitimate interests of the Company and Shareholders.

**The Supervisory Committee of  
Red Star Macalline Group Corporation Ltd.**

30 March 2023



# Corporate Governance Report

The Group is committed to high-standard corporate governance so as to protect the interests and legal rights of the Shareholders and to promote the Company's value and accountability. H Shares of the Company were listed on the main board of the Stock Exchange on 26 June 2015, and A Shares of the Company were listed on the Shanghai Stock Exchange on 17 January 2018.

The Company has adopted the following corporate governance principles and practices:

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Other than deviation from code provision C.2.1 of the Corporate Governance Code, during the Reporting Period, the Company has complied with the provisions of the Corporate Governance Code, Appendix 14 to the Listing Rules, which sets out the principles of good corporate governance in relation to, among other matters, the directors, the chairman and the chief executive, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration, and communications with shareholders. Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between the Group and the Controlling Shareholders and/or Directors to protect the minority Shareholders' interests.

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

Mr. CHE Jianxing 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 as mentioned above, and that Mr. CHE has performed the role of chief executive officer and the general manager of the Group since June 2007, the Board considers it beneficial to the business prospects and operational efficiency of the Group that Mr. CHE, in addition to acting as the Chairman of the Board, continues to act as the chief executive officer of the 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 the Board comprises five independent non-executive Directors out of the 13 Directors as at the date of this report, which is in compliance with the Listing Rules requirement of one-third, and we believe that there are 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 the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board, which comprises of experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial and operational policies of the 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 and chief executive officer is necessary.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code. The Company has made specific queries to the Directors and Supervisors, and all Directors and Supervisors have confirmed their compliance with the provisions set out in the Model Code during the Reporting Period.

## BOARD OF DIRECTORS

### Board Composition

As at the end of the Reporting Period, the Board comprises 14 Directors, including 4 executive Directors, 5 non-executive Directors and 5 independent non-executive Directors. The following list sets forth the information in respect of the current members of the Board.

Name	Positions	Date of Re-appointment or Appointment
Mr. CHE Jianxing <sup>(1)</sup>	Chairman and Executive Director	30 December 2019
Mr. GUO Binghe <sup>(2)</sup>	Vice Chairman and Executive Director	30 December 2019
Ms. CHE Jianfang <sup>(3)</sup>	Executive Director	30 December 2019
Mr. JIANG Xiaozhong <sup>(4)</sup>	Executive Director	30 December 2019
Ms. CHEN Shuhong <sup>(5)</sup>	Non-executive Director	30 December 2019
Mr. ZHENG Yongda <sup>(6)</sup>	Vice Chairman and Non-executive Director	15 February 2023
Mr. WANG Wenhui <sup>(7)</sup>	Non-executive Director	15 February 2023
Mr. ZOU Shaorong <sup>(8)</sup>	Non-executive Director	15 February 2023
Mr. LI Jianhong <sup>(9)</sup>	Non-executive Director	15 February 2023
Mr. JING Jie <sup>(10)</sup>	Non-executive Director	30 December 2019
Mr. XU Hong <sup>(11)</sup>	Non-executive Director	30 December 2019
Mr. CHEN Zhaohui	Non-executive Director	19 March 2021
Mr. JIANG Xiangyu	Non-executive Director	28 September 2021
Ms. HU Xiao <sup>(12)</sup>	Non-executive Director	29 March 2022
Mr. YANG Guang <sup>(13)</sup>	Non-executive Director	29 March 2022
Mr. QIAN Shizheng	Independent non-executive Director	30 December 2019
Mr. LEE Kwan Hung, Eddie	Independent non-executive Director	30 December 2019
Mr. WANG Xiao	Independent non-executive Director	30 December 2019
Ms. ZHAO Chongyi	Independent non-executive Director	30 December 2019
Ms. QIN Hong	Independent non-executive Director	16 November 2020



# Corporate Governance Report

## Notes:

- (1) Mr. CHE Jianxing is the husband of Ms. CHEN Shuhong and the brother of Ms. CHE Jianfang.
- (2) Mr. GUO Binghe was resigned as an executive Director on 17 January 2023.
- (3) Ms. CHE Jianfang was resigned as an executive Director with effect on 17 January 2023.
- (4) Mr. JIANG Xiaozhong was resigned as an executive Director with effect on 17 January 2023.
- (5) Ms. CHEN Shuhong was resigned as a non-executive Director with effect on 17 January 2023.
- (6) Mr. ZHENG Yongda was appointed as a non-executive Director with effect on 15 February 2023 and was appointed as Vice Chairman with effect on 16 February 2023.
- (7) Mr. WANG Wenhui was appointed as a non-executive Director with effect on 15 February 2023.
- (8) Mr. ZOU Shaorong was appointed as a non-executive Director with effect on 15 February 2023.
- (9) Mr. LI Jianhong was appointed as an executive Director with effect on 15 February 2023.
- (10) Mr. JING Jie was resigned as a non-executive Director with effect on 9 March 2022.
- (11) Mr. XU Hong was resigned as a non-executive Director with effect on 19 January 2022.
- (12) Ms. HU Xiao was appointed as a non-executive Director with effect on 29 March 2022.
- (13) Mr. YANG Guang was appointed as a non-executive Director with effect on 29 March 2022 and resigned with effect on 15 February 2023.

Biographies of the Directors are set out in the section headed “Biographies of Directors, Supervisors and Senior Management” of this annual report.

During the Reporting Period, the Board complied with the requirements of appointing at least three independent non-executive Directors (among whom at least one independent non-executive Director holds the appropriate professional qualifications or accounting or relevant financial management knowledge) set out in Rules 3.10(1) and 3.10(2) of the Listing Rules at any time.

The Company also complied with the requirements of appointing independent non-executive Directors, accounting for one-third of the members of the Board set out in Rule 3.10A of the Listing Rules. Independence of each independent non-executive Director has been confirmed in accordance with Rule 3.13 of the Listing Rules, and the Company regards them as independent.

All Directors (including the independent non-executive Directors) enabled the Board with different valuable experiences in business and professional knowledge so that the Board of Directors could fulfill its function efficiently and effectively. The independent non-executive Directors were invited to join the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and Investment Committee.

## Board Diversity

The Company regards increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In terms of gender diversity, the Company has achieved its gender diversity goal with three female members on the Board. In designing the Board's composition, the Company considers the Board's diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, so as to ensure a moderate balance of the Board members in skills, experience and diversity of views, which will in turn help them to provide the necessary conditions to support the Board in implementing its business strategies and to maintain the effective operation of the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. At present, the Nomination Committee considers that the Board members are fully diversified, and the Board has not set any quantifiable objectives. The Nomination Committee will continue to monitor the implementation of the Board diversity policy and will regularly review the Board diversity policy to ensure its continued effectiveness.

## Employee Diversity

The Company focuses on the growth and competitiveness of the Company as a result of employee diversity. As of 31 December 2022, the percentage of female employees (including senior management) of the Company and its principal subsidiaries was 43.20%, and the Company considers that gender diversity of employees has been achieved.

## Board Meeting

In accordance with the Articles of Association, the board meetings are divided into regular meetings and provisional meetings. Board meetings shall be convened at least four times a year and be called for by the Chairman. A notice of at least 14 days shall be sent to all Directors before the meeting is convened so that they may attend the meeting and include any relevant matters for discussion in the meeting agenda. The Directors may seek independent professional opinions when fulfilling their duties, and the cost will be borne by the Company.

The Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors.

Other than the connected transactions to be reviewed by the Board set out in the Articles of Association, Board meetings shall be attended by more than half of the Directors.

Minutes of the Board meetings and Committee meetings shall record all matters considered and decisions made by the Board and Committees, including all questions raised by the Directors. Drafts and final versions of the minutes of the Board meetings and Committee meetings are/will be sent to each Director within a reasonable period of time after the meeting for their consideration.

Save as disclosed in the Prospectus and in this report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.



# Corporate Governance Report

## Appointment, Re-election and Re-appointment of Directors

In accordance with the provisions set out in the Articles of Association, the Directors shall be elected by the general meeting of Shareholders and shall serve three-year terms. Upon expiration of the term, the Directors may be re-elected and reappointed. Each independent non-executive Director shall be subject to retirement by rotation once every two sessions.

## Nomination Policy

The Company has implemented a set of effective procedures for the appointment of new Directors. The Nomination Committee and Remuneration and Evaluation Committee have priority to discuss nomination of the new Directors and shall submit proposals to the Board. New directors shall be elected by the general meeting of Shareholders.

This set of procedures aims to ensure that the skills and experience of the Board are evenly distributed to support them to provide the Company with different views and perspectives, to ensure the consistency of the Board and to ensure that the Board of Directors is under appropriate leadership.

In assessing candidates for Directors, the Nomination Committee will assess the suitability of the proposed personnel and their potential contributions to the Board in all aspects, including but not limited to the following:

- Reputation for integrity
- Guarantee for available time and related benefits
- Diversity in all aspects, including but not limited to gender, age (18 years old or older), cultural and educational background, race, professional experience, skills, knowledge and length of service

The Company will consider adopting the nomination policy for Directors, which sets out the selection criteria and procedures as well as the considerations related to the nomination and appointment of Directors in the succession plan of the Board.

The Nomination Committee reviews at least annually the structure, size and composition (including the skills, knowledge and experience) of the Board and, where appropriate, makes recommendations on changes to the Board to complement the Company's corporate strategy. The Company aims to maintain an appropriate balance of diverse perspectives within the Board that are relevant to the Company's business growth.

The Company has entered into service contracts or appointment letters for a service term of three years with all Directors (including the non-executive Directors).





## Directors' Training

### Introductory and Continuous Professional Development

All newly appointed Directors are granted with necessary induction training and information so as to have an appropriate understanding of the operating status and business of the Company as well as their responsibilities under relevant laws, rules, provisions and articles. The Company also arranges periodical seminars for the Directors in order to provide the latest information on any development and changes in the Listing Rules, and other relevant laws and regulations. The Directors are also informed about the performance, current status and prospect of the Company regularly, so as to fulfill their responsibilities.

Trainings attended by all Directors in the Reporting Period are as below:

Name of Directors	Training Description
CHE Jianxing	A, B
GUO Binghe	A, B
CHE Jianfang	A, B
JIANG Xiaozhong	A, B
CHEN Shuhong	A, B
ZHENG Yongda	A, B
WANG Wenhui	A, B
ZOU Shaorong	A, B
LI Jianhong	A, B
JING Jie	A, B
XU Hong	A, B
CHEN Zhaohui	A, B
JIANG Xiangyu	A, B
HU Xiao	A, B
YANG Guang	A, B
QIAN Shizheng	A, B
LEE Kwan Hung, Eddie	A, B
WANG Xiao	A, B
ZHAO Chongyi	A, B
QIN Hong	A, B

*Notes:*

- A. Trainings related to governance of listed company and Directors' responsibility, organized by law firms, compliance advisor, external auditor etc.;
- B. Reading provisions connected to company governance, Directors' responsibilities and internal control risk management and attending lecture, forum, conference, etc..





# Corporate Governance Report

## Duties Performed by the Board and Management

The Board is responsible to the general meeting of Shareholders and performs the following duties: to approve and supervise all policy issues, overall strategy, budgeting, internal control and risk management system, material transactions (especially the transactions in which the parties with conflict of interest may be involved), Directors' appointment and other material financial and operating affairs. The Directors may seek independent professional opinions when fulfilling their duties, and the cost will be borne by the Company. The Company also encourages the Directors to seek independent consultation with senior management of the Company.

The senior management is responsible for daily management, administration and operation of the Group, and the Board shall discuss the authorization of functions and duties periodically. Any material transactions established by the management shall be approved by the Board in advance.

The Company has established internal policies (including but not limited to the Articles of Association, the Rules of Procedure of the Board and Working Rules of the Remuneration and Evaluation Committee) to ensure that the Board is provided with independent views and opinions. These policies cover the Company's procedures and criteria for the election of directors (including independent non-executive directors), the mechanism for recusal of related directors from voting on Board -related resolutions, and the special terms of reference for independent directors to independently engage external auditors and advisory bodies. The Board has reviewed the implementation of the above mechanisms and considers that they are effective in ensuring that the Board is provided with independent views and opinions.

## CORPORATE GOVERNANCE FUNCTION

The Board is responsible for establishing the corporate governance policy of the Company and fulfilling the following corporate governance duties:

- (1) To develop and review the corporate governance policy and routines of the Company;
- (2) To review and monitor training and continuous professional development of the Directors and senior management;
- (3) To review and monitor compliance of policies and routines of the Company with the requirements of all applicable laws and regulations;
- (4) To establish, review and monitor code of conduct and compliance guidelines applicable to the employees and Directors (if available); and
- (5) To review the Company's compliance with the disclosure requirements as set out in the Corporate Governance Code and Corporate Governance Report.



## DIRECTORS' LIABILITY INSURANCE

The Company has purchased appropriate insurance against the litigations raised against the Directors during the Reporting Period.

### BOARD COMMITTEES

The Board delegates responsibilities to various Committees. In accordance with the relevant PRC laws and regulations, the Corporate Governance Code, the Company has established four Board Committees, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and Investment Committee.

### AUDIT COMMITTEE

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provisions C.3 and D.3 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors as at the end of the Reporting Period, namely Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao. Mr. QIAN Shizheng, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

- proposing the appointment or change of external auditors;
- overseeing the internal audit system of the Company and its implementation;
- maintaining close communication between the internal auditors and external auditors;
- examining the financial information of the Company and its disclosure, and auditing significant connected transactions as authorized by the Board;
- monitoring integrity of the Company's financial statements, annual reports and accounts, interim reports, other periodic reports, agreed proceedings, audit reports (hereinafter referred to as the "Materials"), reviewing significant judgments on financial reporting set out in the Materials and making judgments on the completeness, accuracy and truthfulness of the preparation and disclosure of the Company's financial reports;
- examining the Company's financial reporting system, and the rationality, efficiency and implementation of the risk management and internal control systems of the Company and its subsidiaries and branch offices, and making recommendations to the Board;
- providing comments regarding the performance of internal auditors;
- overseeing the corporate governance of the Company, making recommendations to the Board, and reviewing the corporate governance report disclosed in our annual report;



## Corporate Governance Report

- overseeing the Company's compliance with the Corporate Governance Code, the Listing Rules and related laws; and
- dealing with other matters that are authorized by the Board.

As at the end of the Reporting Period, the Audit Committee has performed its duties with due prudence in accordance with the requirements of the Company Law, the Articles of Association, the Terms of Reference of the Audit Committee of the Board of the Company and the relevant laws and regulations. The Audit Committee convened five meetings, details of which are set out below:

Name of Meeting	Date of Meeting	Contents of Meeting	Attendance at the Meeting
Audit Committee	30 March 2022	<ol style="list-style-type: none"> <li>(1) The internal control auditor's reports to the Audit Committee in respect of the audit matters for the internal control report of the Company for the year 2021;</li> <li>(2) The internal control evaluation report of the Company for the year 2021;</li> <li>(3) The auditor's reports to the Audit Committee in respect of the audit matters for the annual financial report of the Company for the year 2021;</li> <li>(4) The financial statements of the Company for the year ended 31 December 2021;</li> <li>(5) The annual report and annual results of the Company for the year ended 31 December 2021;</li> <li>(6) The profit distribution plan of the Company for 2021;</li> </ol>	QIAN Shizheng, LEE Kwan Hung, Eddie and WANG Xiao attended the meeting



## Corporate Governance Report

Name of Meeting	Date of Meeting	Contents of Meeting	Attendance at the Meeting
		(7) The exclusive report on the depositary and actual use of funds raised by the Company in 2021;	
		(8) The resolution concerning the provision for assets impairment of the Company for the year 2021;	
		(9) The resolution in respect of re-appointment of auditor for the financial report of the Company for 2022;	
		(10) The resolution concerning the expected ordinary related party transactions of the Company for the year 2022;	
		(11) The report on the performance of duties of the Audit Committee of the Board of the Company for the year 2021;	
		(12) The summary of internal audit works for the year 2021 and working plan for the year 2022 of the Company;	
		(13) The report on corporate environmental and social responsibility of the Company for the year 2021;	
		(14) The Corporate Governance Report of the Company as of 31 December 2021.	



## Corporate Governance Report

Name of Meeting	Date of Meeting	Contents of Meeting	Attendance at the Meeting
	13 April 2022	(1) Change of the internal control auditor of the Company for 2022.	QIAN Shizheng, LEE Kwan Hung, Eddie and WANG Xiao attended the meeting
	29 April 2022	(1) The first quarterly report of the Company for 2022.	QIAN Shizheng, LEE Kwan Hung, Eddie and WANG Xiao attended the meeting
	30 August 2022	(1) The interim financial statements of the Company as of 30 June 2022; (2) The interim report and interim results as of 30 June 2022; (3) The exclusive report on the depositary and actual use of funds raised by the Company in the first half of 2022.	QIAN Shizheng, LEE Kwan Hung, Eddie and WANG Xiao attended the meeting
	28 October 2022	(1) The third quarterly report of the Company for 2022.	QIAN Shizheng, LEE Kwan Hung, Eddie and WANG Xiao attended the meeting

The Audit Committee oversees and monitors the risk management and internal control systems of the Company on an ongoing basis and review with our external auditors and management periodically, and not less than annually, the scope, adequacy and effectiveness of the Company's corporate accounting and financial controls, risk management and internal control systems, and any related significant findings regarding risks or disclosures and consider recommendations for improvement of such controls. The review should cover all material controls, including financial, operational and compliance controls. Further details regarding the annual review conducted by the Audit Committee are set out in the section headed "Risk Management and Internal Control".

### REMUNERATION AND EVALUATION COMMITTEE

The Company established a Remuneration and Evaluation Committee with written terms of reference in compliance with code provision E.1 of the Corporate Governance Code.

As at the end of the Reporting Period, the Remuneration and Evaluation Committee consists of three Directors, including one executive Director and two independent non-executive Directors, namely Mr. CHE Jianxing, Mr. QIAN Shizheng and Mr. WANG Xiao. Mr. QIAN Shizheng serves as the chairman of the Remuneration and Evaluation Committee.

The primary duties of the Remuneration and Evaluation Committee include, but are not limited to, the following:

- formulating the remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the Directors, Supervisors and members of the senior management and the importance of their positions as well as the remuneration benchmarks of relevant positions in other comparable companies;
- the remuneration plans include, but are not limited to, criteria and procedures of performance evaluation, the main evaluation system as well as the main reward and penalty scheme and system, etc.;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- examining the performance of Directors, Supervisors and members of the senior management of our Company, and conducting annual performance evaluation;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules;
- supervising the implementation of our Company's remuneration plan and incentive system; and
- dealing with other matters that are authorized by the Board.



## Corporate Governance Report

As at the end of the Reporting Period, the Remuneration and Evaluation Committee has performed its duties with due prudence in accordance with the requirements of the Company Law, the Articles of Association, the Terms of Reference of the Remuneration and Evaluation Committee of the Board and the relevant laws and regulations. The Remuneration and Evaluation Committee convened three meetings, details of which are set out below:

Name of Meeting	Date of Meeting	Contents of Meeting	Attendance at the Meeting
Remuneration and Evaluation Committee	15 February 2022	(1) The resolution on reviewing the remuneration of Ms. HU Xiao, the candidate for non-executive director of the fourth session of the Board.	CHE Jianxing, QIAN Shizheng and WANG Xiao attended the meeting
	10 March 2022	(1) The resolution on reviewing the remuneration of Mr. YANG Guang, the candidate for non-executive director of the fourth session of the Board.	CHE Jianxing, QIAN Shizheng and WANG Xiao attended the meeting
	30 March 2022	(1) The resolution on the remuneration of directors and senior management of the Company in 2021.	CHE Jianxing, QIAN Shizheng and WANG Xiao attended the meeting

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### NOMINATION COMMITTEE

The Company has established a Nomination Committee with written terms of reference in compliance with code provision B.3 of the Corporate Governance Code. The Nomination Committee may seek independent professional opinions when fulfilling its duties, and the cost will be borne by the Company. As at the end of the Reporting Period, the Nomination Committee consists of three Directors, including one executive Director and two independent non-executive Directors, namely Mr. CHE Jianxing, Mr. LEE Kwan Hung, Eddie and Ms. ZHAO Chongyi. Mr. LEE Kwan Hung, Eddie serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but are not limited to, the following:

- making recommendations to the Board on size and composition of the Board in accordance with our Company's operating activities, asset size and shareholding structure;
- researching and developing criteria and procedures for the election of the Board members, general managers and other members of the senior management, and making recommendations to the Board;
- conducting thorough investigation on suitable candidates for Directors, general managers and other members of the senior management, and making recommendations to the Board;
- reviewing and examining candidates for Directors, general managers and other members of the senior management, and making recommendations to the Board; and
- dealing with other matters that are authorized by the Board.



## Corporate Governance Report

As at the end of the Reporting Period, the Nomination Committee has performed its duties with due prudence in accordance with the requirements of the Company Law, the Articles of Association, the Terms of Reference of the Nomination Committee of the Board and the relevant laws and regulations. The Nomination Committee convened three meetings, details of which are set out below:

Name of Meeting	Date of Meeting	Contents of Meeting	Attendance at the Meeting
Nomination Committee	15 February 2022	(1) The resolution on the addition of Ms. HU Xiao as a non-executive Director of the fourth session of the Board of the Company.	CHE Jianxing, LEE Kwan Hung, Eddie and ZHAO Chongyi attended the meeting
	10 March 2022	(1) The resolution on the addition of Mr. YANG Guang as a non-executive Director of the fourth session of the Board of the Company.	CHE Jianxing, LEE Kwan Hung, Eddie and ZHAO Chongyi attended the meeting
	30 March 2022	(1) Regarding the structure, number, composition and diversity of the Board of Company for 2021.	CHE Jianxing, LEE Kwan Hung, Eddie and ZHAO Chongyi attended the meeting

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## STRATEGY AND INVESTMENT COMMITTEE

We have established a Strategy and Investment Committee with written terms of reference. As at the end of the Reporting Period, the Strategy and Investment Committee consists of six Directors, including three executive Directors, one non-executive Director and two independent non-executive Directors: namely Mr. CHE Jianxing, Mr. GUO Binghe, Mr. JIANG Xiaozhong, Ms. HU Xiao, Ms. ZHAO Chongyi and Ms. QIN Hong. Mr. CHE Jianxing serves as the chairman of the Strategy and Investment Committee.

The primary duties of the Strategy and Investment Committee include, but are not limited to, the following:

- researching and recommending to the Board the long-term development and strategic plans of our Company;
- researching and recommending to the Board material investments, financing proposals, capital operation and asset management of our Company, which must be approved via Board meetings or Shareholders' meetings in accordance with the Articles of Association;
- researching and recommending to the Board matters that are material to the development of our Company;
- checking the implementation of above-mentioned matters that are approved via Board meetings or Shareholders' meetings; and
- dealing with other strategic matters that are authorized by the Board.

As at the end of the Reporting Period, the Strategy and Investment Committee has performed its duties with due prudence in accordance with the requirements of the Company Law, the Articles of Association, the Terms of Reference of the Strategy and Investment Committee of the Board and the relevant laws and regulations. The Strategy and Investment Committee convened one meeting, details of which are set out below:

Name of Meeting	Date of Meeting	Contents of Meeting	Attendance at the Meeting
Strategy and Investment Committee	30 March 2022	(1) The resolution on the development strategy and business plan of the Company for 2022.	CHE Jianxing, GUO Binghe, JIANG Xiaozhong, HU Xiao, ZHAO Chongyi and QIN Hong attended the meeting

# Corporate Governance Report

## ATTENDANCE RECORD OF BOARD MEETINGS

Attendance record of all Directors to the general meetings, Board meetings and Committee meetings during the Reporting Period are as below:

Director's Name	Number of attending/ convening meetings of Board meetings	Number of attending/ convening meetings of Audit Committee	Number of attending/ convening meetings of Remuneration and Evaluation Committee	Number of attending/ convening meetings of Nomination Committee	Number of attending/ convening meetings of Strategy and Investment Committee	Number of attending/ convening general meetings
CHE Jianxing	23/23	-	3/3	3/3	1/1	5/5
GUO Binghe	23/23	-	-	-	1/1	5/5
CHE Jianfang	23/23	-	-	-	-	5/5
JIANG Xiaozhong	23/23	-	-	-	1/1	5/5
CHEN Shuhong	23/23	-	-	-	-	5/5
CHEN Zhaohui	23/23	-	-	-	-	5/5
JIANG Xiangyu	23/23	-	-	-	-	5/5
JING Jie <sup>(1)</sup>	2/2	-	-	-	-	-
XU Hong <sup>(2)</sup>	-	-	-	-	-	-
HU Xiao <sup>(3)</sup>	19/19	-	-	-	1/1	5/5
YANG Guang <sup>(4)</sup>	19/19	-	-	-	-	5/5
QIAN Shizheng	23/23	5/5	3/3	-	-	5/5
LEE Kwan Hung, Eddie	23/23	5/5	-	3/3	-	5/5
WANG Xiao	23/23	5/5	3/3	-	-	5/5
ZHAO Chongyi	23/23	-	-	3/3	1/1	5/5
QING Hong	23/23	-	-	-	1/1	5/5

### Notes:

- (1) Mr. JING Jie resigned as a non-executive Director on 9 March 2022. Two Board meetings were attended before his resign.
- (2) Mr. XU Hong resigned as a non-executive Director on 19 January 2022. No Board meeting were attended before his resign.
- (3) Ms. HU Xiao was appointed as a non-executive Director with effect from 29 March 2022. 19 Board meetings and four general meetings were attended after his appointment.
- (4) Mr. YANG Guang was appointed as a non-executive Director with effect from 29 March 2022. 19 Board meetings and four general meetings were attended after his appointment.

## DIRECTORS' FINANCIAL STATEMENTS REPORTING RESPONSIBILITY

The Directors are fully aware of their responsibility of preparing the Consolidated Financial Statements of the Company for the year ended 31 December 2022 so as to provide a true and fair view of the situation of the Company and the Group as well as the results and cash flows of the Group.

The management has provided necessary explanation and information to the Board, thus the Board is able to evaluate the financial statements of the Company which are submitted for approval of the Board with full knowledge. The Company has also periodically provided updated information about performance, status and prospect of the Company to all members of the Board.

The Directors were not aware of any material uncertainties with respect to any event or situation which may pose important threat to the sustainable operation of the Group.

Statement of the Directors' reporting responsibilities of Consolidated Financial Statements of the Company made by auditors of the Company is recorded in Independent Auditors' Report on page 135 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established the risk management and internal control systems, monitored and reviewed their effectiveness on an ongoing basis in compliance with code provision D.2 of the Corporate Governance Code. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board reviews the effectiveness of the risk management and internal control systems on an annual basis, and assesses all important monitoring aspects including financial monitoring, operation monitoring and compliance monitoring as per five internal control elements, namely, internal environment, risk assessment, control activities, information and communication and internal supervision and make sure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions to ensure that effective risk management and internal control systems are in place.



### RISK MANAGEMENT AND INTERNAL CONTROL ORGANISATIONAL SYSTEM

The Company has established a complete and competent risk management and internal control organisational system, which consists of the Board, the Audit Committee, the Internal Control Management Committee (a sub-committee under the Audit Committee), the Internal Control Compliance Department, the Audit Department and various functions of the Company. Various functions of the Company form the first line of defence of risk management and internal control, which are responsible for the direct identification and management of the risks arising in the course of business during our daily operation, and developing risk response strategies and specific solutions. The Internal Control Compliance Department and Internal Control Management Committee form the second line of defence of risk management and internal control, which is responsible for building and maintaining the comprehensive risk management framework of the Company, and coordinating the establishment of risk management between various functions of the headquarter and different regions and shopping malls. The Audit Department and the Audit Committee form the third line of defence of risk management and internal control, which is responsible for conducting independent supervision which involves supervision and examination to determine if the Company is able to conduct risk management and internal control in accordance with relevant policies, systems and processes for risk management and internal control, and if such measures are effective; meanwhile, the Audit Department reports the monitoring results to the Audit Committee, enabling it to better assess the Company's control and the effectiveness and frequency of risk management. The Board undertakes the ultimate responsibility for the establishment and perfection of the risk management and internal control systems as well as the effective implementation of risk management, and acts as the ultimate decision-making body in the Company with respect to risk management and internal control.

In addition, the Board arranges adequate training courses and related budget in respect of the risk management and internal control systems on an annual basis, and has also conducted periodic training on the concept, knowledge, process of risk management and methods of internal control to ensure the adequacy of management resources in risk management and internal control.



### CARRYING OUT RISK MANAGEMENT WORK

In order to better cope with the changing market environment and ensure the realization of the Company's business objectives, in 2022, the Company implemented a comprehensive risk management system at the company-wide level. The system is designed to manage various potential risks to which the Company is exposed in the course of operation through procedures and measures of risk identification, risk assessment, risk response, risk reporting and monitoring. The Company has systematically established a database for risks based on the status quo of our current business and management, with a view to achieving comprehensive identification of and response to risks.

On the basis of risk identification, the Company has established the major risk evaluation criteria from two dimensions, namely the probability of occurrence and the magnitude of influence of relevant risks. Various forms of measures, including risk questionnaire, risk investigation and interviews, as well as forum for risk assessment, were conducted to carry out the multilevel and comprehensive risk assessment work. These measures are developed to identify major risk areas affecting the objectives of the Company and to specify the priority and allocation of resources on risk management.

In order to align the risk points with specific control measures and responsibilities of different roles in the management system, and to ensure sufficient control of such risks, the Company implements basic risk management measures of internal control through specific business processes, including financial reporting, inside information processing and disclosure and other management procedures for significant processes in accordance with laws, regulations and regulatory requirements of the Listing Rules.

In respect of external information and communication, the Company developed information disclosure and reporting management rules, such as Information Disclosure Management System, News Release and News Spokesman System, etc., to establish a standardized control procedure for information collection, collation, validation and disclosure and set out confidentiality measures for inside information. Before the information is completely disclosed to the public, the Company will ensure that the information is kept absolutely confidential. For information which is difficult to maintain confidential or is already leaked, our Company will disclose the relevant information in a timely manner, so as to ensure the effective protection of the interests of investors and stakeholders.

The major risks which the Company are exposed to will vary with the changes in internal and external business environment and business situations. The Company will continuously monitor the significant risks and information on changes in risks arising from the operation and management of the different risk liability departments, and conduct supervision and evaluation on whether each of the departments is able to carry out risk management and the effectiveness of their efforts in accordance with relevant provisions, with a view to further improving the risk management mechanism.

### OPERATION OF INTERNAL CONTROL MECHANISM

The management of the Company has set up the Internal Control Management Committee, which leads the Internal Control Compliance Department in the overall planning, design and guidance in relation to the building of the risk management and internal control management system of the Company. In 2022, the Internal Control Compliance Department played a leading role in the establishment of the internal control evaluation working group, which carried out self-evaluation of internal control and assessment of the effectiveness of the design and implementation of internal control for the Company's main business and matters. For all deficiencies in internal control as identified in the assessment, the management of the Company has developed feasible rectification plans and promoted the implementation of such rectification. The Internal Control Compliance Department has followed up on such areas subject to rectification, and continued to monitor the progress and the overall effectiveness of the rectification of deficiencies, thus achieving the organized operation of overall internal control.

The Board and the Audit Committee are responsible for the continuous supervision and review of the effective implementation of the Company's risk management and internal control management system and the deficiencies of internal control. Specific supervision and review is carried out by the Audit Department. The Audit Department exercises the right of audit supervision independently without any interference from other departments, units and individuals. This mechanism is designed to maintain the independence, impartiality and authority of the internal audit function.

The Board has reviewed risk management and internal control work carried out in 2022. There has been no significant risk control failure, and no significant risk control weakness has been identified within the Company. The management processes including financial report, inside information handling and disclosure of the Company are in strict compliance with the Listing Rules. The Board has reviewed the risk management and internal control work conducted by the Company during the Reporting Period and considers the risk management and internal control system effective and adequate within the Group.

The Group has established the anti-bribery and corruption policy and whistleblowing system for the Board members, management, employees and third parties who represent the Group, such as suppliers, contractors and business partners, to ensure the Group and the relevant stakeholders will uphold the highest standards of professional integrity.

The whistleblowing system not only can further strengthen the internal control environment of the Group, it also acts as a channel for the staff of the Group to report any illegal behaviours, and is dedicated to external stakeholders to report any suspected misconduct, malpractice or illegal acts. For details of the anti-corruption and whistleblowing policies of the Group, please refer to the 2022 Environmental, Social and Governance Report to be published on the same date of this annual report.

### AUDITOR'S REMUNERATION

Statement of the Company's external auditor related to the reporting responsibilities of consolidated financial statements is recorded in the Independent Auditors' Report on pages 136 of this annual report. Remuneration of the Company's external auditor Ernst & Young Hua Ming LLP (the "Ernst & Young Hua Ming") paid/payable for the year ended 31 December 2022 was RMB7.8 million for audit services and RMB2.7 million for interim report review services. Remuneration of the Company's external internal control consultant, Baker Tilly China Certified Public Accountants (Special General Partnership), paid/payable for the year ended 31 December 2022 was RMB1.3 million.

### COMPANY SECRETARY

Ms. QIU Zhe is one of the joint company secretary of the Company, she is responsible for raising corporate governance-related suggestions to the Board, and ensuring compliance with policies and procedures of the Board, applicable laws, rules and regulations.

As Ms. QIU Zhe is not eligible under Rules 3.28 and 8.17 of the Listing Rules, the Company has applied to the Hong Kong Stock Exchange and was exempted by the Stock Exchange from strict compliance with the Listing Rules. The Company has engaged Ms. NG Sau Mei of TMF Hong Kong Limited (a corporate secretarial service provider) as another joint company secretary of the Company to provide assistance to Ms. QIU Zhe in the discharge of her duties as the company secretary. Ms. NG Sau Mei's main contact person in the Company is Ms. QIU Zhe.

For the year ended 31 December 2022, Ms. QIU Zhe and Ms. NG Sau Mei have completed professional training of no less than 15 hours in accordance with Rule 3.29 of the Listing Rules.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As at the Reporting Period, the Company did not make any amendments to the Articles of Association.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is very important to enhance investor relations and investors' understanding of the Company's business, performance and strategies. We are also deeply convinced of the importance of disclosing information of the Company in time without preservation to the Shareholders and investors to make informed investment decisions.

The annual general meeting of Shareholders of the Company provides the shareholders with opportunities to communicate with the Directors directly. The chairman of the Board and directors of the Committees will attend the meeting if possible, to answer questions raised by the shareholders. The external auditor of the Company will attend the meeting and answer the questions regarding auditing items, preparation and contents of the auditor's report, accounting policy and independence of the auditor.

The Company adopted a shareholder communication policy so as to promote the effectiveness of communication and establish a bridge between the Company and its Shareholders. Further, a website ([www.chinaredstar.com](http://www.chinaredstar.com)) and enquiry channels for the investors (tel: (86)21-52820220; e-mail: [ir@chinaredstar.com](mailto:ir@chinaredstar.com)) are also available. The Company will release the latest information about the business operation and development, corporate governance practices and other latest information to the public on the website and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The Company proactively communicates with the market through various means and channels, including but not limited to public presentations, roadshows, videos and conference calls, to improve communication effectiveness and facilitate value recognition. All these efforts have helped to deepen the capital market's understanding of the Company. Besides, maintaining good communication with institutional investors, the Company has also established diverse channels to communicate with minority investors to provide better investor services and protect their interests, including but not limited to corporate websites, email and hotlines. Moreover, the Company is committed to strengthening the analysis and reporting of capital market situations and the collection of shareholders' information, paying special attention to addressing investors' concerns and advice in order to further enhance the operations, management and corporate governance of the Company. We constantly improve internal workflows and system construction to provide investors with more convenient services precisely and efficiently. The Board regularly reviews the shareholder communications policy, ensures its effectiveness, and believes the shareholder communications policy is effective and adequate.

### SHAREHOLDERS' RIGHTS

In order to protect shareholders' interest and rights, the Company will submit the items for the review of the Shareholders' general meeting in the form of an independent resolution. The resolution submitted to the Shareholders' general meeting will be voted pursuant to the Listing Rules, and the voting result will be published on the websites of the Stock Exchange and the Company in time after the meeting.

#### Extraordinary Shareholders' Meeting Convening and Proposal

Pursuant to the Articles of Association, where the Shareholders separately or jointly holding more than 10% of the Shares request the Board to convene an extraordinary Shareholders' meeting or Shareholders' class meeting, the following procedures shall be followed:

- (1) Shareholders who separately or jointly hold more than 10% of the Shares may request the Board to convene an extraordinary Shareholders' meeting or Shareholders' class meeting by signing a written requirement or several copies with the same format and to illustrate the subject of the meetings. The Board shall convene an extraordinary Shareholders' meeting or Shareholders' class meeting as soon as possible upon the receipt of the aforesaid written request. The Shareholders shall calculate the aforesaid number of shareholdings as of the date of the submission of the written requirement.
- (2) If the Board fails to issue a notice of meeting within 30 days upon the receipt of the aforesaid written request, the Supervisory Committee may convene a meeting itself within four months upon the Board's receipt of such request; if the Supervisory Committee fails to convene and chair the meeting, the Shareholders who separately or jointly hold more than 10% of the Shares of our Company for more than 90 consecutive days may convene and preside over themselves, of which the convening procedure shall be at best the same as if convened by the Board. If the Shareholders call and convene a meeting by themselves due to the Board being unable to convene a meeting in accordance with the aforesaid requirement, the expenses reasonably incurred therefrom shall be borne by the Company and be deducted from the amounts due to the relevant Directors as a result of negligence of duty.

A general Shareholders' meeting convened by Shareholders themselves shall be chaired by a person elected by the convener. If no chairman is recommended, the chairman can be elected from the Shareholders. If for any reason the Shareholders cannot elect a chairman, the meeting shall be chaired by the attending Shareholder (including proxy) representing most voting Shares at the meeting.

The Shareholder(s) holding, separately or jointly, 3% or more of the total shares of our Company may put forward extempore proposals to the Company 10 days prior to the convening of the general meeting by submitting the proposals in writing to the convener. The convener shall issue a supplementary notice of the general meeting to the Shareholders within two days upon the receipt of the proposals.

#### Queries Made to Board of Directors

The Shareholders may send queries for attention of the Board to [ir@chinaredstar.com](mailto:ir@chinaredstar.com) by e-mail.

# Independent Auditors' Report



國衛會計師事務所有限公司  
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower,  
The Landmark,  
11 Pedder Street,  
Central,  
Hong Kong

TO THE SHAREHOLDERS OF RED STAR MACALLINE GROUP CORPORATION LTD.  
*(Incorporated in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of Red Star Macalline Group Corporation Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 138 to 381, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment properties</b></p> <p>Refer to Notes 4, 5 and 17 to the consolidated financial statements</p> <p>As of 31 December 2022, the Group's investment properties at fair value were RMB100,022,185,000, accounting for about 77.25% of the Group's total assets. The fair value was determined by management with reference to the valuations performed by an independent professional valuer engaged by the Group (the "Valuer").</p> <p>Due to the facts that the amount of investment properties is significant, and the assessment of the fair value of investment properties involves significant estimates, assumptions and judgments of the management, including estimated rental income, discount rate, vacancy rate, the economic environment in the region where the investment properties were located and the analysis of future trend etc., the uncertainty was relatively high. Therefore, we considered the measurement of investment properties at fair value as a key audit matter.</p>	<p>Our procedures in relation to management's valuation of investment properties included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• evaluating the independent external valuers' competence, capabilities and objectivity;</li> <li>• assessing the valuation methodologies used and the reasonableness of the key assumptions and parameters based on our knowledge of the property industry and using our auditors' valuation experts;</li> <li>• checking on sample basis, the accuracy and relevance of the input data used; and</li> <li>• reviewing the adequacy of disclosure related to the investment property at fair value in the financial statement.</li> </ul> <p>We found the key assumptions were supported by the available evidence.</p>

# Independent Auditors' Report

## KEY AUDIT MATTERS (continued)

Key audit matter	How the matter was addressed in our audit
<p><b>Allowance for expected credit losses on the financial assets and contract assets</b></p> <p>Refer to Notes 4, 5, 27, 28, 29, 30 and 48 to the consolidated financial statements</p> <p>As at 31 December 2022, the Group had the account receivables, deposit and other receivables, loan receivables and contract assets of approximately RMB3,584,087,000, RMB1,845,397,000, RMB2,534,722,000 and RMB2,211,438,000 respectively before the loss allowance amounting to approximately RMB1,621,918,000, RMB373,940,000, RMB153,689,000 and RMB392,970,000 has been made on account receivables, deposits and other receivables, loan receivables and contract assets respectively.</p> <p>Loss allowances for expected credit losses from financial assets and contract assets are based on management's estimate of the lifetime or 12-month expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue account receivables, repayment history, collaterals and financial position and the assessment of both the current and forecast general economic conditions, all of which involve significant degree of management judgement and estimation.</p> <p>We focused on this area due to the impairment assessment on the financial assets and contract assets under the expected credit losses model involved the use of significant management judgements and estimates.</p>	<p>Our procedures in relation to management's allowance for expected credit losses on the financial assets and contract assets included, but were not limited to:</p> <ul style="list-style-type: none"><li>• understanding the policies of the Group's allowance for expected credit losses on the financial assets and contract assets and the method adopted by the management for assessing the amount of expected credit losses;</li><li>• assessing the reasonableness of management's loss allowance estimate on financial assets and contract assets by examining the information used by management to form such judgements, including on a sample basis, testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current conditions and forward-looking information;</li><li>• assessing the reasonableness of recoverability of financial assets and contract assets with reference to historical utilisation pattern and credit history of counterparties including default or delay in payments, settlement records, subsequent settlements and repayment ability; and</li><li>• reviewing the adequacy of disclosure of expected credit losses on the financial assets and contract assets.</li></ul> <p>We found that the management judgment and estimates used to assess the recoverability of the financial assets and determine the impairment provision to be supportable by available evidence.</p>

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.



## Independent Auditors' Report

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, in accordance our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Hon Koon Fai Alex.

#### **HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

#### **Hon Koon Fai Alex**

Practising Certificate Number: P05029

Hong Kong, 30 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	6	<b>14,138,320</b>	15,512,792
Cost of sales and services		<b>(5,293,621)</b>	(5,352,176)
<b>Gross profit</b>		<b>8,844,699</b>	10,160,616
Other income	7	<b>447,559</b>	397,095
Other gains or losses, net	8	<b>(590,361)</b>	388,888
Selling and distribution expenses		<b>(1,555,295)</b>	(2,063,509)
Administrative expenses		<b>(1,861,835)</b>	(2,489,272)
Research and development expenses	9	<b>(46,329)</b>	(60,662)
Change in fair value of investment properties, net	17	<b>(725,834)</b>	(246,727)
Impairment losses under expected credit loss model, net of reversal	48	<b>(385,205)</b>	(533,256)
Impairment losses of intangible assets	20	–	(219,586)
Share of results of associates, net		<b>1,032</b>	1,146
Share of results of joint ventures, net		<b>(27,465)</b>	44,048
Finance cost	10	<b>(2,503,313)</b>	(2,694,541)
<b>Profit before tax</b>		<b>1,597,653</b>	2,684,240
Income tax expenses	11	<b>(780,769)</b>	(583,542)
<b>Profit for the year</b>	12	<b>816,884</b>	2,100,698

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of other equity instrument investments		(661,135)	670,374
Transfer from owner-occupied properties to investment properties measured at fair value		–	3,735
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effective part of fair value hedging		(86,871)	18,917
Exchange differences from translation of financial statements		3,102	(4,976)
<b>Other comprehensive (loss)/income, net of tax</b>		<b>(744,904)</b>	<b>688,050</b>
<b>Total comprehensive income for the year</b>		<b>71,980</b>	<b>2,788,748</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		678,566	1,963,619
Non-controlling interests		138,318	137,079
		<b>816,884</b>	<b>2,100,698</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(64,954)	2,652,690
Non-controlling interests		136,934	136,058
		<b>71,980</b>	<b>2,788,748</b>
<b>Earnings per share</b>			
Basic and diluted earnings (RMB per share)	16	0.16	0.49

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000	As at 1 January 2021 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	17	100,022,185	100,773,070	98,518,040
Property, plant and equipment	18	3,082,253	3,248,814	3,272,649
Right-of-use assets	19	39,257	99,497	–
Intangible assets	20	107,285	137,430	374,606
Goodwill	21	97,597	97,597	97,597
Interests in associates	22	2,701,530	2,767,462	2,695,105
Interests in joint ventures	23	1,055,532	1,161,628	1,008,790
Financial instruments at fair value through profit or loss	24	332,275	370,775	396,925
Financial instruments at fair value through other comprehensive income	25	2,586,569	4,169,971	4,206,678
Deferred tax assets	39	3,027,514	2,696,061	1,571,838
Loan receivables	27	975,130	1,040,139	1,002,359
Restricted bank deposits	31	302,205	783,803	584,057
Finance lease receivables		–	–	12,172
Deposits, prepayment and other receivables	30	4,001,743	4,395,741	4,800,590
<b>Total non-current assets</b>		<b>118,331,075</b>	121,741,988	118,541,406
<b>Current assets</b>				
Inventories	26	302,869	329,088	328,296
Loan receivables	27	1,405,903	1,381,384	1,719,770
Financial instruments at fair value through profit or loss	24	921,838	1,018,693	249,772
Account receivables	28	1,962,169	1,957,650	1,934,826
Note receivables	28	19,016	86,554	5,873
Contract assets	29	1,818,468	1,705,475	1,375,364
Finance lease receivables		–	–	16,701
Deposits, prepayment and other receivables	30	2,094,857	2,270,330	2,995,089
Bank balances and cash	32	2,626,264	6,119,913	5,927,035
<b>Total current assets</b>		<b>11,151,384</b>	14,869,087	14,552,726
<b>Total assets</b>		<b>129,482,459</b>	136,611,075	133,094,132

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Financial Position

As at 31 December 2022

	<i>Notes</i>	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000	As at 1 January 2021 RMB'000
<b>Current liabilities</b>				
Trade and other payables	33	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	29	1,839,930	1,925,077	2,287,549
Tax payables		1,005,648	609,815	472,026
Lease liabilities	36	940,871	1,192,502	888,112
Bank and other borrowings	34	7,100,362	9,282,811	10,597,964
Other current liabilities	38	73,648	74,021	–
Bonds	35	530,829	3,903,697	4,033,264
<b>Total current liabilities</b>		<b>25,361,592</b>	32,131,539	31,638,847
<b>Net current liabilities</b>		<b>(14,210,208)</b>	(17,262,452)	(17,086,121)
<b>Total assets less current liabilities</b>		<b>104,120,867</b>	104,479,536	101,455,285
<b>Non-current liabilities</b>				
Deferred tax liabilities	39	14,020,244	13,776,570	12,927,204
Bank and other borrowings	34	24,508,990	24,897,325	26,045,528
Bonds	35	1,723,400	532,620	4,432,635
Lease liabilities	36	3,421,588	4,151,154	4,225,943
Other payables	33	556,241	537,182	569,845
Deferred income	37	218,121	213,856	224,943
Contract liabilities	29	582,559	865,805	794,761
Other non-current liabilities	38	1,087,008	925,526	–
<b>Total non-current liabilities</b>		<b>46,118,151</b>	45,900,038	49,220,859
<b>Net assets</b>		<b>58,002,716</b>	58,579,498	52,234,426

The attached notes below to the financial statements are the constituent part of this financial statement

# 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
<b>Equity</b>				
Share capital	40	4,354,733	4,354,733	3,905,000
Reserves		50,092,232	50,596,561	44,711,497
<b>Equity attributable to owners of the Company</b>		<b>54,446,965</b>	54,951,294	48,616,497
Non-controlling interests		3,555,751	3,628,204	3,617,929
<b>Total equity</b>		<b>58,002,716</b>	58,579,498	52,234,426

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023 and are signed on its behalf by:

\_\_\_\_\_  
**CHE Jianxing**  
Director

\_\_\_\_\_  
**LI Jianhong**  
Director

*The attached notes below to the financial statements are the constituent part of this financial statement*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital	Capital reserve	Fair value through other comprehensive income reserve (note a)	Hedging reserve (note b)	Investment properties reserves (note c)	Exchange difference (note d)	Surplus reserve (note e)	Retained earnings	Sub-total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2021 and 1 January 2022</b>	4,354,733	6,880,494	1,713,167	86,871	81,398	(3,703)	2,206,429	39,631,905	54,951,294	3,628,204	58,579,498
Profit for the year	-	-	-	-	-	-	-	678,566	678,566	138,318	816,884
Fair value change	-	-	(659,751)	(86,871)	-	-	-	-	(746,622)	(1,384)	(748,006)
Exchange differences on translating foreign operations	-	-	-	-	-	3,102	-	-	3,102	-	3,102
Total comprehensive income for the year	-	-	(659,751)	(86,871)	-	3,102	-	678,566	(64,954)	136,934	71,980
Repurchase of shares	-	(5,003)	-	-	-	-	-	-	(5,003)	-	(5,003)
Acquisition of non-controlling interests	-	1,101	-	-	-	-	-	-	1,101	11,830	12,931
Appropriate to reserve	-	-	-	-	-	-	87,302	(87,302)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(435,473)	(435,473)	-	(435,473)
Distributions to shareholders	-	-	-	-	-	-	-	-	-	(165,947)	(165,947)
Change in ownership interests of subsidiaries	-	-	-	-	-	-	-	-	-	(55,270)	(55,270)
Disposal of financial instruments at fair value through other comprehensive income	-	-	(121,487)	-	-	-	-	121,487	-	-	-
<b>As at 31 December 2022</b>	4,354,733	6,876,592	931,929	-	81,398	(601)	2,293,731	39,909,183	54,446,965	3,555,751	58,002,716

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital	Capital reserve	Fair value through other comprehensive income reserve (note a)	Hedging reserve (note b)	Investment properties reserves (note c)	Exchange difference (note d)	Surplus reserve (note e)	Retained earnings	Sub-total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2021</b>	3,905,000	3,648,120	1,573,696	67,954	77,663	1,273	2,076,486	37,266,305	48,616,497	3,617,929	52,234,426
Profit for the year	-	-	-	-	-	-	-	1,963,619	1,963,619	137,079	2,100,698
Fair value change	-	-	671,395	18,917	3,735	-	-	-	694,047	(1,021)	693,026
Exchange differences on translating foreign operations	-	-	-	-	-	(4,976)	-	-	(4,976)	-	(4,976)
Total comprehensive income for the year	-	-	671,395	18,917	3,735	(4,976)	-	1,963,619	2,652,690	136,058	2,788,748
Issue of A shares	449,733	3,228,631	-	-	-	-	-	-	3,678,364	-	3,678,364
Change in ownership interest of subsidiaries	-	-	-	-	-	-	-	-	-	92,946	92,946
Acquisition of non-controlling interests	-	(4,311)	-	-	-	-	-	-	(4,311)	(1,724)	(6,035)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(3,290)	(3,290)
Amount of share payment included in equity	-	8,054	-	-	-	-	-	-	8,054	-	8,054
Appropriate to reserve	-	-	-	-	-	-	129,943	(129,943)	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(213,715)	(213,715)
Disposal of financial instruments at fair value through other comprehensive income	-	-	(531,924)	-	-	-	-	531,924	-	-	-
<b>As at 31 December 2021 and 1 January 2022</b>	<b>4,354,733</b>	<b>6,880,494</b>	<b>1,713,167</b>	<b>86,871</b>	<b>81,398</b>	<b>(3,703)</b>	<b>2,206,429</b>	<b>39,631,905</b>	<b>54,951,294</b>	<b>3,628,204</b>	<b>58,579,498</b>

## notes:

- Fair value through other comprehensive income reserve comprises the cumulative net change in the fair value of equity investments designated at FVTOCI under IFRS 9 that are held at the end of the reporting period.
- The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in hedging. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).
- Investment properties reserve represents difference arising between the carrying amount under IAS 16 at that date and the fair value is dealt with as a revaluation under IAS 16 from a transfer owner-occupied property to investment property carried at fair value.
- Exchange differences comprises all foreign exchange differences arising from the translation of the financial statement of operations.
- According to the relevant rules and regulations in the People's Republic of China ("PRC"), subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the reserve fund until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Reserve fund can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Operating activities</b>			
Profit before tax		1,597,653	2,684,240
Adjustments for:			
Amortisation of intangible assets	12&20	40,180	48,439
Changes in fair value of investment properties	17	725,834	246,727
Changes in fair value of financial instruments at FVTPL	8	48,327	2,669
Depreciation of property, plant and equipment	12&18	314,221	337,027
Depreciation of right-of-use assets	19	16,032	24,752
Dividend income	7	(42,837)	(3,300)
Finance costs	10	2,503,313	2,694,541
Gain on disposal of associates	8	(633)	(38,979)
(Gain)/loss on disposal of financial instruments at FVTPL	8	(30,127)	28,325
Gain on disposal of other equity instrument investments	8	–	(31,012)
(Gain)/loss on lease modification	8	(53,295)	90,920
Gain on disposal of property, plant and equipment	8	(3,197)	(13,583)
Impairment losses under expected credit losses model, net of reversal	48	385,205	533,256
Impairment loss on intangible assets	20	–	219,586
Impairment loss on earning right related to land consolidation	8&30	574,829	–
Interest income	7	(230,572)	(227,197)
Loss/(gain) on disposal of subsidiaries, net	8	338	(448,897)
Share of results of associates, net		(1,032)	(1,146)
Share of results of joint ventures, net		27,465	(44,048)
Operating cash flows before movements in working capital		5,871,704	6,102,320
Decrease/(increase) in inventories		26,219	(792)
Increase in contract assets		(192,776)	(381,043)
(Increase)/decrease in trade and other receivables		(205,940)	732,993
Decrease in finance lease receivables		–	28,873
(Decrease)/increase in rental and service fee received in advance		(818,823)	731,891
Decrease in trade and other payables		(336,272)	(1,001,483)
Decrease in contract liabilities		(368,393)	(291,428)
Increase/(decrease) in deferred income		4,265	(11,628)
(Decrease)/increase in other current liabilities		(373)	74,021
Increase in other non-current liabilities		161,482	8,195
Cash generated from operations		4,141,093	5,991,919
Income tax paid		(262,090)	(611,250)
<b>Net cash generated from operating activities</b>		<b>3,879,003</b>	<b>5,380,669</b>

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Investing activities</b>		
Acquisitions of associates	–	(237,357)
Acquisition of investment properties through acquisition of subsidiaries	–	(750,406)
Acquisitions of joint ventures	–	(115,920)
Acquisition of subsidiaries	–	(190,825)
(Increase)/decrease in loan receivables	<b>(1,331)</b>	252,204
Dividends received	<b>42,837</b>	10,743
Interest received	<b>230,572</b>	227,197
Payment of restricted bank deposits	<b>(580,000)</b>	(1,889,454)
Placement of bank deposits with original maturity over three months	<b>(18,000)</b>	(21,926)
Proceeds from sale of investment properties	–	1,940,000
Proceeds on disposal of subsidiaries	–	366,654
Proceeds on disposal of associates	<b>58,518</b>	160,703
Proceeds on disposal of intangible assets	<b>13,679</b>	214
Proceeds on disposal of joint ventures	<b>76,316</b>	5,130
Proceeds on disposal of property, plant and equipment	<b>48,601</b>	22,354
Purchase of property, plant and equipment	<b>(201,595)</b>	(432,567)
Purchase of intangible assets	<b>(33,802)</b>	(7,790)
Purchase of investment properties	<b>(814,013)</b>	(3,313,684)
Purchases of financial instruments at FVTOCI	<b>(162,577)</b>	–
Purchases of financial instruments at FVTPL	<b>(2,243,312)</b>	(1,009,588)
Redemption of financial instruments at FVTOCI	<b>1,217,204</b>	745,297
Redemption of financial instruments at FVTPL	<b>1,971,074</b>	2,400,573
Withdrawal of bank deposits with original maturity over three months	<b>21,926</b>	25,973
Withdrawal of restricted bank deposits	<b>1,061,598</b>	1,685,662
<b>Net cash generated from/(used in) investing activities</b>	<b>687,695</b>	(126,813)

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
<b>Financing activities</b>			
Issue of A shares		–	3,678,364
Proceeds from new bank and other borrowings		7,866,782	9,646,415
Repayment of bank and other borrowings		(10,695,294)	(12,109,771)
Proceeds from new bonds		1,697,888	–
Redemption of bonds		(4,131,427)	(4,013,438)
Repayment of lease liabilities		(646,109)	(149,024)
Capital injection by non-controlling shareholders of subsidiaries		2,730	78,044
Payment for acquisition of additional interests in subsidiaries		(42,339)	(6,035)
Interest paid		(2,492,644)	(2,502,708)
Dividends paid		(574,310)	(213,715)
Distributions to shareholders		(165,947)	–
Repurchase of share		(5,003)	–
Share payment included in equity		–	8,054
Advance from related parties and third parties		3,289,811	4,701,557
Repayment to related parties and third parties		(2,163,384)	(4,171,376)
<b>Net cash used in financing activities</b>		<b>(8,059,246)</b>	<b>(5,053,633)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,492,548)</b>	<b>200,223</b>
<b>Effect of foreign exchange rate changes</b>		<b>2,825</b>	<b>(3,298)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>6,097,987</b>	<b>5,901,062</b>
<b>Cash and cash equivalents at end of year, represented by bank balances and cash</b>	32	<b>2,608,264</b>	<b>6,097,987</b>

Major non-cash transactions:

The consideration for the disposal of investment properties of approximately RMB510,000,000 during the year ended 31 December 2022 have been settled by netting off other payable from an independent third parties amounted to RMB510,000,000.

*The attached notes below to the financial statements are the constituent part of this financial statement*



# 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. Details of the Company's subsidiaries are set out in Note 54.

## 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 unutilised 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.



## 2. BASIS OF PREPARATION (continued)

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.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 2. BASIS OF PREPARATION (continued)

### 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 waiver, 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.



## 2. BASIS OF PREPARATION (continued)

### 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 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 IFRS 16 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 2. BASIS OF PREPARATION (continued)

### Impact on the consolidated financial statements (continued)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 2. BASIS OF PREPARATION (continued)

### Impact on the consolidated financial statements (continued)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 2. BASIS OF PREPARATION (continued)

### Impact on the consolidated financial statements (continued)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 2. BASIS OF PREPARATION (continued)

### Impact on the consolidated financial statements (continued)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### 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 the International Accounting Standards Board (“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 IFRSs that have been issued but are not yet effective:

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

The Management of the Company anticipate 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. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Basis of consolidation (continued)

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Business combinations or asset acquisitions

#### Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

#### Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Business combinations or asset acquisitions (continued)

#### Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the “Conceptual Framework”) except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Business combinations or asset acquisitions (continued)

#### Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

### Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

### Revenue from the brand consulting and management service for the early stage of the project

It refers to the revenue received by the Group under the relevant contract or agreement, pursuant to which the Group is permitted by developers to use the brands that are intangible assets of its own, from the provision of consultation, tenant sourcing and other services to partners of or project companies established by the Managed Shopping Malls. The revenue arising therefrom is recognised by the Group in the period of time that the relevant consulting and management services are provided in accordance with the performance schedule.

### Revenue from annual brand consulting and management service for the project

After the opening of business of Managed Shopping Malls, the Group shall, on the terms and within the validity period of the contracts, permit the Managed Shopping Malls to continuously use the names of the brands that are intangible assets of the Group, and continuously provide management services (covering layout, planning, tenant sourcing, leasing, business planning, advertising, operation and after-sales service, etc.) to the Managed Shopping Malls, while the Managed Shopping Malls may, within the validity period of the contracts, continuously use the names of the brands that are intangible assets of the Group. Relevant management services are provided on an on-going basis within the validity period of the contracts. The revenue arising therefrom is recognised by the Group in the period that the management services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.





## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Revenue from contracts with customers (continued)

#### Revenue from tenant sourcing commissions

It refers to the revenue received by the Group arising from the provision of tenant sourcing and consultation services for Managed Shopping Malls. The revenue arising therefrom is recognised by the Group in the period that the tenant sourcing services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.

#### Revenue from commercial management and consultation fees for construction project

It refers to revenue received by the Group from the provision of management and consultation services of Red Star Macalline to builders, including shopping mall design, consultation on construction and decoration solution, coordination and supervision on the site of construction as well as control of project cost and progress. The amount thereof is determined by the Group in consultation with the builders in line with the specific conditions of the project. The revenue arising therefrom is recognised by the Group at the amount agreed in the contracts under the circumstance that relevant services have been provided, relevant Managed Shopping Malls have been completed and reached operational status, and relevant service confirmation issued by the builder is obtained.

#### Revenue from commercial consultation fees

It refers to the revenue received by the Group from the provision of commercial consultation services in the stage of development planning for properties in operation other than Owned/Leased/Joint Venture/Associate Portfolio Shopping Malls and Managed Shopping Malls. The revenue arising therefrom is recognised by the Group in the period that the commercial consultation services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.

#### Revenue from construction and design service

As customers can control assets in progress during the Group's performance, the Group takes the construction contracts between it and customers as the performance obligations fulfilled within a certain period and recognises the revenue according to performance schedule, except that the performance schedule cannot be reasonably determined. The Group determines the performance schedule of the service it provides in accordance with the input method and the costs occurred. Where the performance schedule cannot be reasonably determined and the costs incurred to the Group are expected to be recovered, the revenue arising therefrom is recognised according to the amount of costs incurred until the performance schedule can be reasonably determined.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Revenue from contracts with customers (continued)

#### Revenue from home decoration and sales of merchandises

Revenue from home decoration refers to the revenue received by the Group from the provision of home design and decoration engineering services. The revenue arising therefrom is recognised by the Group based on the performance schedule in the period that the relevant services are provided. Revenue from sales of merchandise is the revenue which the Group's self-operated shopping malls obtained from sales of home decoration and furnishing products. Relevant revenue from sales of merchandise is recognised when the Group fulfilled the performance obligations in the contract and customers obtained control over relevant goods or services.

#### Revenue from strategic consultation fees

It refers to the revenue received by the Group for the continuous provision of operational analysis, information consultation, brand rating and assessment consultation, tenant sourcing and matching and booth coordination and other services within the validity period of the agreement entered into between the Group and home decoration companies and furniture manufacturers. The revenue arising therefrom is recognised by the Group at the amount agreed in the agreement according to the performance schedule within the validity period of the agreement.

#### Joint marketing revenue

It refers to the revenue received by the Group for the provision of business planning service, media production and other services during the joint marketing activities with brand manufacturers and tenants. The revenue arising therefrom is recognised when the Group fulfilled the performance obligations in the contract and customers obtained control over relevant goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Revenue from contracts with customers (continued)

#### Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

##### *Input method*

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

### Leases

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

#### The Group as a lessee

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Leases (continued)

#### The Group as a lessee (continued)

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use assets are transferred to property, plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within “investment properties”.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Leases (continued)

#### The Group as a lessee (continued)

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Leases (continued)

#### The Group as a lessee (continued)

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

##### *Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Leases (continued)

#### The Group as a lessor

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Leases (continued)

#### The Group as a lessor (continued)

##### *Lease modification*

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

##### *(i) Operating leases*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under IFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

##### *(ii) Finance leases*

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

##### *Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange difference (attributed to non-controlling interests as appropriate).

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under “other income”.

### Employee benefits

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group’s defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

- (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until
- (b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Employee benefits (continued)

#### Retirement benefit costs (continued)

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Employee benefits (continued)

#### Retirement benefit costs (continued)

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

#### Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

#### Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

#### Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for certain of its employees. Under the MPF Scheme, each of the Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000, and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in trustee-administered funds independently. There are no forfeited contributions for the MPF Scheme as the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme (the "PRC Pension Scheme") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the PRC Pension Scheme. Under the PRC Pension Scheme, no forfeited contributions will be used by the employers to reduce the existing level of contributions.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Share-based payments

#### Equity-settled share-based payment transactions

##### *Shares/Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to capital reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits. When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to capital reserve.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to capital reserve.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

#### Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, 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.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

#### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Intangible assets (continued)

#### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### **Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 31.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial assets

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Classification and subsequent measurement of financial assets (continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other comprehensive income reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Classification and subsequent measurement of financial assets (continued)*

#### (iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

##### *Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets and contract assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (continued)*

##### (i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (continued)*

##### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Lifetime ECL for certain trade receivables/contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (continued)*

(v) Measurement and recognition of ECL (continued)

Except for investments in debt instruments/receivables that are measured at FVTOCI, financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments/receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial liabilities (continued)

##### *Financial liabilities at FVTPL (continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

##### *Financial liabilities at amortised cost*

Financial liabilities including borrowings, trade payables and other payables, rental and service fee received in advance, lease liabilities, bank and other borrowings, bonds and other non-current liabilities are subsequently measured at amortised cost, using the effective interest method.

##### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### Financial instruments (continued)

#### Financial liabilities (continued)

##### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### *Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform*

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, and such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

##### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Operating lease – as a lessor

The Group has entered into leasing contracts for its investment properties. The Group is of the opinion that, according to the terms of such leasing contracts, the Group has retained substantially all of the material risks and rewards of the ownership of these properties, and thus they are regarded as operating lease.

#### Determination of single performance obligation and allocation of transaction prices to single performance obligation

The Group's brand consulting and management service for the project covers three service commitments: (1) brand consulting and management service for the early stage of the project; (2) annual brand consulting and management service for the project; (3) tenant sourcing commissions. Customers are able to obtain benefits from the use of the three service commitments or the joint use of the three service commitments and other easily available resources, and the three service commitments can be separately distinguished from other service commitments, so each of the above service commitments constitutes a single performance obligation.

On the commencement date of the contract, the Group allocates the transaction prices to the above three service commitments so that the transaction price allocated to the Group's single performance obligation can reflect the consideration amount that it is expected to receive due to the transfer of the service commitments to the customer. When the standalone selling price cannot be directly observed, the Group will comprehensively consider all relevant information that it can reasonably obtain, and reasonably estimate the standalone selling price by adopting the market adjustment method. Information considered includes market conditions, enterprise specific factors, and customer-related information.



## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical judgements in applying accounting policies (continued)

#### Methods for determining the performance schedule of construction contracts

The Group determines the performance schedule of the brand consulting and management service and construction service contracts for the project in accordance with the input method. Specifically, the Group determines the performance schedule based on the percentage of cumulative actual costs in the estimated total costs. The cumulative actual costs include the direct and indirect costs incurred by the Group in transferring goods and services to customers. The Group believes that the price of the construction contract with the customer is determined on the basis of the construction cost, and the percentage of actual construction costs in the estimated total costs can accurately reflect the performance schedule of the construction service. The brand consulting and management service and construction service contracts for the project may span certain accounting periods. In particular, the Group thinks that the price of construction service contract with the customer is determined on the basis of the construction cost, and the percentage of actual construction costs in the estimated total costs can accurately reflect the performance schedule of the construction service. The Group will review and revise the budget as the construction service contract advances and adjust revenue recognition accordingly.

#### Business models

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In judging the business model, the Group takes into account the corporate evaluation and ways to report the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management style, and the manner in which relevant business management personnel are paid. In assessing whether the business model aims at the collection of contractual cash flows, the Group needs to analyse and judge the reasons, timing, frequency and value of the sale of financial assets before the maturity date.

#### Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only for the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for financial assets with prepayment characteristics, it is necessary to judge whether the fair value of the prepayment characteristics is insignificant.

#### Division of investment properties and fixed assets

The Group will exercise its discretion to classify investment properties and fixed assets. Investment property is any property held to rental earnings or capital appreciation or both. Fixed assets are mainly tangible assets that are held by the Group for use in the production or supply of goods or services, or for administrative purposes, and have useful lives of more than one accounting year. Therefore, in classifying investment properties and fixed assets, the Group will fully consider the management's intention, whether relevant lease agreements are concluded, and other factors.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical judgements in applying accounting policies (continued)

#### Pending litigation

The Group judges the amount and possibility of the current obligations arising from the pending litigation of the Group based on the progress of the case trial and the judgment and opinions of the lawyer on the outcome of the case. If the performance of the current obligation is not likely to cause economic benefits to flow out of the enterprise, or the amount of the current obligation cannot be measured reliably, the Group will disclose as a contingent liability; if the performance of the current obligation is likely to cause economic benefits to flow out of the enterprise, and if the amount of the current obligation can be measured reliably, the Group regards it as an estimated liability.

#### Judgment of significant influence on invested enterprise

The Group is based on whether it has the power to participate in decision-making on the financial and operating policies of the invested enterprise, but cannot control or jointly control the formulation of these policies with other parties as a criterion for judging whether it has a significant impact on the invested enterprise. The Group recognises equity investments that the Group has a significant impact on the investee as interests in associates and interests in joint ventures.

#### Hedging validity judgment

The Group believes that there is an economic relationship between the hedged item and the hedging instrument. This economic relationship causes the value of the hedged instrument and the hedged item to change in opposite directions due to the same hedged risk; among the changes in the value arising from the economic relationship between the hedged items and the hedging instrument, the impact of credit risk is not dominant; the hedge ratio of the hedging relationship is equal to the ratio of the actual number of hedged items to the actual number of hedging instruments that hedge it. The Group continuously evaluates the effectiveness of the hedging relationship in accordance with the hedging relationship on and after the hedging start date.



## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Estimated impairment of property, plant and equipment, right-of-use assets and intangible asset

Property, plant and equipment, right-of-use assets and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets subject to impairment assessment were RMB3,082,253 thousand, RMB39,257 thousand and RMB107,285 thousand (2021: RMB3,248,814 thousand, RMB99,497 thousand and RMB137,430 thousand) respectively.





## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

#### Key sources of estimation uncertainty (continued)

##### Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 17.

In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of fair value gain or loss reported in profit or loss.

As at 31 December 2022, the carrying amount of the Group's investment properties is RMB100,022,185 thousand (2021: RMB100,773,070 thousand).

##### Deferred tax asset

As at 31 December 2022, a deferred tax asset of RMB1,310,769 thousand (2021: RMB1,135,652 thousand) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses for non-operating subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

##### Fair value measurement of financial instruments at FVTPL and FVTOCI

As at 31 December 2022, certain of the Group's financial instruments at FVTPL and FVTOCI, amounting to RMB2,692,121 thousand (2021: RMB2,979,414 thousand) are measured based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 48 for further disclosures.



## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

#### Provision of ECL on the financial assets and contract assets

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

In addition, the Group uses practical expedient in estimating ECL on account receivables and contract assets, which are not assessed individually, by using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL assessment is disclosed in Notes 48 to the consolidated financial statements.

#### Impairment of goodwill

The Group carries out tests for impairment of goodwill on an annual basis, which entails estimation of the present value of future cash flows of the asset groups or asset portfolios to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to estimate the cash flows generated by the future asset groups or asset portfolios, and select the appropriate discount rate to determine the present value of future cash flows.

#### Lessee's incremental borrowing rate

For leases where the interest rate within the lease cannot be determined, the Group adopts the lessee's incremental borrowing rate as the discount rate to calculate the present value of the lease payments. When determining the incremental borrowing rate, the observable interest rate is used as reference basis according to the economic environment in which it operates. Based on this, the reference interest rate is adjusted to get applicable incremental borrowing rate according to its own situation, the underlying asset situation, lease term, the amount of the lease liability and other specific conditions of leasing business.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 6. 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.

**Sales of merchandise and related services:** 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 described in Note 4. 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 loss under expected credit losses, impairment losses of intangible assets, share of results 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 provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 6. SEGMENT INFORMATION AND REVENUE (continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	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
<b>Year ended 31 December 2022</b>						
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
<b>Unallocated:</b>						
Other income						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, net						(2,503,313)
Profit before tax						1,597,653

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 6. SEGMENT INFORMATION AND REVENUE (continued)

Reconciliation of segment revenues and results

	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
<b>Unallocated:</b>						
Other income						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 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

The revenue of sales set out 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

## 6. SEGMENT INFORMATION AND REVENUE (continued)

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
<b>Year ended 31 December 2022</b>					
<b>Principal operating region</b>					
<b>Mainland China</b>	2,375,962	1,233,331	641,384	1,943,060	6,193,737
<b>Timing of revenue recognition</b>					
<b>A point in time</b>					
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
<b>Over-time</b>					
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
<b>Total</b>	<b>2,375,962</b>	<b>1,233,331</b>	<b>641,384</b>	<b>1,943,060</b>	<b>6,193,737</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 6. SEGMENT INFORMATION AND REVENUE (continued)

	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
<b>Year ended 31 December 2021</b>					
<b>Principal operating region</b>					
Mainland China	3,256,244	1,498,608	1,395,547	1,129,986	7,280,385
<b>Timing of revenue recognition</b>					
<b>A point in time</b>					
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
<b>Over-time</b>					
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
<b>Total</b>	<b>3,256,244</b>	<b>1,498,608</b>	<b>1,395,547</b>	<b>1,129,986</b>	<b>7,280,385</b>

## 6. SEGMENT INFORMATION AND REVENUE (continued)

### Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

	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
Within one year	1,175,962	928,714	305,814	323,513	2,734,004
More than one year	11,404,266	535,222	27,762	116,887	12,084,136
	12,580,228	1,463,936	333,576	440,400	14,818,140

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	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
Within one year	935,584	1,755,075	432,441	372,760	3,495,860
More than one year	12,518,627	1,069,990	–	117,000	13,705,617
	13,454,211	2,825,065	432,441	489,760	17,201,477

### Geographic information

All the revenue and operating results of the Group are derived from the PRC based on location of the operations. All the Group's non-current assets are located in PRC based on geographical location of the assets.

### Revenue from major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 7. OTHER INCOMES

	2022 RMB'000	2021 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
Government grants (note)	153,967	152,416
Subsidy for land supporting expense and subsidy for gas-fired air conditioning equipment	5,849	5,570
Dividend income	42,837	3,300
Income from default compensation	2,529	2,716
Income from project termination	11,805	5,896
	<b>447,559</b>	<b>397,095</b>

*note:* The government grants mainly represent to the tax refund and subsidies, the special industry-supporting fund and other policy reward support funds received from the PRC government amounted to RMB49,678 thousand, RMB101,962 thousand and RMB2,327 thousand respectively (2021: RMB86,362 thousand, RMB62,921 thousand and RMB3,133 thousand respectively).

## 8. OTHER GAINS OR LOSSES, NET

	2022 RMB'000	2021 RMB'000
Gain on disposal of associates	633	38,979
Gain/(loss) on disposal of financial instruments at FVTPL	30,127	(28,325)
Gain on disposal of properties, plant and equipment	3,197	13,583
Gain 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 instruments at 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)
	<b>(590,361)</b>	<b>388,888</b>

## 9. RESEARCH AND DEVELOPMENT EXPENSES

	2022 RMB'000	2021 RMB'000
Salaries, bonus and benefits	44,466	55,356
Depreciation and amortisation	1,058	2,293
Others	805	3,013
	<b>46,329</b>	<b>60,662</b>

## 10. FINANCE COST

	2022 RMB'000	2021 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
	<b>2,855,274</b>	<b>3,076,834</b>
Less: amount capitalised in the cost of qualifying assets (note)	<b>(351,961)</b>	<b>(382,293)</b>
	<b>2,503,313</b>	<b>2,694,541</b>

*note:* Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.52% (2021: 5.66%) per annum to expenditure on qualifying assets.

## 11. 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
	<b>657,923</b>	<b>749,039</b>
Less: amount capitalised in the cost of Deferred tax – current year (Note 39)	<b>122,846</b>	<b>(165,497)</b>
Income tax expenses	<b>780,769</b>	<b>583,542</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 11. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	1,597,653	2,684,240
Income tax expenses calculated based on statutory tax rate	399,413	671,060
Impact of different tax rates applicable to subsidiaries	(78,499)	(103,695)
(Over-provision)/under-provision in prior year	(26,580)	24,155
Tax effect of share of results of associates	1,138	(286)
Tax effect of share of results of joint ventures	6,866	(11,012)
Tax effect of income not taxable for tax purpose	(10,709)	(34,022)
Tax effect of expenses that are not deductible for tax purpose	15,572	12,519
Utilisation of tax losses and recognise deductible losses of deferred income tax previously unrecognised	(82,335)	(350,650)
Effect of tax losses not recognised and deductible temporary differences not recognised	326,379	375,473
Tax implications of disposal of subsidiaries	229,524	–
	780,769	583,542

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to Cai Shui [2011] No. 58 Notice on the Taxation Policies for Deepening the Implementation of the Western Development Strategy 《關於深入實施西部大開發戰略有關稅收政策問題的通知》 and Announcement of Taxation on Issues concerning Enterprise Income Tax in Deepening the Implementation of the Western Development Strategy 《關於深入實施西部大開發戰略有關企業所得稅問題的公告》 (SAT [2012] No. 12), Chengdu Red Star Macalline Xinnan Business Management Company Limited (成都紅星美凱龍新南商業管理有限公司), Chongqing Liangjiang New Area Red Star Macalline Business Management Co., Ltd. (重慶兩江新區紅星美凱龍商業管理有限公司), Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司), Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司), and Red Star Macalline Chengdu Enterprise Management and Consultancy Company Limited (紅星美凱龍成都企業管理諮詢有限公司) under the Company are entitled to the enterprise income tax preference policy, and the above companies, were subject to a tax rate of 15% for the year upon approval by competent tax authorities as they met relevant conditions.

Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司), Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司), Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司) under the Company are entitled to enterprise income tax preference policy and are subject to a tax rate of 15% for the year pursuant to Zangzhengfa [2014] No. 51 Notice Issued by the People's Government of the Tibet Autonomous Region Regarding the Publication of Implementation Rules of Enterprise Income Tax Policy of the Tibet Autonomous Region 《西藏自治區人民政府關於印發〈西藏自治區企業所得稅政策實施辦法〉的通知》.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 11. INCOME TAX EXPENSE (continued)

Red Star Macalline Enterprise Management and Consultancy Company Limited (紅星美凱龍企業管理諮詢有限公司), Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司), Khorgos Red Star Macalline Business Management Company Limited (霍爾果斯紅星美凱龍商業管理有限公司) and Red Star Macalline Expo Business Management Company Limited (紅星美凱龍世博商業管理有限公司) under the Company are subject to a tax rate 15% for the year pursuant to the Cai Shui [2011] No. 112 Notice on Corporate Income Tax Preferential Policy in the Kashi and Khorgos Special Economic Development Zones in Xinjiang 《關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》 and Cai Shui [2016] No. 85 Notice on Improving Xinjiang Depressed Region and Encouraged Development Industries Enterprise Income Tax Incentives Directory 《關於完善新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄的通知》.

On December 2022, Shanghai Red Star Macalline Building Design Company Limited (上海紅星美凱龍建築設計有限公司) under the Company obtained the Certificate for Hi-tech Enterprise, whose certificate number was GR202231004738 with a validity of three years, and was subject to a tax rate of 15% for the year.

## 12. 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 of property, plant and equipment	314,221	337,027
Depreciation of right-of-use assets	16,032	24,752
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
<b>For the year ended 31 December 2022</b>					
<b>Executive directors</b>					
CHE Jianxing	-	4,800	133	2,000	6,933
GUO Binghe (note a)	-	2,464	120	-	2,584
CHE Jianfang (note a)	-	2,049	133	4,419	6,601
JIANG Xiaozhong (note a)	-	1,491	133	2,204	3,828
LI Jianhong (note k)	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>10,804</b>	<b>519</b>	<b>8,623</b>	<b>19,946</b>
<b>Non-executive directors</b>					
CHEN Shuhong (note a)	-	1,835	125	-	1,960
JIANG Xiangyu (note d)	-	-	-	-	-
XU Hong (note b)	-	-	-	-	-
CHEN Zhaohui (note e)	-	-	-	-	-
JING Jie (note c)	-	-	-	-	-
HU Xiao (note j)	-	-	-	-	-
YANG Guang (note h)	-	-	-	-	-
WANG Wenhui (note i)	-	-	-	-	-
ZHENG Yongda (note i)	-	-	-	-	-
ZOU Shaorong (note i)	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,835</b>	<b>125</b>	<b>-</b>	<b>1,960</b>
<b>Independent non-executive directors</b>					
LEE Kwan Hung, Eddie	600	-	-	-	600
QIAN Shizheng	600	-	-	-	600
ZHAO Chongyi	600	-	-	-	600
WANG Xiao	600	-	-	-	600
QIN Hong	600	-	-	-	600
<b>Total</b>	<b>3,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>
<b>Supervisors</b>					
PAN Ning	-	997	133	-	1,130
CHAO Yanping	-	516	133	-	649
CHEN Gang	-	180	-	-	180
ZHENG Hongtao	-	180	-	-	180
<b>Total</b>	<b>-</b>	<b>1,873</b>	<b>266</b>	<b>-</b>	<b>2,139</b>



### 13. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (CONTINUED)

- note a: Resigned on 17 January 2023.
- note b: Resigned on 19 January 2022, and not received any remuneration from the Company for the years ended 31 December 2022 and 2021.
- note c: Resigned on 9 March 2022, and not received any remuneration from the Company for the years ended 31 December 2022 and 2021.
- note d: Appointed on 28 September 2021, and not received any remuneration from the Company for the years ended 31 December 2022 and 2021.
- note e: Appointed on 19 March 2021, and not received any remuneration from the Company for the years ended 31 December 2022 and 2021.
- note f: Resigned on 8 February 2021, and not received any remuneration from the Company for the year ended 31 December 2021.
- note g: Resigned on 5 August 2021, and not received any remuneration from the Company for the year ended 31 December 2021.
- note h: Appointed on 29 March 2022, and not received any remuneration from the Company for the year ended 31 December 2022, and resigned on 15 February 2023.
- note i: Appointed on 15 February 2023.
- note j: Appointed on 29 March 2022, and not received any remuneration from the Company for the year ended 31 December 2022.
- note k: Appointed as executive director on 15 February 2023. During the year, Mr. Li Jianhong has received key management remuneration of RMB4,855 thousand from the Company, which included in key management personnel emoluments, set out in Note 51.



# Notes to the Consolidated Financial Statements

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## 13. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
For the year ended 31 December 2021					
<b>Executive directors</b>					
CHE Jianxing	–	2,136	122	900	3,158
GUO Binghe (note a)	–	1,736	119	416	2,271
CHE Jianfang (note a)	–	1,936	122	752	2,810
JIANG Xiaozhong (note a)	–	1,836	122	1,403	3,361
	–	7,644	485	3,471	11,600
<b>Non-executive directors</b>					
CHEN Shuhong (note a)	–	1,364	137	74	1,575
LIU Jin (note g)	–	–	–	–	–
JIANG Xiangyu (note d)	–	–	–	–	–
XU Hong (note b)	–	–	–	–	–
JING Jie (note c)	–	–	–	–	–
CHEN Zhaohui (note e)	–	–	–	–	–
XU Guofeng (note f)	–	–	–	–	–
	–	1,364	137	74	1,575
<b>Independent non-executive directors</b>					
LEE Kwan Hung, Eddie	600	–	–	–	600
QIAN Shizheng	600	–	–	–	600
ZHAO Chongyi	600	–	–	–	600
WANG Xiao	600	–	–	–	600
QIN Hong	600	–	–	–	600
	3,000	–	–	–	3,000
<b>Supervisors</b>					
PAN Ning	–	1,236	122	312	1,670
CHAO Yanping	–	624	122	15	761
CHEN Gang	–	180	–	–	180
ZHENG Hongtao	–	180	–	–	180
Total	–	2,220	244	327	2,791

### 13. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (continued)

The supervisors' remuneration shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Mr. Che Jianxing is also the chief executive of the Company and his emolument for the role as chief executive is also included above.

Performances bonuses were determined by the management having regard to the performance of the directors and supervisors of the Company and the Group's operating results.

During the year, no emoluments were paid by the Group to any director or supervisor of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil). No director or supervisor of the Company waived any emoluments during the year (2021: nil).

### 14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: zero director) and two executives (2021: two executives), and details of directors' remuneration are set out in Note 13. Details of the remaining three non-director of the highest paid employees (2021: three) are set out as follows:

	2022 RMB'000	2021 RMB'000
Salaries and allowance	8,649	10,965
Bonuses	10,005	6,150
Pension	187	150
Social insurance and reserve fund other than pensions	210	167
	<b>19,051</b>	17,432

The number of the non-directors of highest paid employees whose pre-tax remuneration fell within the following bands is as follows:

	2022 Number of employee	2021 Number of employee
Over HK\$5,000,000 (equivalent to RMB4,479,000)	3	3

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 15. DIVIDEND

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2022 RMB'000	2021 RMB'000
2021 Final (RMB0.1 per share)	435,473	–
2020 Final (RMB Nil)	–	–
	<b>435,473</b>	–

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.

## 16. EARNING 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 RMB	2021 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
<i>Earnings</i>		
Net profit for the year attributable to owner of the Company (RMB'000)	678,566	1,963,619
<i>Number of the ordinary shares</i>		
Weighted average number of the ordinary shares of the Company ('000)	4,354,012	4,004,941

## 17. INVESTMENT PROPERTIES

The Group leases out houses and buildings under operating leases with rentals payable monthly. The leases typically run for an initial period of 6 months to 2 years (2021: 6 months to 2 years), with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

For the year ended 31 December 2022, the total cash outflow for investment properties is RMB1,308,209 thousand (2021: RMB4,091,548 thousand), including RMB494,196 thousand (2021: RMB777,864 thousand) paid for leased properties under subleases and RMB814,013 thousand (2021: RMB3,313,684 thousand) paid for acquiring investment properties.

	Completed Investment properties RMB'000	Properties under construction RMB'000	Leased properties RMB'000	Total RMB'000
<b>Fair value</b>				
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 and inventories*	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	<b>88,337,000</b>	<b>7,238,000</b>	<b>5,198,070</b>	<b>100,773,070</b>
Additions	<b>83,364</b>	<b>631,029</b>	<b>8,141</b>	<b>722,534</b>
Lease modification	–	–	<b>(237,585)</b>	<b>(237,585)</b>
Disposal of assets	<b>(510,000)</b>	–	–	<b>(510,000)</b>
Changes in fair value	<b>(1,129,364)</b>	<b>1,058,971</b>	<b>(655,441)</b>	<b>(725,834)</b>
As at 31 December 2022	<b>86,781,000</b>	<b>8,928,000</b>	<b>4,313,185</b>	<b>100,022,185</b>

\* During the year ended 31 December 2021, the Group transferred the carrying amount of property, plant and equipment of RMB87,454 thousand and the cost of inventories of RMB4,980 thousand to investment properties.

The investment properties are all situated on the land under medium-term lease in the PRC. The fair values of the Group's investment properties at the end of the reporting period were valued by Shanghai Orient Appraisal CO., LTD. and Beijing Zhuoxindahua Appraisal CO., LTD., two firms of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 17. INVESTMENT PROPERTIES (continued)

The valuation of completed investment properties has been arrived at with adoption of income approach based on the rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

The valuation of certain investment properties at an early development stage has been arrived at by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The valuation of other investment properties under development has been arrived at with adoption of residual approach which assumed that they will be developed and completed in accordance with the latest development proposal. In arriving at the opinion of value, reference has been made to comparable evidence as available in the relevant market and the valuation also take into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

As at 31 December 2022

	Fair value Hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach/Direct comparison approach	Price of unit area leasable (per square meter per month) Capitalisation Rate	RMB16 to RMB264 4.5% to 7.0%
Investment properties at an early development stage	Level 3	Direct comparison approach/Hypothetical development approach	Unit area price of investment properties (per square meter)	RMB1,277 to RMB54,133
Other investment properties under development	Level 3	Direct comparison approach	Price of unit area leasable per square meter per month Capitalisation rate	RMB40 to RMB65 6.5% to 7.0%
Leased properties	Level 3	Income approach	Price of unit area leasable (per square meter per month) Capitalisation rate	RMB5 to RMB258 6.0% to 10.5%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 17. INVESTMENT PROPERTIES (continued)

As at 31 December 2021

	Fair value Hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach/Direct comparison approach	Price of unit area leasable (per square meter per month) Capitalisation Rate	RMB15 to RMB250 5.5% to 7.5%
Investment properties at an early development stage	Level 3	Direct comparison approach/Hypothetical development approach	Unit area price of investment properties (per square meter)	RMB343 to RMB19,544
Other investment properties under development	Level 3	Direct comparison approach	Price of unit area leasable per square meter per month Capitalisation rate	RMB37 to RMB53 6.5% to 7.0%
Leased properties	Level 3	Income approach	Price of unit area leasable (per square meter per month) Capitalisation rate	RMB25 to RMB246 6.5% to 10.5%

As at 1 January 2021

	Fair value Hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach/Direct comparison approach	Price of unit area leasable (per square meter per month) Capitalisation Rate	RMB15 to RMB246 5.5% to 8.0%
Investment properties at an early development stage	Level 3	Direct comparison approach/Hypothetical development approach	Unit area price of investment properties (per square meter)	RMB354 to RMB20,797
Other investment properties under development	Level 3	Direct comparison approach	Price of unit area leasable per square meter per month Capitalisation rate	RMB25 to RMB70 6.5% to 7.5%
Leased properties	Level 3	Income approach	Price of unit area leasable (per square meter per month) Capitalisation rate	RMB29 to RMB246 6.5% to 10.0%



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 17. INVESTMENT PROPERTIES (continued)

There were no transfers into or out of Level 3 during the years 31 December 2022 and 2021.

The unrealised loss on property revaluation amounting to RMB725,834 thousand was recognised in profit or loss during the current year (2021: RMB246,727 thousand).

The Group was in process of obtaining the relevant ownership property certificates for the investment properties under development with carrying amounts of RMB920,000 thousand and RMB2,948,000 thousand as at 31 December 2022 and 2021, respectively. In the opinion of the directors of the Company, the relevant property ownership certificates can be obtained in due time without incurring significant costs.

The Group's investment properties of RMB84,678,000 thousand (2021: RMB85,316,000 thousand) was pledge to secure the bank and other borrowing of the Group as detailed in Notes 34 and 45.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 18. PROPERTY, PLANT AND EQUIPMENT

	Houses and buildings RMB'000	Special equipment RMB'000	Transportation equipment RMB'000	Electronic equipment, appliances and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>						
As at 1 January 2021	3,547,750	175,865	136,922	439,949	80,629	4,381,115
Additions	208,657	9,834	25,090	35,507	153,480	432,568
Transfer from construction in progress	122,047	–	–	–	(122,047)	–
Transfer to investment properties	(89,415)	–	–	–	–	(89,415)
Transfer to intangible assets	–	–	–	–	(23,151)	(23,151)
Disposal/written off	–	(1,898)	(23,909)	(17,001)	–	(42,808)
As at 31 December 2021 and 1 January 2022	<b>3,789,039</b>	<b>183,801</b>	<b>138,103</b>	<b>458,455</b>	<b>88,911</b>	<b>4,658,309</b>
Additions	69,753	2,050	2,964	16,375	110,453	201,595
Transfer from construction in progress	101,407	–	–	–	(101,407)	–
Transfer to intangible assets	–	–	–	–	(8,532)	(8,532)
Disposal/written off	(64,523)	(1,759)	(27,308)	(16,370)	–	(109,960)
As at 31 December 2022	<b>3,895,676</b>	<b>184,092</b>	<b>113,759</b>	<b>458,460</b>	<b>89,425</b>	<b>4,741,412</b>
<b>Accumulated depreciation</b>						
As at 1 January 2021	739,708	29,063	95,120	244,575	–	1,108,466
Depreciation charge	236,373	14,470	13,955	72,229	–	337,027
Transfer to investment properties	(1,961)	–	–	–	–	(1,961)
Disposal/written off	–	(251)	(20,341)	(13,445)	–	(34,037)
As at 31 December 2021 and 1 January 2022	<b>974,120</b>	<b>43,282</b>	<b>88,734</b>	<b>303,359</b>	<b>–</b>	<b>1,409,495</b>
Depreciation charge	230,330	15,138	12,838	55,915	–	314,221
Disposal/written off	(31,393)	(8)	(21,790)	(11,366)	–	(64,557)
As at 31 December 2022	<b>1,173,057</b>	<b>58,412</b>	<b>79,782</b>	<b>347,908</b>	<b>–</b>	<b>1,659,159</b>
<b>Carrying amount</b>						
As at 31 December 2022	<b>2,722,619</b>	<b>125,680</b>	<b>33,977</b>	<b>110,552</b>	<b>89,425</b>	<b>3,082,253</b>
As at 31 December 2021	2,814,919	140,519	49,369	155,096	88,911	3,248,814



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

### 18. PROPERTY, PLANT AND EQUIPMENT (continued)

As of 31 December 2022, the Group's houses and buildings with value of RMB2,284,558 thousand (2021: RMB2,310,018 thousand) were used as mortgaged collateral to obtain loans of RMB1,036,812 thousand (2021: RMB835,029 thousand). Details, please refer to Notes 34 and 45.

The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Houses and buildings – 40 years

Special equipment – 10 years

Transportation equipment – 5 years

Electronic equipment, appliances and fixtures – 3 to 5 years



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 19. RIGHT-OF-USE ASSETS

	Houses and buildings, and equipment RMB'000
<b>Cost</b>	
As at 1 January 2021	12,940
Additions	124,249
Lease expired	(12,940)
As at 31 December 2021 and 1 January 2022	<b>124,249</b>
Additions	<b>33,777</b>
Lease expired	<b>(4,209)</b>
Modification	<b>(93,810)</b>
<b>As at 31 December 2022</b>	<b>60,007</b>
<b>Accumulated depreciation</b>	
As at 1 January 2021	12,940
Depreciation change	24,752
Lease expired	(12,940)
As at 31 December 2021 and 1 January 2022	<b>24,752</b>
Depreciation change	<b>16,032</b>
Lease expired	<b>(4,209)</b>
Modification	<b>(15,825)</b>
As at 31 December 2022	<b>(20,750)</b>
<b>Carrying amount</b>	
<b>As at 31 December 2022</b>	<b>39,257</b>
As at 31 December 2021	99,497
As at 1 January 2021	-



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

### 19. RIGHT-OF-USE ASSETS (continued)

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	23,561	18,638
Total cash outflow for leases	549,556	842,936

For both years, the Group leases various offices, warehouses, retail stores for its operations. Lease contracts are entered into for fixed term of 2 to 6 years (2021: 2 to 6 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 20. INTANGIBLE ASSETS

	Software RMB'000	Trademark use right RMB'000	Others RMB'000	Total RMB'000
<b>Cost</b>				
As at 1 January 2021	247,190	525,000	12,873	785,063
Additions	6,709	–	1,081	7,790
Internal research and development	120	–	–	120
Transfer from construction in progress	9,235	–	13,916	23,151
Disposal/written off	(382)	–	(318)	(700)
As at 31 December 2021 and 1 January 2022	<b>262,872</b>	<b>525,000</b>	<b>27,552</b>	<b>815,424</b>
Additions	2,495	–	164	2,659
Internal research and development	12,523	–	–	12,523
Transfer from construction in progress	3,006	–	5,526	8,532
Disposal/written off	(13,711)	–	(164)	(13,875)
<b>As at 31 December 2022</b>	<b>267,185</b>	<b>525,000</b>	<b>33,078</b>	<b>825,263</b>
<b>Accumulated amortisation and impairment</b>				
As at 1 January 2021	103,963	295,647	10,845	410,455
Impairment recognised	–	219,586	–	219,586
Amortisation	36,491	9,767	2,181	48,439
Disposal/written off	(155)	–	(331)	(486)
As at 31 December 2021 and 1 January 2022	<b>140,299</b>	<b>525,000</b>	<b>12,695</b>	<b>677,994</b>
Amortisation	33,880	–	6,300	40,180
Disposal/written off	(196)	–	–	(196)
<b>As at 31 December 2022</b>	<b>173,983</b>	<b>525,000</b>	<b>18,995</b>	<b>717,978</b>
<b>Carrying amount</b>				
<b>As at 31 December 2022</b>	<b>93,202</b>	<b>–</b>	<b>14,083</b>	<b>107,285</b>
As at 31 December 2021	122,573	–	14,857	137,430

As at 31 December 2022 and 2021, the Software are mainly internal generated.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 20. INTANGIBLE ASSETS (continued)

RMB525,000,000 in the initial carrying amount of the right to use the trademarks is used to purchase the right to use the registered trademark of Jisheng Wellborn from Shanghai Jisheng Wellborn Furniture Company Limited (上海吉盛偉邦家居市場經營管理有限公司) by the Company. In May 2014, the Company and the controlling shareholders of the JSWB Furniture entered into the Registered Trademark Licensing Contract, pursuant to which, Shanghai Jisheng Wellborn Furniture Company Limited authorises the Company to use eight of its registered trademarks (the “licensed trademarks”) on an exclusive basis, and the Company has the right to use the licensed trademarks in our Portfolio Shopping Malls or Managed Shopping Malls and in the business operation course related with those shopping malls. Meanwhile, the Company has the right to authorise any third parties to use the licensed trademarks within the properties of the shopping malls from 1 June 2014 to 30 May 2044. The right to use the trademark was amortised on a straight-line basis within 30 years of the licensed period contracted by the Group since June 2014.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods.

Software	– from 2 to 10 years
Trademark use right	– 30 years
Others	– 3 years

## 21. GOODWILL

	2022 RMB'000	2021 RMB'000
Suzhou Industry Park Zhongxiang Meitong Storage Company Limited	16,592	16,592
Xinsheng Property Management (Shanghai) Co., Ltd.	81,005	81,005
	<b>97,597</b>	97,597

### Suzhou Industry Park Zhongxiang Meitong Storage Company Limited (蘇州工業園區中翔美通倉儲銷售有限公司) (“Suzhou Zhongxiang”)

The subsidiary to which goodwill belongs is deemed as an asset group when being tested for goodwill impairments. The recoverable amount of an asset group to which goodwill belongs is determined based on the present value of the estimated future cash flows of the asset group which are determined based on the financial budget for the 5 years forecast period approved by the management. The pre-tax discount rate used to forecast the cash flows of the asset group during the forecast period was 6.5% (2021:6.5%), and the growth rate used to extrapolate the cash flows beyond the forecast period is 0% (2021:0%). Since, after calculation, the present value of the estimated future cash flows of Suzhou Zhongxiang was higher than the carrying amount of the portfolios of asset groups, the Group believed that there were no impairments of goodwill arising from the acquisition of Suzhou Zhongxiang.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 21. GOODWILL (continued)

### Xinsheng property management (Shanghai) Co., Ltd. (鑫笙物業管理(上海)有限公司) (“Shanghai Xinsheng”)

The subsidiary to which goodwill belongs is deemed as an asset group when being tested for goodwill impairments. The recoverable amount of an asset group to which goodwill belongs is determined based on the net amount of fair value of an asset group after deducting costs of disposal, and the carrying amount of Shanghai Xinsheng’s assets group for impairment test was the carrying amount of an assets group after deducting the non-core goodwill arising from the recognition of deferred income tax liabilities. According to the calculation, the net amount of fair value of Shanghai Xinsheng after deducting costs of disposal was higher than the carrying amount of the assets group. The Group believes that there is no impairment of the goodwill arising from the acquisition of Shanghai Xinsheng.

## 22. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of investments in unlisted associates	2,481,715	2,539,600
Share of post-acquisition profits and other comprehensive income, net of dividends received	219,815	227,862
	<b>2,701,530</b>	2,767,462

As at 31 December 2022 and 2021, the Group had interests in the following principal associates:

Name of entities	Place of registration	Proportion of nominal value of registered capital		Proportion of voting power held		Principal activities
		2022	2021	2022	2021	
Haier Consume Financing Company Limited (海爾消費金融有限公司) (“Haier Financing”)	PRC	25.00%	25.00%	25.00%	25.00%	Finance
Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司) (“Shandong Inzone”)	PRC	46.50%	46.50%	46.50%	46.50%	Leasing and commercial services

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 22. INTERESTS IN ASSOCIATES (continued)

Name of entities	Place of registration	Proportion of nominal value of registered capital		Proportion of voting power held		Principal activities
		2022	2021	2022	2021	
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	PRC	<b>35.00%</b>	35.00%	<b>35.00%</b>	35.00%	Residential services, maintenance and other services
Yaxiya New Materials Technology Co., Ltd. (亞細亞新材料科技股份有限公司) (note)	PRC	<b>19.53%</b>	20.00%	<b>19.53%</b>	20.00%	Wholesale and retail
Guangdong Sanweijia Information Technology Co., Ltd. (廣東三維家信息科技有限公司) (note)	PRC	<b>11.04%</b>	11.04%	<b>11.04%</b>	11.04%	Information transmission, software and information technology services
SUNSEAPARKING INC (note)	Cayman	<b>5.21%</b>	5.21%	<b>5.21%</b>	5.21%	Transportation, storage and postage
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司) (note)	PRC	<b>18.00%</b>	18.00%	<b>18.00%</b>	18.00%	Transportation, storage and postage
Guangdong VIFA Customized Home Furnishings Co., Ltd. (廣東威法定制家居股份有限公司) (note)	PRC	<b>6.40%</b>	6.40%	<b>6.40%</b>	6.40%	Manufacture
Weifang Binxing Properties Co., Ltd. (濰坊濱星置業有限公司)	PRC	<b>30.00%</b>	30.00%	<b>30.00%</b>	30.00%	Real estate
Zhejiang Zhongguang Electric Appliances Group Co., Ltd. (浙江中廣電器集團股份有限公司) (note)	PRC	<b>8.14%</b>	8.14%	<b>8.14%</b>	8.14%	Wholesale and retail
Shanghai Xincheng'an Construction Co., Ltd. (上海鑫誠安建設有限公司)	PRC	<b>30.00%</b>	30.00%	<b>30.00%</b>	30.00%	Construction
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司) (note)	PRC	<b>10.00%</b>	10.00%	<b>10.00%</b>	10.00%	Science research and technology service
LEAWOD Door and Window Group Co., Ltd. (良木道門窗集團有限公司) (note)	PRC	<b>18.03%</b>	22.51%	<b>18.03%</b>	22.51%	Manufacture
Suzhou Supin Home Culture Co., Ltd. Company Limited (蘇州市蘇品宅配文化有限公司) (note)	PRC	<b>15.00%</b>	15.00%	<b>15.00%</b>	15.00%	Manufacture
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司)	PRC	<b>37.00%</b>	37.00%	<b>37.00%</b>	37.00%	Wholesale and retail
Ant live (Tianjin) Network Technology Co., Ltd. (蟻安居(天津)網絡技術有限公司) (note)	PRC	<b>16.67%</b>	16.67%	<b>16.67%</b>	16.67%	Science research and technology service

# Notes to the Consolidated Financial Statements

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## 22. INTERESTS IN ASSOCIATES (continued)

Name of entities	Place of registration	Proportion of nominal value of registered capital		Proportion of voting power held		Principal activities
		2022	2021	2022	2021	
Beijing Bilin Hongke Technology Co., Ltd. (北京比鄰弘科科技有限公司) (note)	PRC	10.00%	10.00%	10.00%	10.00%	Science research and technology service
Shanghai Qiangshang Environmental Technology Company Limited (上海牆尚環保科技有限公司) (note)	PRC	14.49%	8.00%	14.49%	8.00%	Wholesale and retail
ICOLOR PRIVATE LIMITED (note)	Cayman	8.00%	8.00%	8.00%	8.00%	Construction
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司) (note)	PRC	11.78%	11.78%	11.78%	11.78%	Science research and technology service
Chengdu Rhine Etam Furniture Co., Ltd. (成都艾格傢俱有限公司) (note)	PRC	20.87%	29.56%	20.87%	29.56%	Manufacture
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司) (note)	PRC	10.00%	10.00%	10.00%	10.00%	Science research and technology service
Shanghai Jinjiang United Purchasing Supply Chain Co., Ltd. (上海錦江聯採供應鏈有限公司) (note)	PRC	10.00%	10.00%	10.00%	10.00%	Transportation, storage and postage
BigZone Information Technology (Shanghai) Company Limited (大域信息科技(上海)有限公司) (note)	PRC	14.29%	14.29%	14.29%	14.29%	Science research and technology service
ArtPollo Network Technology (Beijing) Company Limited (愛菠蘿網絡科技(北京)有限公司) (note)	PRC	15.00%	15.00%	15.00%	15.00%	Technology promotion and application service
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司) (note)	PRC	10.00%	10.00%	10.00%	10.00%	Construction
Beijing Canny-Robot Technology Co., Ltd. (北京康力優藍機器人科技有限公司) (note)	PRC	6.00%	6.00%	6.00%	6.00%	Science research and technology service
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司) (note)	PRC	4.90%	4.90%	4.90%	4.90%	Construction
Guangzhou Huoshu Yinhua Information Technology Co., Ltd. (廣州火數銀花信息科技有限公司) (note)	PRC	11.66%	11.66%	11.66%	11.66%	Information transmission, software and information technology services

# Notes to the Consolidated Financial Statements

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## 22. INTERESTS IN ASSOCIATES (continued)

Name of entities	Place of registration	Proportion of nominal value of registered capital		Proportion of voting power held		Principal activities
		2022	2021	2022	2021	
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司) (note)	PRC	9.00%	9.00%	9.00%	9.00%	Leasing and commercial service
Yimeijisi Optoelectronics Technology (Fujian) Co., Ltd. (誼美吉斯光電科技(福建)有限公司) (note)	PRC	4.95%	4.95%	4.95%	4.95%	Science research and technology service
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司) (note)	PRC	10.00%	10.00%	10.00%	10.00%	Wholesale and retail
Shenzhen Long Life Basics Sleep Science and Technology Co., Ltd. (深圳市朗樂福睡眠科技有限公司) (note)	PRC	10.00%	10.00%	10.00%	10.00%	Wholesale and retail
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	PRC	49.00%	49.00%	49.00%	49.00%	Finance
Shanghai AI.Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	PRC	30.00%	30.00%	30.00%	30.00%	Wholesale and retail
Shanghai Zhenyang Decoration Co., Ltd. (上海振洋建築裝潢工程有限公司)	PRC	22.41%	22.41%	22.41%	22.41%	Construction
Meishang (Guangzhou) Cosmetics Co., Ltd. (美尚(廣州)化妝品股份有限公司) (note)	PRC	8.29%	8.29%	8.29%	8.29%	Wholesale and retail
Shanghai Weilaishi Decoration Technology Co., Ltd. (上海威來適裝飾科技有限公司)	PRC	40.00%	40.00%	40.00%	40.00%	Wholesale and retail
Zhongzhuang Central Purchasing (Beijing) Information Technology Co., Ltd. (中裝集採(北京)信息技術有限公司)	PRC	35.00%	35.00%	35.00%	35.00%	Science research and technology service
Xingpai Commercial Property Management (Guangzhou) Co., Ltd. (星派商業物業經營(廣州)有限公司)	PRC	32.00%	32.00%	32.00%	32.00%	Leasing and commercial service
CSSC Cruise Industry Development (Shanghai) Co., Ltd. (中船郵輪產業發展(上海)有限公司)	PRC	42.86%	42.86%	42.86%	42.86%	Water transport
Shanghai Macalline Property Management Service Co., Ltd. (上海美凱龍物業管理服務有限公司)	PRC	20.00%	20.00%	20.00%	20.00%	Property management
Shanghai Kaishen Enterprise Management Co., Ltd. (上海凱坤企業管理有限公司) (note)	PRC	10.00%	10.00%	10.00%	10.00%	Business service
Jiaxin Longmao Xiansen Home Co., Ltd. (嘉興龍貓先森家居有限公司)	PRC	20.00%	0.00%	20.00%	0.00%	Wholesale and retail
Nanchang Xinshi Enterprise Management Co., Ltd. (南昌歆獅企業管理有限公司)	PRC	50.00%	0.00%	50.00%	0.00%	Business service

note: The Group delegates directors to the company, which has significant influence to the company.

## 22. INTERESTS IN ASSOCIATES (continued)

### Summarised financial information of material associates

#### Haier Financing

	2022 RMB'000	2021 RMB'000
Current assets	20,778,841	15,346,938
Non-current assets	346,262	205,524
Current liabilities	16,671,899	11,418,393
Non-current liabilities	2,432,237	2,396,725

	2022 RMB'000	2021 RMB'000
Revenue	1,709,811	2,064,447
Profit and total comprehensive income for the year	274,463	191,065

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Net assets of the associates	2,020,967	1,737,344
Proportion of the Group's ownership interest in the associates	25%	25%
Carrying amount to the Group's interest in Haier Financing	505,242	434,336



## 23. INTERESTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Cost of investments in unlisted joint ventures	462,636	538,952
Share of post-acquisition profits and other comprehensive income, net of dividends received	592,896	622,676
	<b>1,055,532</b>	1,161,628

As at 31 December 2022 and 2021, the Group had interests in the following principal joint venture:

Name of entities	Place of registration	Proportion of nominal value of registered capital		Proportion of voting power held		Principal activities
		2022	2021	2022	2021	
Chengdu Dongtai Shopping Mall Company Limited ("Chengdu Dongtai") (成都東泰商城有限公司)	PRC	50.00%	50.00%	50.00%	50.00%	Site lease management
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司) (note a)	PRC	40.00%	40.00%	40.00%	40.00%	Wholesale and retail
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	PRC	50.00%	50.00%	50.00%	50.00%	Leasing and commercial services
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司) (note b)	PRC	48.00%	48.00%	48.00%	48.00%	Leasing and commercial services
Wuhu Red Star Macalline Equity Investment Fund Management Company Limited (蕪湖紅星美凱龍股權投資基金管理有限公司)	PRC	50.00%	50.00%	50.00%	50.00%	Leasing and commercial services
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司) (note c)	PRC	43.00%	43.00%	43.00%	43.00%	Wholesale and retail
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司) (note d)	PRC	60.00%	60.00%	60.00%	60.00%	Leasing and commercial services
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	PRC	50.00%	50.00%	50.00%	50.00%	Wholesale and retail
Hefei Longmao Home Co., Ltd. Xiansen Home Furnishing Co., Ltd (合肥龍貓先森家居有限公司)	PRC	30.00%	0.00%	30.00%	0.00%	Wholesale and retail

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For the year ended 31 December 2022

## 23. INTERESTS IN JOINT VENTURES (continued)

note a: The board of directors of Shanghai Zhongmao Macalline Economic and Trade Development Co., Ltd. is composed of five people, of which we nominate two. The resolution of meetings of the board must be approved by at least two-thirds of the directors. The shareholders formed joint control, so it is a joint venture company.

note b: The Group delegates directors to the Company, which could form joint control over it.

note c: Major matters should be approved after the unanimous consent of all directors, so Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. is a joint venture company.

note d: The daily operation and management of the Company requires unanimous consent of both parties. Therefore, Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司) is a joint venture.

### Summarised financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The material joint venture is accounted for using the equity method in the consolidated financial statements.

#### Chengdu Dongtai

	2022 RMB'000	2021 RMB'000
Current assets	430,197	367,456
Non-current assets	1,557,197	1,799,498
Current liabilities	89,571	97,522
Non-current liabilities	347,283	403,228
Revenue	122,997	121,619
Profit and total comprehensive income for the year	(115,665)	49,682

## 23. INTERESTS IN JOINT VENTURES (continued)

### Summarised financial information of material joint venture (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Net assets of the joint venture	1,550,540	1,666,204
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount to the Group's interest in Chengdu Dongtai	775,270	833,102

Aggregate information of joint ventures that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of profit and total comprehensive income for the year	30,367	19,207
Aggregate carrying amount of the Group's interests in these joint ventures	280,262	328,526

## 24. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Equity instrument investments listed in PRC	–	26,804
Fund	82,112	353,478
Non-listed equity instrument investments	332,275	370,775
Debt instruments	839,726	638,411
	1,254,113	1,389,468
Less: Current portion	(921,838)	(1,018,693)
Non-current portion	332,275	370,775

# Notes to the Consolidated Financial Statements

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## 25. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Equity instrument investments listed in PRC	<b>949,791</b>	1,591,080
Equity instrument investments listed in US	<b>116,658</b>	608,663
Non-listed equity investments	<b>1,520,120</b>	1,970,228
	<b>2,586,569</b>	4,169,971

As the Group held the above investments not for the purpose of trading, thus the Group will appoint them as investments at FVTOCI.

The above listed equity instrument investments represent the initial public offer from the above non-listed equity investments. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The Group disposed the equity instrument FVTOCI of approximately RMB779,921 thousand (2021:RMB671,879 thousand) and accumulated profit and loss totaling RMB121,487 thousand (2021: RMB531,924 thousand) were carried forward from other comprehensive income to retained earnings.

As at 31 December 2022, the Group's equity instrument FVTOCI with value of approximately RMB444,543 thousand (2021:RMB136,755 thousand) were used as pledge guarantees to obtain loans of RMB249,215 thousand (2021:RMB44,703 thousand).

## 26. INVENTORIES

	2022 RMB'000	2021 RMB'000
Commodities in inventory	<b>267,982</b>	290,922
Low-value consumables	<b>34,887</b>	38,166
	<b>302,869</b>	329,088

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 27. LOAN RECEIVABLES

	2022 RMB'000	2021 RMB'000
Current	1,405,903	1,381,384
Non-current	975,130	1,040,139
	<b>2,381,033</b>	2,421,523
Entrusted loans and lending	2,534,722	2,585,391
Less: provision of expected credit loss	(153,689)	(163,868)
	<b>2,381,033</b>	2,421,523

As at 31 December 2022, the material amount of loan receivables are as follow:

	Principal amount RMB'000	Interest rate (%)	Expiry date
Anhui Longtan Real Estate Co., Ltd (安徽龍檀置業有限公司)	223,361	12.00	December 2023
Hancheng Xinding Real Estate Development Co., Ltd. (韓城市鑫鼎房地產開發有限責任公司)	64,830	9.00	April 2023
Henan Zhongheng Construction Development Co., Ltd. (河南中亨建設開發有限公司)(note a)	47,550	5.23	Overdue
Zhejiang Mingdu Investment Company Limited (浙江名都投資有限公司)(note b)	103,275	5.78	July 2022
Xian Jiahexing Home Furnishing Co., Ltd. (西安佳和興家居有限責任公司)(note c)	581,314	11.00	March 2024

As at 31 December 2021, the material amount of loan receivables are as follow:

	Principal amount RMB'000	Interest rate (%)	Expiry date
Anhui Longtan Real Estate Co., Ltd (安徽龍檀置業有限公司)(note d)	110,108	12.00	December 2023
Hancheng Xinding Real Estate Development Co., Ltd. (韓城市鑫鼎房地產開發有限責任公司)	80,240	9.00	March 2022
Henan Zhongheng Construction Development Co., Ltd. (河南中亨建設開發有限公司)(note a)	47,550	5.23	Overdue
Zhejiang Mingdu Investment Company Limited (浙江名都投資有限公司)(note b)	117,045	5.78	January 2030
Xian Jiahexing Home Furnishing Co., Ltd. (西安佳和興家居有限責任公司)(note c)	543,598	11.00	March 2024

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 27. LOAN RECEIVABLES (continued)

*note:*

- (a) As of 31 December 2022 and 2021, the Group's entrusted loan of approximately RMB47,550 thousand to Henan Zhongheng Construction Development Co., Ltd. (河南中亨建設開發有限公司) (hereinafter referred to as "Henan Zhongheng") was expired. The entrusted loan was a result of the entrusted loan contract signed between the Group and Henan Zhongheng in November 2018. The loan maturity date is 24 August 2020, and the land of Henan Derun Real Estate Company Limited (河南德潤置業有限公司) is used as collateral. The management believes that there is no special impairment risk for this loan.
- (b) As of 31 December 2022, the borrowing granted by the Group to Zhejiang Mingdu Investment Company Limited (浙江名都投資有限公司) had an interest rate of 5.78% and a balance amounting to approximately RMB103,275 thousand (2021: approximately RMB117,045 thousand), with a term from September 2020 to January 2030. According to the repayment plan stipulated in the contract, approximately RMB89,505 thousand (2021: approximately RMB103,275 thousand) was accounted as other non-current assets as at the end of the year.
- (c) The Group provided funds to Xian Jiahexing Home Furnishing Co., Ltd. (西安佳和興家居有限責任公司) with an interest rate of 11%, which was used for land construction supporting costs and costs at the early stage. The balance of principal and interest at the end of the year was approximately RMB581,314 thousand (2021: approximately RMB536,598 thousand), which was all classified as non-current assets at the year ended 31 December 2022.
- (d) The borrowing granted by the Group to Anhui Longtan Real Estate Co., Ltd. (安徽龍檀置業有限公司) had an interest rate of 12% and a balance amounting to approximately RMB110,108 thousand as at the end of the year, with a term from December 2021 to December 2023, all of which was classified as non-current assets at the year ended 31 December 2022.

Details of impairment assessment of loan receivables for the years ended 31 December 2022 and 2021 are set out in Note 48 to the consolidated financial statements.

## 28. ACCOUNT RECEIVABLES/NOTE RECEIVABLES

	2022 RMB'000	2021 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
Note receivables	19,016	86,554
	1,981,185	2,044,204

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:

	2022 RMB'000	2021 RMB'000
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

## 28. ACCOUNT RECEIVABLES/NOTE RECEIVABLES (continued)

The Group has not granted any credit period to its customers. Before accepting any new customers, the Group uses past experience to assess the potential customers' credit quality and defines credit limits for the customers. Limits attributed to customers are reviewed regularly.

Details of impairment assessment of account receivables for the years ended 31 December 2022 and 2021 are set out in Note 48 to the consolidated financial statements.

Under IFRS 9, certain notes which were held by the Group for the practice of discounting/endorsing to financial institutions/suppliers before the notes due for payment were classified as notes receivables at FVTOCI. At 31 December 2022 and 2021, all the notes are with a maturity period of less than one year. The Group considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant.

## 29. CONTRACT ASSETS/CONTRACT LIABILITIES

### Contract assets

	2022 RMB'000	2021 RMB'000
Construction and design service	1,370,693	1,192,252
The brand consulting and management service for early stage of the project	840,745	841,352
	<b>2,211,438</b>	2,033,604
Less: provision of expected credit loss	<b>(392,970)</b>	(328,129)
	<b>1,818,468</b>	1,705,475

The Group provides construction and design services/the brand consulting and management service for the early stage of the project to customers, and recognises revenue within a period of time, to form contract assets. The contract asset formed an unconditional collection right at the time of settlement and was transferred to receivables.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to account receivables when the rights become unconditional. The Group's service contracts include payment schedules which require stage payments once certain specified milestones are reached.

Details of the impairment assessment are set out in Note 48.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 29. CONTRACT ASSETS/CONTRACT LIABILITIES (continued)

### Contract liabilities

	2022 RMB'000	2021 RMB'000
Charges for the brand consulting and management service for the early stage of the project	930,166	1,258,903
Charges for annual brand consulting and management service for the project	102,129	182,864
Commercial consultation fees and tenant sourcing commissions	256,690	221,008
Construction and design service	277,057	117,781
Marketing service and others	856,447	1,010,326
	<b>2,422,489</b>	<b>2,790,882</b>
Current	<b>1,839,930</b>	1,925,077
Non-current	<b>582,559</b>	865,805
	<b>2,422,489</b>	<b>2,790,882</b>

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

When the Group receives a deposit before the projects commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2022 RMB'000	2021 RMB'000
Charges for the brand consulting and management service for the early stage of the project	49,644	224,728
Charges for annual brand consulting and management service for the project	159,572	129,601
Commercial consultation fees and tenant sourcing commissions	24,964	38,316
Construction and design service	117,781	149,778
Marketing service and others	675,154	581,761
	<b>1,027,115</b>	<b>1,124,184</b>

# Notes to the Consolidated Financial Statements

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## 30. DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Current portion:		
Prepayment	366,585	305,043
Deposits	143,843	162,931
Interest receivables	27,947	10,680
Dividends receivables	31,000	31,000
Tax prepaid (note a)	736,644	1,029,620
Others (note e)	1,124,099	1,102,088
	<b>2,430,118</b>	2,641,362
Less: provision of expected credit loss	<b>(335,261)</b>	(371,032)
Total current portion	<b>2,094,857</b>	2,270,330
Non-current portion:		
Deposit	240,673	262,935
Lease deposit	67,448	62,448
Prepayments for purchase properties (note d)	391,387	372,705
Others	683,419	619,335
	<b>1,382,927</b>	1,317,423
Less: provision of expected credit loss	<b>(38,679)</b>	(45,985)
	<b>1,344,248</b>	1,271,438
Prepayments for construction and advance payment for land compensation	1,459,525	1,352,195
Earning right related to land consolidation (note c)	1,835,868	1,835,868
	<b>3,295,393</b>	3,188,063
Less: impairment losses (note b)	<b>(637,898)</b>	(63,760)
	<b>2,657,495</b>	3,124,303
Total non-current portion	<b>4,001,743</b>	4,395,741

*Note:*

- (a) The Group's tax prepaid is mainly VAT to be deducted, which is expected to be deductible within the next year.
- (b) The management of the Group concluded there was indication of impairment and conducted impairment assessment on recoverable amounts of certain prepayment for construction and advance payment and earning right related to land consolidation with carrying amounts (before impairment) of RMB1,459,525 thousand (2021: RMB1,352,194 thousand) and RMB1,835,868 thousand (2021: RMB1,835,868 thousand), respectively. For the year ended 31 December 2022, the Group estimates the recoverable amounts of the individual assets based on higher of fair value less costs of disposal and value in use. Based on the result of assessments, an impairment of RMB152,659 thousand (2021: RMB63,760 thousand) and RMB421,480 thousand (2021: Nil) has been recognised against the carrying amount of certain prepayment for construction and advance payment and earning right related to land consolidation respectively.
- (c) In August 2018, the Group acquired 70% equity interest in Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司) at a consideration of RMB1 billion, and acquired an earning right thereof related to land consolidation simultaneously;
- (d) As of 31 December 2022 and 2021, prepayments for purchasing properties were mainly prepayments paid by the Group for the purchase of several commercial properties and office buildings this year;
- (e) As at 31 December 2022, others included sale proceed collected and paid on behalf of the tenants of approximately RMB202,754 thousand (2021: RMB303,122 thousand).

Details of impairment assessment of deposit and other receivables for the years ended 31 December 2022 and 2021 are set out in Note 48 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 31. RESTRICTED BANK DEPOSITS

	2022 RMB'000	2021 RMB'000
Deposits pledged for banking facilities	151,468	566,798
Other restricted bank deposits	150,737	217,005
	<b>302,205</b>	783,803

As at 31 December 2022, restricted bank deposits of approximately RMB31,286 thousand (2021: RMB33,183 thousand) was frozen.

## 32. BANK BALANCES AND CASH

	2022 RMB'000	2021 RMB'000
Cash	13,832	7,524
Bank deposits with original maturity within three months or less	2,594,432	6,090,463
Cash and cash equivalents	<b>2,608,264</b>	6,097,987
Bank deposits with original maturity over three months	18,000	21,926
Bank balances and cash	<b>2,626,264</b>	6,119,913

Bank balances and cash of the Group comprise cash and short-term bank deposits. The bank balances carry interest at market rates which range from 0.3% per annum as at 31 December 2022 (2021: 0.3% per annum).

Bank deposits with original maturity over three months carry fixed interest rates range from 1.75% to 3.85% per annum as at 31 December 2022 (2021: 1.35% to 3.85% per annum).

Bank balances and cash as at 31 December 2022 and 2021 were mainly denominated in RMB which is not a freely convertible currency in the international market. At the end of the reporting period, the bank balances and cash of the Group not denominated Renminbi amounted to RMB7,799 thousand (2021: RMB142,401 thousand). The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

# Notes to the Consolidated Financial Statements

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## 33. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables (note a)	2,452,582	2,400,880
Bills payables	44,412	9,000
Advance from tenants	588,213	1,418,021
Deposit received	3,209,664	3,079,813
Amounts due to partners (note b)	4,179,790	3,578,761
Amounts payable for property purchase	197,510	1,056,332
Amounts payable to construction contractors	412,769	562,642
Payroll payable	480,929	609,186
Other tax payable	546,810	439,663
Others (note c)	1,440,011	833,822
	<b>13,552,690</b>	13,988,120
Less: Current portion	<b>(12,996,449)</b>	(13,450,938)
Non-current portion	<b>556,241</b>	537,182

note:

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

	2022 RMB'000	2021 RMB'000
Within 1 year	2,452,582	2,400,880

- (b) Amounts due to partners included the borrowings provided by the minority shareholders of certain subsidiaries of the Group, and shall be repaid by agreements after the completion of relevant cooperation projects and existing surplus or be repaid on demands after one year. Therefore, such amounts of approximately RMB566,241 thousand (2021:RMB537,182 thousand) shall be recognised as non-current portion payables.
- (c) Others mainly represent the interest payables and accrual expense of approximately RMB139,914 thousand and RMB357,743 thousand respectively (2021: RMB203,346 thousand and RMB241,681 thousand respectively).

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## 34. BANK AND OTHER BORROWINGS

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

## 34. BANK AND OTHER BORROWINGS (continued)

*Note:*

- (a) As at 31 December 2022 and 2021, no single borrowing is individually material, and terms and conditions of all borrowings are presented by appropriate groupings.
- (b) The Company issued the home furnishing shopping mall asset-backed securities, namely “Red Star Macalline Asset-Backed Special Project”, on 12 July 2018. Such asset-backed special project was pledged with the assets of two shopping malls of the Group in Beijing and Yantai and their rental income rights, which included Class A Preferred Securities (securities abbreviation: “18 Hongmei A1”, securities code: 156486), Class B Preferred Securities (securities abbreviation: “18 Hongmei A2”, securities code: 156487) and subordinated Securities (securities abbreviation: “18 Hongmei C”, securities code: 156488). 18 Hongmei A1 had an issuance size of RMB2,289 million, with an annualised return of 5.80% and a maturity of 18 years, the principal and interest of which shall be repaid annually. 18 Hongmei A2 had an issuance size of RMB211 million, with an annualised return of 6.30% and a maturity of 18 years, the principal of which shall be repaid in a one-off manner upon maturity. The Group, as a posterior investor of 18 Hongmei C, subscribed RMB100 million with no annualised return and a maturity of 18 years. The securities ended its first 3-year sell-back period in December 2021 and was reaccounted as other non-current liabilities, among which, the principal repayment plan within one year of RMB68,000,000.00 was carried forward to the non-current liabilities due within one year.

The Company issued the home furnishing shopping mall asset-backed securities, namely “Red Star Macalline Asset-Backed Special Project”, on 1 August 2019. Such asset-backed special project was pledged with the assets of two shopping malls of the Group in Beijing and Wuhan and their rental income rights, which included Class A Preferred Securities (securities abbreviation: “19 Hongmei A”, securities code: 159557), Class B Preferred Securities (securities abbreviation: “19 Hongmei B”, securities code: 159558) and subordinated Securities (securities abbreviation: “19 Hongmei C”, securities code: 159559). 19 Hongmei A had an issuance size of RMB1.7 billion, with an annualised return of 5.80% and a maturity of 21 years, the principal and interest of which shall be repaid semi-annually. 19 Hongmei B had an issuance size of RMB410 million, with an annualised return of 7% and a maturity of 21 years, the interest of which shall be repaid semi-annually. and the principal of which shall be repaid at one time when due. The Group, as a posterior investor of 19 Hongmei C, subscribed RMB150 million with no annualised return and a maturity of 21 years. The above asset-backed securities were redeemed in maturity in 2022.

The Company issued the home furnishing shopping mall asset-backed securities, namely “Deppon-Wuxi Red Star Macalline Home Living Plaza No. 1 Store Asset-backed Special Project” on 22 September 2020. Such asset-backed special project was pledged with the assets of shopping mall of the Group in Wuxi and the rental income rights, which included Class A Preferred Securities and Class B Preferred Securities. Class A Preferred Securities had an issuance size of RMB420 million, with an annualised return of 5.50% and a maturity of 18 years, the principal and interest of which shall be repaid semi-annually. Class B Preferred Securities had an issuance size of RMB110 million, with an annualised return of 6% and a maturity of 18 years, the principal of which shall be repaid in a one-off manner upon maturity. The securities will enter the first 3-year sell-back period in June 2023, and therefore the securities balance of RMB510,428,000.00 will be carried forward to current bank and other borrowings.

The Company listed on the CFAE 21CFZR0025 “Red Star Macalline Group Corporation Ltd. – 2021 first tranche of debt financing plan” (21S Red Star Macalline ZR001) on 5 January 2021. The listing amount totalled RMB500 million for a term of 3 years. The interest commencement date was 7 January 2021 and the interest rate was 4%. According to the confirmation of the listing price, RMB500 million has been fully credited to the account. The interest was paid annually on 7 January in the bond duration. The principal of which shall be repaid in a one-off manner upon maturity. The financing is planned to be used as the land and real estate mortgage and the equity pledge of the project company.

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For the year ended 31 December 2022

## 34. BANK AND OTHER BORROWINGS (continued)

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 borrowings:		
Fixed rate bank borrowings	4.79-15.40	3.40-15.40
Floating rate bank borrowings	3.65-8.00	4.25-8.00

The floating rate bank borrowings are arranged at the interest rate based on benchmark interest rates of the People's Bank of China.

The Group's bank and other borrowings are denominated in RMB.

## 35. BONDS

	2022	2021
	RMB'000	RMB'000
<i>Medium-term notes:</i>		
Medium-term notes of 2019 (First tranche) (note c)	–	499,927
Medium-term notes of 2020 (First tranche) (note d)	500,000	499,258
<i>Public offering:</i>		
Public offering of Corporate Bonds of 2016 (First tranche) (7-year) (note a)	–	32,533
Public offering of Corporate Bonds of 2019 (First tranche) (Type 2) (note b)	829	829
Public offering of Corporate Bonds of 2020 (First tranche) (note e)	–	499,740
Public offering of Corporate Bonds of 2020 (Second tranche) (note f)	–	499,300
Public offering of Corporate Bonds of 2020 (First tranche) (Type 1) to professional investors (note g)	30,000	498,122
<i>USD Bonds:</i>		
USD Bonds of 2017 (5-year) (note h)	–	1,906,608
USD Bonds of 2022 (3-year) (note i)	1,723,400	–
	2,254,229	4,436,317
Less: Bonds due within one year	(530,829)	(3,903,697)
Non-current portion of bonds	1,723,400	532,620

## 35. BONDS (continued)

*Note:*

- (a) The Company issued Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche) in July 2016. The above – mentioned bonds are composed of two types. Among them, the first type of bonds is abbreviated as “16 Hongmei 01”. The issue price is RMB100/100 face value. The interest rate is fixed, the coupon rate is 3.5%, and the bond is matured in 5 years, interest is paid annually, with the option to adjust the coupon rate and investors’ resale option at the end of the third year. The bond mentioned above has matured and been repaid in July 2021.

The second type of bond is abbreviated as “16 Hongmei 02”, the issue price is RMB100/100 face value. The interest rate is fixed, the coupon rate is 4.29%, the bond duration is 7 years, and the interest is paid annually. With effect from 13 July 2018, the coupon rate was adjusted to 5.29% from 4.29%, with the option to adjust the coupon rate and investors’ resale option at the end of the fifth year, which was sold back in 2021, and the remaining unsold amount of RMB32,533,000 was repaid in 2022.

- (b) In 2019, the Group publicly issued Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche) (hereinafter referred to as the “2019 Corporate Bonds”), which classified into two types. The total issuance scale of the type 1 and type 2 does not exceed RMB2 billion (including RMB2 billion). In this tranche of bonds issue, the option to call back among varieties is introduced, and the call back percentage is not limited. The issue price is RMB100 par value, which is issued in the form of book keeping to qualified investors offline. Type 1 is 5-year (with the issuer’s option to adjust the coupon rate and bondholders’ resale option at the end of the third year), and type 2 is 4-year (with the issuer’s option to adjust the coupon rate and bondholders’ resale option at the end of the second year). In 2019, the actual issuance scale of corporate bonds type 2 was RMB2 billion, and the coupon rate was 5.35%; type 1 was not issued. The bond was registered for selling back in 2021, and the remaining RMB829,000 was included in the escrow plan and will mature in 2023.
- (c) On 12 September 2018, the Company received the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) issued by National Association of Financial Market Institutional Investors (hereafter “NAFMII”), which indicating its consent for acceptance of the registration for the issuance of the medium-term notes by the Group, with registered amount of RMB5 billion, and the registered limit would be effective within two years since the date of the issuance of the Notice for Acceptance of Registration by “NAFMII”. On 22 May 2019, in order to better play the role of non-financial enterprise debt financing instruments in the Company’s overall fund utilisation, after the Company reassessed its debt financing instrument structure, the Company applied to the NAFMII to reduce the amount of registration of medium-term notes under the aforementioned “Notice for Acceptance of Registration” (Zhong Shi Xie Zhu [2018] MTN506). On 6 June 2019, the Group received “Zhongshi Xiezhu (2019) No. 567-Letter on Reducing the Registration Amount of Medium-Term Notes of Red Star Macalline Group Co., Ltd.”, which reduced the amount of registration of medium-term notes of the Group by RMB3 billion, and the remaining effective registration amount is RMB2 billion. In 2018, the Company had successfully issued the first tranche of the medium-term notes of 2018, which is abbreviated as “18 Red Star Home Furnishing MTN001” (bond code:101801197). The issuance price is RMB100/100 face value, at an issuance rate of 6.18%. The bond shall be payable annually in three years. The above bond was matured and repaid in 2021. In 2019, the Group issued the “2019 First Tranche Medium-Term Notes”, the bond is abbreviated as “19 Macalline MTN001” (bond code: 101900126), the issue price is RMB100/100 face value, with face value of RMB500 million, the issue rate is 5.75%, and the bond duration is 3 years. The bond mentioned above was matured and repaid in 2022.
- (d) The Group’s issuance in 2020. On 6 June 2019, the Company received the “Letter on Reducing the Registration Amount of Medium-Term Notes of Red Star Macalline Group Co., Ltd.” (Zhong Shi Xie Zhu No. [2019]567) issued by NAFMII, and agreed to reduce the registration amount of RMB3 billion of medium-term notes under the aforementioned “Notice for Acceptance of Registration” (Zhong Shi Xie Zhu No. [2018]MTN506). Under the “Notice for Acceptance of Registration” (Zhong Shi Xie Zhu No. [2018]MTN506), the original registered amount is RMB5 billion, after being reduced by RMB3 billion, the remaining effective registration amount is RMB2 billion. From 16 January 2020 to 17 January 2020, the Company successfully issued the first tranche of 2020 medium-term notes, “Medium-term notes of 2020 of Red Star Macalline Group Corporation Ltd. (First tranche)”, the bond is abbreviated as “20 Macalline MN001”, which has a duration of 3 years, and the value date is 20 January 2020, and the redemption date is 20 January 2023. The total planned issuance scale is RMB500 million, and the actual issuance scale is RMB500 million, with an interest rate of 5.70%, and an issue price of RMB100/100 face value.

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For the year ended 31 December 2022

## 35. BONDS (continued)

Note: (continued)

- (e) The Group issued the “Public offering of Corporate Bonds of 2020 of Red Star Macalline Group Corporation Ltd. (First tranche)” in March 2020. The Bond was abbreviated as “20 Hongmei 01” with the issue price of RMB100 par value. The Bond has a duration of 3 years, with interest paid annually and the option to adjust the coupon rate and investors’ resale option at the end of the second year (2022). The actual issuance scale was RMB500 million, with a coupon rate of 4.95%. The bonds have expired and repaid during the year ended 31 December 2022.
- (f) The Group issued the “Public offering of Corporate Bonds of 2020 of Red Star Macalline Group Corporation Ltd. (Second tranche)” in June 2020. The Bond was abbreviated as “20 Hongmei 02” with the issue price of RMB100 par value. The Bond has a duration of 3 years, with interest paid annually and the option to adjust the coupon rate and investors’ resale option at the end of the second year (2022). The actual issuance scale was RMB500 million, with a coupon rate of 5.16%. The bonds have expired and repaid during the year ended 31 December 2022.
- (g) The Group issued the “Public offering of Corporate Bonds of 2020 of Red Star Macalline Group Corporation Ltd. (First tranche) to professional investors” in October 2020. The Bond has an issue price of RMB100 par value and a duration of 3 years, with interest paid annually and the option to adjust the coupon rate and investors’ resale option at the end of the second year (2022). The actual issuance scale was RMB500 million, with a coupon rate of 6.20%. The bonds are in the process to redeem. The remaining RMB30,000,000 will be mature in 2023.
- (h) Hong Kong Red Star Macalline Global Home Furnishing Company Limited, a subsidiary of the Group, issued the United States dollars-denominated bonds totally US\$300 million in 2017, the bond code: B2022(5278), with fixed interest rate, at a coupon rate of 3.375%. The bond is matured in five years, and interest shall be paid semi-annually. The bond was matured and repaid in September 2022.
- (i) During the year ended 31 December 2022, the Group issued United States dollars-denominated bonds totalling US\$249.7 million with fixed interest rate, at a coupon rate of 5.20%. The bond is matured in 3 years, and interest shall be paid semi-annually.

The movements of the Bonds are set out below:

	2022 RMB'000	2021 RMB'000
As at 1 January	4,436,317	8,465,899
Issuance of USD Bonds of 2022 of		
Hong Kong Red Star Macalline (3-year)	1,697,888	–
Redemption of Medium-term notes of 2018 (First tranche)	–	(500,000)
Redemption of Medium-term notes of 2019 (First tranche)	(500,000)	–
Redemption of Bonds Public offering of		
Corporate Bonds of 2016 (First tranche) (5-year)	–	(46,800)
Redemption of Bonds Public offering of		
Corporate Bonds of 2016 (First tranche) (7-year)	(32,533)	(1,467,467)
Redemption of Bonds Public offering of		
Corporate Bonds of 2019 (First tranche) (Type 2)	–	(1,999,171)
Redemption of Bonds Public offering of		
Corporate Bonds of 2020 (First tranche)	(500,000)	–
Redemption of Bonds Public offering of		
Corporate Bonds of 2020 (Second tranche)	(500,000)	–
Redemption of Bonds Public offering of		
Corporate Bonds of 2020 (First tranche) (Type 1)		
to professional investors	(470,000)	–
Redemption of USD Bonds of 2017 (5-year)	(2,128,894)	–
Interests and issue cost amortised	248,421	355,931
Interest paid during the year	(237,752)	(327,554)
Exchange difference	240,782	(44,521)
<b>As at 31 December</b>	<b>2,254,229</b>	<b>4,436,317</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 36. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	<b>940,871</b>	1,192,502
Within a period of more than one year but not exceeding two years	<b>601,976</b>	698,119
Within a period of more than two years but not exceeding five years	<b>1,164,417</b>	1,433,954
More than five years	<b>1,655,195</b>	2,019,081
	<b>4,362,459</b>	5,343,656
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(940,871)</b>	(1,192,502)
Amount due for settlement after 12 months shown under non-current liabilities	<b>3,421,588</b>	4,151,154

The weighted average incremental borrowing rates applied to lease liabilities range from 4.65% to 6.75% (2021: from 4.65% to 6.75%).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 37. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grant	171,973	177,822
VAT additional deduction (note)	46,148	36,034
	<b>218,121</b>	213,856

The movement of deferred income was as follow:

	2022 RMB'000	2021 RMB'000
As at 1 January	213,856	224,943
Received during the year	30,804	15,335
Credit to profit or loss	(26,539)	(26,422)
As at 31 December	<b>218,121</b>	213,856

*note:*

VAT additional deduction means that each single entity does not have enough output tax to be deducted, and the corresponding 10% additional deduction of VAT input tax is recognised as deferred income. The deferred income can be used from 1 April 2019 to 31 December 2023.

## 38. OTHER NON-CURRENT LIABILITIES

	2022 RMB'000	2021 RMB'000
One-off discount received on pre-purchase of property service for 20 years (note a)	925,526	999,547
Others (note b)	235,130	–
Less: Current portion	(73,648)	(74,021)
	<b>1,087,008</b>	925,526

*note:*

- (a) The Group entered into the agreement with CIFI Ever Sunshine (Hainan) Investment Company Limited (旭輝永升(海南)投資有限公司) (hereinafter referred to as "CIFI Ever Sunshine") this year to agree that the property services of the Group's 71 Portfolio Shopping Malls in the next 20 years will be provided by Shanghai Macalline Property Management Service Co., Ltd. (上海美凱龍物業管理服務有限公司), a subsidiary of CIFI Ever Sunshine, and a discount will be charged. The discount shall be apportioned during the subsequent period of receiving property services to offset the cost of property services. As of 31 December 2022, the unamortised balance totaled RMB925,526 thousand (2021:RMB999,547 thousand), of which RMB73,648 thousand (2021:RMB74,021 thousand) will be amortised in next financial year.
- (b) The Group signed an agreement with Beijing Hongjing Parking Management Co., Ltd. 北京鴻景泊興停車管理有限公司 (hereinafter referred to as "Beijing Hongjing") during the year ended 31 December 2022, stipulating that Beijing Hongjing will obtain the long-term lease rights or income rights of the parking lots of 36 self-operated shopping malls of the Group for the next 6 years. The transaction consideration is RMB312,846 thousand, of which RMB235,130 thousand is included in other non-current liabilities, and the revenue will be recognised in profit or loss from the period 2024 to 2028.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 39. DEFERRED TAX ASSETS/LIABILITIES

### Deferred tax assets

	Provision for impairment of assets RMB'000	Tax losses RMB'000	Assets-related deferred income RMB'000	One-off discount account charged for early purchase of 20-year property service RMB'000	Long-term assets capitalised in Group's internal transaction RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2021	512,485	789,008	50,017	-	75,321	495,086	1,921,917
(Charged)/credit to profit or loss	145,741	347,067	(5,562)	249,887	7,241	27,561	771,935
Acquisitions of subsidiaries	19	-	-	-	-	5,632	5,651
Disposal of subsidiaries	(1,645)	(423)	-	-	-	(106)	(2,174)
As at 31 December 2021 and 1 January 2022	<b>656,600</b>	<b>1,135,652</b>	<b>44,455</b>	<b>249,887</b>	<b>82,562</b>	<b>528,173</b>	<b>2,697,329</b>
(Charged)/credit to profit or loss	<b>214,014</b>	<b>175,117</b>	<b>(1,462)</b>	<b>(18,505)</b>	<b>12,422</b>	<b>80,863</b>	<b>462,449</b>
As at 31 December 2022	<b>870,614</b>	<b>1,310,769</b>	<b>42,993</b>	<b>231,382</b>	<b>94,984</b>	<b>609,036</b>	<b>3,159,778</b>

### Deferred tax liabilities

	Change in fair value of investment properties RMB'000	Change in fair value of other equity instrument investment RMB'000	Adjustment to the fair value arising from business combination RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2021	11,867,159	448,528	551,964	409,629	13,277,280
(Charged)/credit to profit or loss	582,456	-	-	(34,377)	548,079
Credit to other comprehensive income	-	30,523	-	-	30,523
Disposal of subsidiaries	-	-	(78,044)	-	(78,044)
As at 31 December 2021 and 1 January 2022	<b>12,449,615</b>	<b>479,051</b>	<b>473,920</b>	<b>375,252</b>	<b>13,777,838</b>
(Charged)/credit to profit or loss	<b>594,900</b>	<b>-</b>	<b>-</b>	<b>(10,822)</b>	<b>584,078</b>
Credit to other comprehensive income	<b>-</b>	<b>(209,408)</b>	<b>-</b>	<b>-</b>	<b>(209,408)</b>
As at 31 December 2022	<b>13,044,515</b>	<b>269,643</b>	<b>473,920</b>	<b>364,430</b>	<b>14,152,508</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 39. DEFERRED TAX ASSETS/LIABILITIES (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	3,027,514	2,696,061
Deferred tax liabilities	(14,020,244)	(13,776,570)
	<b>(10,992,730)</b>	(11,080,509)

No deferred taxation asset has been recognised in respect of the following unutilised tax losses and deductible temporary differences due to the unpredictability of future profit streams.

	2022 RMB'000	2021 RMB'000
Unutilised tax losses	5,927,296	5,370,928
Deductible temporary difference	89,807	113,680
	<b>6,017,103</b>	5,484,608

At the end of the reporting period, the Group has unused tax losses of approximately RMB11,221,081 thousand (2021: RMB9,926,414 thousand) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB5,293,785 thousand (2021: RMB4,555,486 thousand) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB5,927,296 thousand (2021: RMB5,370,928 thousand) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB5,927,296 thousand (2021: RMB5,370,928 thousand) with expiry dates as disclosed in the following table.

	2022 RMB'000	2021 RMB'000
To be expired on:		
31 December 2022	–	347,716
31 December 2023	598,044	530,377
31 December 2024	1,234,377	1,265,812
31 December 2025	1,616,772	1,713,907
31 December 2026	1,546,996	1,513,116
31 December 2027	931,107	–
	<b>5,927,296</b>	5,370,928

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 40. SHARE CAPITAL

The movements to the Company's issued share capital during the years ended 31 December 2022 and 2021 are as follows:

	H Shares Number of shares '000	A Shares Number of shares '000	Share capital RMB'000
As at 1 January 2021	741,286	3,163,714	3,905,000
Issued of shares (note)	–	449,733	449,733
As at 31 December 2021 and 1 January 2022 and 31 December 2022	<b>741,286</b>	<b>3,613,447</b>	<b>4,354,733</b>

All shares issued are at par value RMB1

*note:* On 20 October 2021, the Company has completed the non-public issuance of A shares of 449,732,673 at RMB8.23 per share and the new shares have been registered with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. After completion of the Nonpublic Issuance of A Shares, the total number of Shares increased from 3,905,000,000 Shares to 4,354,732,673 Shares, with the total number of A Shares increased from 3,163,714,366 A Shares to 3,613,447,039 A Shares. The gross proceeds of the non-public issuance of A shares were amount approximately RMB3,701,300,000 and the net proceeds were amount approximately RMB3,678,364,000. For the details of the non-public issuance of A Shares, please refer to the Company announcement dated 21 October 2021.

## 41. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of Establishment and principal place of business	Proportion of equity interest held by non-controlling interest		Profit allocated to non-controlling interest		Accumulated non-controlling interest	
		Year end December 31		Year ended December 31		Year ended December 31	
		2022 %	2021 %	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司) (“鄭州紅星”)	PRC	39.69%	39.69%	227,455	140,429	1,171,166	1,052,810
Yintai (Yongqing) New City Investment Co., Ltd (銀泰(永清)新城投資有限公司) (“銀泰新城投資”)	PRC	30.00%	30.00%	(95,270)	(268)	329,395	424,665
Suzhou Industry Park Red Star Macalline Home Furnishing Company Limited (蘇州工業園區紅星美凱龍家居有限公司) (“蘇州紅星”)	PRC	45.00%	45.00%	28,654	120,314	549,498	536,594
Individual immaterial subsidiaries With non-controlling interests				(22,521)	(123,396)	1,505,692	1,614,135
				<b>138,318</b>	137,079	<b>3,555,751</b>	3,628,204

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 41. NON-CONTROLLING INTERESTS (continued)

### 鄭州紅星

	2022 RMB'000	2021 RMB'000
Current assets	668,944	834,600
Non-current assets	4,376,912	3,888,416
Current liabilities	136,561	169,117
Non-current liabilities	1,764,815	1,722,498
Equity attributable to owners of the Company	1,973,314	1,778,591
Non-controlling interests	1,171,166	1,052,810

	2022 RMB'000	2021 RMB'000
Revenue	338,038	367,877
Expenses	(64,966)	(82,562)
Profit and total comprehensive income	573,080	353,814
Profit and total comprehensive income attributable to owners of the Company	345,625	213,385
Profit and total comprehensive income attributable to the non-controlling interests	227,455	140,429
	573,080	353,814
Dividends paid to non-controlling interests	109,100	36,950
Net cash inflow from operating activities	141,545	246,225
Net cash inflow from investing activities	8,397	21,211
Net cash outflow from financing activities	(295,617)	(218,209)
Net cash (outflow)/inflow	(145,675)	49,227

## 41. NON-CONTROLLING INTERESTS (continued)

### 銀泰新城投資

	2022 RMB'000	2021 RMB'000
Current assets	278,915	280,361
Non-current assets	2,383,543	2,577,620
Current liabilities	856,645	734,602
Non-current liabilities	459,252	459,252
Equity attributable to owners of the Company	1,017,166	1,239,462
Non-controlling interests	329,395	424,665

	2022 RMB'000	2021 RMB'000
Revenue	9	–
Expenses	(422,055)	(1,195)
Profit and total comprehensive income	(317,566)	(892)
Profit and total comprehensive income attributable to owners of the Company	(222,296)	(624)
Profit and total comprehensive income attributable to the non-controlling interests	(95,270)	(268)
	(317,566)	(892)
Dividends paid to non-controlling interests	–	–
Net cash outflow from operating activities	(1,193)	(5,916)
Net cash outflow from investing activities	(408)	(382)
Net cash inflow from financing activities	580	(12,500)
Net cash outflow	(1,021)	(6,966)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 41. NON-CONTROLLING INTERESTS (continued)

蘇州紅星

	2022	2021
	RMB'000	RMB'000
Current assets	466,879	472,598
Non-current assets	1,875,615	1,895,738
Current liabilities	155,383	181,690
Non-current liabilities	891,205	938,666
Equity attributable to owners of the Company	746,408	711,386
Non-controlling interests	549,498	536,594

	2022	2021
	RMB'000	RMB'000
Revenue	169,247	196,299
Expenses	(86,001)	(81,018)
Profit and total comprehensive income	63,676	267,363
Profit and total comprehensive income attributable to owners of the Company	35,022	147,050
Profit and total comprehensive income attributable to the non-controlling interests	28,654	120,313
	63,676	267,363
Dividends paid to non-controlling interests	15,750	45,450
Net cash inflow from operating activities	518	134,148
Net cash (outflow)/inflow from investing activities	(699)	9,472
Net cash outflow from financing activities	(41,858)	(125,563)
Net cash (outflow)/inflow	(42,039)	18,057

## 42. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the group entities in the PRC are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The group entities in the PRC contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. The total cost charged to profit or loss for the years ended 31 December 2022 amounted to RMB280,307 thousand (2021: RMB294,460 thousand) represent contributions paid or payable to the scheme by the Group.

## 43. ACQUISITION OF SUBSIDIARIES

### Acquisition in 2021:

During the year ended 31 December 2021, the Company acquired 50% equity of Xiamen Red Star Macalline Home Furnishing Plaza Company Limited ("Xiamen RSM") (廈門紅星美凱龍家居生活廣場有限責任公司) at RMB1. Since the combining enterprises are not ultimately controlled by the same party or parties before and after the combination, the combination is not involving enterprises under common control. The Group completed the business registration for such change on 17 November 2021 and obtained the control right over Xiamen Red Star Macalline Home Furnishing Plaza Company Limited. Therefore, the acquisition date was determined to be 17 November 2021.

Assets acquired and liabilities recognised at respective date of acquisition are as follows:

	As at Date of Completion RMB'000
Cash and bank balance	1,291
Account receivables	3,134
Prepayment, deposits and other receivables	137,676
Inventories	56
Properties, plant and equipment	175
Right-of-use assets	165,914
Deferred tax assets	30,407
Account payable	(271)
Other payables	(192,116)
Lease liabilities	(145,725)
Deferred income	(541)
	-
Goodwill on acquisition of subsidiary:	
Consideration paid and payable	-*
Less: fair value of identifiable net assets acquired	(-)
	-*
Net cash inflow	
Cash and cash equivalent balance acquired	1,291
Less: consideration paid in cash	(-)*
	1,291

\* The amounts were less than thousand dollar.

Acquisition-related costs for these acquisitions are not material and have been excluded from the consideration transferred and have been recognised as an expense during the year 31 December 2021, within the 'administrative expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

Included in the revenue and profit for the year ended 31 December 2021 is RMB1,695 thousand and net loss of RMB1,677 thousand respectively of Xiamen RSM after the acquisition.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. DISPOSAL OF SUBSIDIARIES

### Disposal in 2021:

Tibet Red Star Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限公司) holds 100% equity of Shanghai Beimai Logistics Company Limited (上海倍邁物流有限公司), Anhui Red Star Macalline Logistics Company Limited (安徽紅星美凱龍物流有限公司), Shanghai Beilang Logistics Company Limited (上海倍朗物流有限公司), Hebei Red Star Macalline Logistics Company Limited (河北紅星美凱龍物流有限公司), Shanghai Beihao Logistics Company Limited (上海倍皓物流有限公司), Tianjin Hongju Supply Chain Technology Co., Ltd. (天津紅居供應鏈科技有限公司), Shanghai Beixun Logistics Company Limited (上海倍訊物流有限公司) and Tianjin Hongmei Supply Chain Technology Co., Ltd. (天津紅美供應鏈科技有限公司); Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司) holds 100% equity of Anhui Shengshi Dingtong Logistics Company Limited (安徽盛世鼎通物流有限公司) and Chongqing Red Star Macalline Logistics Company Limited (重慶紅星美凱龍物流有限公司); Shanghai Beimao Logistics Company Limited (上海倍茂物流有限公司) holds 100% equity of Guizhou Red Star Macalline Logistics Company Limited (貴州紅星美凱龍物流有限公司); Shanghai Beiyue Logistics Company Limited (上海倍躍物流有限公司) holds 100% equity of Shaanxi Red Star Macalline Logistics Company Limited (陝西紅星美凱龍物流有限公司); Shanghai Beibo Logistics Company Limited (上海倍博物流有限公司) holds 100% equity of Wuhan Ruixinxin Technology Co., Ltd. (武漢瑞鑫欣科技有限責任公司); Shanghai Beizheng Logistics Company Limited (上海倍正物流有限公司) holds 100% equity of Hefei Red Star Macalline Logistics Company Limited (合肥紅星美凱龍物流有限公司).

On 2 June 2021, Red Star Macalline Group Corporation Ltd., a subsidiary of the Group, and its subsidiary Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司) signed an equity transfer agreement with Tianjin Yuanchuan Investment Co., Ltd. (天津遠川投資有限公司) to dispose of its 100% equity interests in a total of 7 companies, Tibet Red Star Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限公司), Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司), Shanghai Beimao Logistics Company Limited (上海倍茂物流有限公司), Shanghai Beiyue Logistics Company Limited (上海倍躍物流有限公司), Shanghai Beibo Logistics Company Limited (上海倍博物流有限公司), Shanghai Beizheng Logistics Company Limited (上海倍正物流有限公司), Tianjin Red Star Macalline Logistics Company Limited (天津紅星美凱龍物流有限公司) at RMB1,214,258 thousand and the disposal date is 30 June 2021. Therefore, since 1 July 2021, the Group no longer includes the above 7 companies into the scope of consolidation.

## 44. DISPOSAL OF SUBSIDIARIES (continued)

### Disposal in 2021 (continued):

The aggregate financial information of the above seven companies is set out below:

	As at Date of Completion RMB'000
Current assets	1,277,528
Non-current assets	1,905,240
Current liabilities	(2,395,779)
Non-current liabilities	(21,133)
Net assets disposal	765,856
Consideration received and receivables	1,214,258
Less: net assets disposal	(765,856)
Gain on disposal of subsidiaries	448,402

On 20 May 2021, the Group and its subsidiary Tianjin Red Star Macalline World Trade Home Furnishing Company Limited (天津紅星美凱龍世貿家居有限公司) ("Tianjin Beichen") and CIFI Ever Sunshine (Hainan) Investment Company Limited (旭輝永升(海南)投資有限公司) ("CIFI Ever Sunshine") signed an equity transfer agreement to sell its 90.1% equity interests in Shanghai Xingyue Property Service Co., Ltd. (上海星悅物業服務有限公司) ("Xingyue Property") at RMB297.33 million.

On 15 October 2021, the Group and its subsidiaries signed an equity transfer agreement with CIFI Ever Sunshine to sell its 80% equity interests in Shanghai Macalline Property Management Services Co., Ltd. (上海美凱龍物業管理服務有限公司) ("Macalline Property") at RMB696 million.

In November 2021, Tianjin Beichen, a subsidiary of the Group, signed an equity transfer agreement with Shanghai Macalline Property Management Service Co., Ltd. ("Macalline Property") to sell its 9.9% equity interests in Shanghai Xingyue Property Service Co., Ltd. ("Xingyue Property") at RMB32.67 million.

Upon the completion of the above-mentioned equity transfer transactions, CIFI Ever Sunshine and Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司) ("Wuhan Red Star"), a subsidiary of the Group, respectively held 80% and 20% equity interests in Macalline Property, and Xingyue Property became a wholly-owned subsidiary of Macalline Property, in which the Group indirectly holds 20% equity interests. Among the relevant consideration for the equity transfer, the equity consideration was RMB13,186 thousand, and a one-off discount of RMB1,013,143 thousand was received for property services in the next 20 years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. DISPOSAL OF SUBSIDIARIES (continued)

### Disposal in 2021 (continued):

On 31 October 2021, the Group lost control over the above-mentioned property companies and completed the overall transfer of such property companies. Therefore, the management accounted for the above-mentioned transfer as a package transaction, and the disposal date was 31 October 2021. Therefore, since 1 November 2021, the Group no longer includes Macalline Property into the scope of consolidation, and the remaining 20% equity interests in Macalline Property will be re-measured according to its fair value on the date of loss of control. The fair value is determined based on the continuously calculated share of the net assets of Macalline Property on the date of loss of control.

The aggregate financial information of the above companies is set out below:

	As at Date of Completion RMB'000
Current assets	39,210
Non-current assets	396
Current liabilities	(23,121)
Non-current liabilities	(2)
Net assets disposal	16,483
Fair value of the retain interest	(3,297)
Consideration received and receivables	13,186
Less: net assets disposal	(13,186)
Gain on disposal of subsidiaries	-

## 44. DISPOSAL OF SUBSIDIARIES (continued)

### Disposal in 2021 (continued):

Red Star Macalline Group Corporation Ltd., a subsidiary of the Group, and the controlling shareholder Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) signed an equity transfer agreement in May 2021 to transfer 100% equity of Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司) and 100% equity of Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司). The transfer price paid by the transferor for the transfer of equity to the transferee is RMB1,209,109 thousand, of which the equity transfer price of Shanghai Red Star Macalline Financial Leasing Company Limited is RMB1,005,574 thousand and the equity transfer price of Shanghai Red Star Macalline Commercial Factoring Company Limited is RMB203,534 thousand, and the disposal date is 7 July 2021. Therefore, since 7 July 2021, the Group no longer includes Shanghai Red Star Macalline Financial Leasing Company Limited and Shanghai Red Star Macalline Commercial Factoring Company Limited into the scope of consolidation. The relevant financial information of the above two companies is set out below:

	As at Date of Completion RMB'000
Current assets	1,204,520
Non-current assets	9,170
Current liabilities	(5,071)
Non-current liabilities	–
Net assets disposal	1,208,619
Consideration received and receivables	1,209,109
Less: net assets disposal	(1,208,619)
Gain on disposal of subsidiaries	490

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 45. PLEDGED OF ASSETS AND REVENUE

### Pledge of assets

The following assets were pledged/restricted to secure certain bank and other borrowings, and banking facilities granted to the Group as set out in Note 34 at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Investment properties	84,678,000	85,316,000
Equity instrument at FVTOCI	444,543	136,755
Property, plant and equipment	2,284,558	2,310,018
Restricted bank deposits	302,205	783,803
	<b>87,709,306</b>	<b>88,546,576</b>

### Pledge of revenue

The revenue of operations from Hushi Shibo, Ningbo Aoyang, Shanghai Zhenbei Shopping Mall, Shanghai Wuzhonglu Shopping Mall, Jinan Red Star Shopping Mall, Ozing Digital Technology, Shanghai Jinqiao Shopping Mall, Nanjing Pukou Shopping Mall, Nanjing Mingdu Shopping Mall, Harbin West Railway Station Shopping Mall, Jinshan Hangzhou Bay Shopping Mall, Zhongshan Shibo, Shanghai Jinshan, Zhengzhou Red Star, Shanghai Jinqiao, Xi'an Chanba, Tianjin Hedong, Shanghai Pujiang during relevant loan periods was used for loan pledge as set out in Note 34. The revenue of property operation from Beijing East Four Ring, Yantai Red Star, Wuhan Etouwan, Beijing West Four Ring, Wuxi Red Star during relevant periods was used for Commercial mortgage-backed securities pledge as set out in Note 34.

## 46. COMMITMENTS

	2022 RMB'000	2021 RMB'000
Contracted but not provided for in the consolidated financial statements:		
Capital expenditure in respect of acquisition and construction of investment properties contracted for but not provided in the consolidated financial statements	1,412,969	1,479,228
Investment commitments	217,036	348,199
	<b>1,630,005</b>	<b>1,827,427</b>

## 47. CAPITAL RISK MANAGEMENT

The key objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not constrained by any external mandatory requirements on capital. In 2022 and 2021, there was no change in the Group's capital management objectives, policies or procedures.

The Group manages its capital with the gearing ratio, which refers to net liabilities divided by the equity and net liabilities. Net liabilities include bank and other borrowings, notes payable, bonds payable, lease liabilities and other liabilities (net of cash and cash equivalents), and the equity of the Group. The gearing ratio of the Group as of the balance sheet date is as follows:

	2022 RMB'000	2021 RMB'000
Bank and other borrowings	31,609,352	34,180,136
Bills payables	44,412	9,000
Lease liabilities	4,362,459	5,343,656
Bonds	2,254,229	4,436,317
Others liabilities	1,065,437	1,202,894
	<b>39,335,889</b>	45,172,003
Less: cash and cash equivalents	<b>(2,608,264)</b>	(6,097,987)
Net liabilities	<b>36,727,625</b>	39,074,016
Equity	<b>58,002,716</b>	58,579,498
Capital and net liabilities	<b>94,730,341</b>	97,653,514
Gearing ratio	<b>38.77%</b>	40.01%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS

### Categories of Financial instruments

	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>		
Financial instruments at FVTPL	1,254,113	1,389,468
Financial instrument at FVTOCI	2,586,569	4,169,971
Note receivables at FVTOCI	767	–
Measured at amortised cost:		
Bank balance and cash	2,626,264	6,119,913
Restricted bank deposits	302,205	783,803
Account receivables	1,962,169	1,957,650
Note receivables	18,249	86,554
Deposits and other receivables	1,471,457	1,364,294
Loan receivables	2,381,033	2,421,523
	<b>12,602,826</b>	<b>18,293,176</b>
<b>Financial liabilities</b>		
Financial liabilities at FVTPL:		
Derivative financial liabilities	–	18,168
Measured at amortised cost:		
Trade and other payables	12,485,023	12,921,101
Bank and other borrowings	31,609,352	34,180,136
Bonds	2,254,229	4,436,317
Lease liabilities	4,362,459	5,343,656
Other non-current liabilities	925,526	999,547
	<b>51,636,589</b>	<b>57,898,925</b>

### Financial Risk Management Objectives and Policies

The Group's major financial instruments include financial instruments at FVTPL, financial instruments at FVTOCI, bank balance and cash, restricted bank deposits, account receivables, deposits and other receivables, loan receivables, account payables, other payables, bank and other borrowings, lease liabilities, bonds and other non-current liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.



## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to debt instruments and bank deposits, restricted bank deposits, account receivables, note receivables, contract assets, deposits and other receivables, loan receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The maximum credit risk exposure faced by the Group on each balance sheet date is the total amount collected from customers minus the impairment allowance.

As the customers whose accounts are receivable by the Group are engaged in different departments and sectors, there is no significant credit concentration risk for the Group. The Group held no collateral or other credit enhancement on the balance of accounts receivable.

### Criteria for judging significant increases in credit risk

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition at each balance sheet date. While determining whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the default risk of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly comprise the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition;
- Qualitative criteria mainly comprise significant adverse change in debtor's operation or financial status, and being listed on the watch-list etc.;





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Definition of credit-impaired assets

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- significant financial difficulty of the issuer or the debtor;
- the debtor breached the contract, such as default or overdue payment of interest or principal;
- the creditor, for economic or contractual reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulty of the issuer or the debtor;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily caused by a single event.

#### Parameters of expected credit loss (ECL) measurement

According to whether there is a significant increase in credit risk and whether there is a credit impairment, the Group measures the impairment losses for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relevant definitions are as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the mobility model, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Parameters of expected credit loss (ECL) measurement (continued)

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of default in the next 12 months or throughout the entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various types of businesses.

#### Account receivables and contract assets arising from contracts with customers

The Group only conducts transactions with accredited and reputable third parties. According to the Group's policies, all the customers who require credit-based transactions are subject to credit audit. Moreover, the Group keeps monitoring the balances of accounts receivable to ensure it will not face material bad debt risks. The Group only accepts notes issued or guaranteed by reputable PRC banks if account receivables are settled by notes and therefore the management of the Group considers the credit risk arising from the endorsed or discounted notes is insignificant. Regarding transactions not settled in the recording currency of the relevant operating entities, the Group will not provide any credit transaction conditions, save as otherwise approved by the credit control department of the Group.

In addition, the Group performs impairment assessment under ECL model on account receivables and contract assets with credit-impaired individually. Except for items that are subject to individual evaluation, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all account receivables and contract assets. To measure the expected credit losses, account receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

#### Loan receivables

The management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as based on historical settlement records, past experience, the fair value of the collateral pledged, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Based on assessment by the management, the loss rate is 6.06% (2021: 6.34%) and provision of expected credit loss on loan receivables during the year ended 31 December 2022 was approximately RMB41,821 thousand (2021: RMB48,402 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Restricted bank deposits and bank deposits

Credit risk on restricted bank deposits and bank deposits is limited because the counterparties are reputable banks with high credit. The Group assessed 12m ECL for restricted bank deposits and bank deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits and bank deposits is considered to be insignificant and therefore no loss allowance was recognised/to specify the amount of impairment made.

#### Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Based on assessment by the management, the loss rate is 20.26% (2021: 23.41%) and provision of expected credit loss on other receivables and deposits during the year ended 31 December 2022 was approximately RMB24,663 thousand (2021:RMB122,764 thousand).

#### Provision matrix – debtors' ageing on account receivables and contract assets

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its portfolio because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for account receivables and contract assets which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of RMB820,351 thousand as at 31 December 2022 (2021: RMB852,768 thousand) were assessed individually.

	Gross amount		Provision of ECL	
	RMB'000	%	RMB'000	%
<b>As at 31 December 2021</b>				
Accounts receivable for which provision for ECL is assessed Individually	820,351	22.89%	820,351	100.00%
Accounts receivables for which provision for ECL is assessed by portfolio of credit risk characteristics	2,763,736	77.11%	801,567	29.00%
<b>As at 31 December 2021</b>				
Accounts receivable for which provision for ECL is assessed Individually	852,768	25.32%	835,726	98.00%
Accounts receivables for which provision for ECL is assessed by portfolio of credit risk characteristics	2,514,635	74.68%	574,027	22.83%

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Account receivables (continued)

Portfolio 1: Brand consulting and management services for the early stage of project:

	Gross amount RMB'000	Expected Credit loss rate %	Lifetime expected credit loss RMB'000
As at 31 December 2022			
Within 1 year	14,900	18.07	2,693
1 to 2 years	73,855	26.44	19,526
2 to 3 years	95,034	33.65	31,978
3 to 4 years	200,878	39.71	79,768
4 to 5 years	213,096	60.92	129,825
5 to 6 years	122,550	68.66	84,138
Over 6 years	95,540	100.00	95,540
	<b>815,853</b>	<b>54.36</b>	<b>443,468</b>
As at 31 December 2021			
Within 1 year	104,200	15.59	16,245
1 to 2 years	154,270	22.23	34,294
2 to 3 years	239,699	26.96	64,622
3 to 4 years	224,450	33.50	75,191
4 to 5 years	137,800	57.95	79,855
5 to 6 years	64,290	64.69	41,589
Over 6 years	41,750	100.00	41,750
	<b>966,459</b>	<b>36.58</b>	<b>353,546</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Account receivables (continued)

##### Portfolio 2: Construction and design services

	Gross amount RMB'000	Expected Credit loss rate %	Lifetime expected credit loss RMB'000
As at 31 December 2022			
Within 1 year	437,688	5.00	21,884
1 to 2 years	293,409	18.60	54,574
2 to 3 years	93,679	34.70	32,506
Over 3 years	24,868	100.00	24,868
	<b>849,644</b>	<b>15.75</b>	<b>133,832</b>
As at 31 December 2021			
Within 1 year	811,195	6.11	49,564
1 to 2 years	183,513	19.30	35,418
2 to 3 years	40,427	35.49	14,347
	<b>1,035,135</b>	<b>9.60</b>	<b>99,329</b>

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Account receivables (continued)

##### Portfolio 3: Other consulting services

	Gross amount RMB'000	Expected Credit loss rate %	Lifetime expected credit loss RMB'000
As at 31 December 2022			
Within 1 year	121,053	21.80	26,389
1 to 2 years	104,027	39.40	40,986
2 to 3 years	49,727	64.60	32,123
Over 3 years	65,919	100.00	65,919
	<b>340,726</b>	<b>48.55</b>	<b>165,417</b>
As at 31 December 2021			
Within 1 year	123,939	16.18	20,053
1 to 2 years	70,838	33.53	23,752
2 to 3 years	54,164	57.08	30,917
Over 3 years	36,172	100.00	36,172
	<b>285,113</b>	<b>38.89</b>	<b>110,894</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Account receivables (continued)

##### Portfolio 4: Rental and related income

	Gross amount RMB'000	Expected Credit loss rate %	Lifetime expected credit loss RMB'000
As at 31 December 2022 Rental and related income	<b>572,870</b>	<b>8.82</b>	<b>50,533</b>
As at 31 December 2021 Rental and related income	101,838	4.50	4,583

##### Portfolio 5: Others

	Gross amount RMB'000	Expected Credit loss rate %	Lifetime expected credit loss RMB'000
As at 31 December 2022 Others	<b>184,636</b>	<b>4.50</b>	<b>8,308</b>
As at 31 December 2021 Others	126,090	4.50	5,674

## 48. FINANCIAL INSTRUMENTS (continued)

### Contract assets

	Gross amount RMB'000	Expected Credit loss rate %	Lifetime expected credit loss RMB'000
As at 31 December 2022			
Construction and design	1,370,692	1.77	24,322
The brand consulting and management service for the early stage of the project	840,745	43.85	368,648
	<b>2,211,437</b>	<b>17.77</b>	<b>392,970</b>
As at 31 December 2021			
Construction and design	1,192,252	0.59	7,084
The brand consulting and management service for the early stage of the project	841,352	38.16	321,045
	2,033,604	16.14	328,129

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment

#### Internal credit risk grading categories

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Account receivables	Loan receivables	Deposit and other receivables
Stage 1	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL - not credit-impaired	12-month ECL	12-month ECL
Stage 2	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL not credit-impaired	Lifetime ECL not credit-impaired	Lifetime ECL not credit-impaired
Stage 3	There is evidence indicating the asset is credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired
Written-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off	Amount is written-off

## 48. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022 and 2021:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000	Allowance ECL RMB'000	Loss rate %
As at 31 December 2022							
Account receivables	-	-	820,351	2,763,736	3,584,087	1,621,918	45.25%
Note receivables	18,249	-	-	-	18,249	-	-
Loan receivables	2,402,448	-	132,274	-	2,534,722	153,689	6.06%
Deposit and other receivables	1,628,665	-	216,732	-	1,845,397	373,940	20.26%
Restricted bank deposits	302,205	-	-	-	302,205	-	-
Bank balances and cash	2,626,264	-	-	-	2,626,264	-	-
	<b>6,977,831</b>	<b>-</b>	<b>1,169,357</b>	<b>2,763,736</b>	<b>10,910,924</b>	<b>2,149,547</b>	<b>19.70%</b>
As at 31 December 2021							
Account receivables	-	-	852,768	2,514,635	3,367,403	1,409,753	41.86%
Note receivables	86,554	-	-	-	86,554	-	-
Loan receivables	2,413,814	-	171,577	-	2,585,391	163,868	6.34%
Deposit and other receivables	1,549,350	-	231,961	-	1,781,311	417,017	23.41%
Restricted bank deposits	783,803	-	-	-	783,803	-	-
Bank balances and cash	6,119,913	-	-	-	6,119,913	-	-
	<b>10,953,434</b>	<b>-</b>	<b>1,256,306</b>	<b>2,514,635</b>	<b>14,724,375</b>	<b>1,990,638</b>	<b>13.52%</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

The closing loss allowances for including account receivables, contract assets, loan receivables and deposits and other receivables as at 31 December 2022 and 2021 reconcile to the opening loss allowances as follows:

	Account receivables RMB'000	Contract assets RMB'000	Loan receivables RMB'000	Deposit and other receivables RMB'000	Total RMB'000
As at 1 January 2021	1,160,827	277,197	115,466	298,587	1,852,077
Allowance for ECL recognised in profit or loss during the year, net	311,158	50,932	48,402	122,764	533,256
Written-off during the year	(60,359)	-	-	(4,016)	(64,375)
Disposal of subsidiaries	(1,873)	-	-	(318)	(2,191)
As at 31 December 2021 and 1 January 2022	<b>1,409,753</b>	<b>328,129</b>	<b>163,868</b>	<b>417,017</b>	<b>2,318,767</b>
Allowance for ECL recognised in profit or loss during the year, net	<b>238,938</b>	<b>79,783</b>	<b>41,821</b>	<b>24,663</b>	<b>385,205</b>
Written-off during the year	<b>(26,773)</b>	<b>(14,942)</b>	<b>(52,000)</b>	<b>(67,740)</b>	<b>(161,455)</b>
As at 31 December 2022	<b>1,621,918</b>	<b>392,970</b>	<b>153,689</b>	<b>373,940</b>	<b>2,542,517</b>

## 48. FINANCIAL INSTRUMENTS (continued)

### Liquidity risk

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of bank borrowings, bonds and other interest-bearing borrowings and other financing methods. 44.40% (2021: 52.84%) of the Group's debts would mature in less than one year or on demand as at 31 December 2022.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

As at 31 December 2022

	Weighted average interest rate %	On demand or less than one year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cashflows RMB'000	Carrying amount RMB'000
Trade and other payables	9.80%	11,968,710	136,215	187,971	687,809	12,980,705	12,485,023
Bank and other borrowings	5.90%	8,580,194	6,532,365	11,310,469	12,852,706	39,275,734	31,609,352
Bonds	5.31%	592,174	89,200	1,804,589	-	2,485,963	2,254,229
Lease liabilities	5.59%	1,787,799	885,710	2,011,047	4,175,802	8,860,358	4,362,459
Other non-current liabilities	11.00%	-	109,475	395,409	2,268,525	2,773,409	925,526
		22,928,877	7,752,965	15,709,485	19,984,842	66,376,169	51,636,589

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

### Liquidity risk (continued)

As at 31 December 2021

	Weighted average interest rate %	On demand or less than one year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cashflows RMB'000	Carrying amount RMB'000
Trade and other payables	11.19%	13,655,261	10,319	3,801	79,618	13,748,999	12,921,101
Bank and other borrowings	5.72%	10,782,639	5,249,202	11,582,427	10,253,621	37,867,889	34,180,136
Bonds	5.54%	3,933,966	564,545	-	-	4,498,511	4,436,317
Lease liabilities	5.49%	2,213,258	871,218	1,036,296	6,099,106	10,219,878	5,343,656
Other non-current liabilities	11.00%	-	99,522	362,361	2,411,047	2,872,930	999,547
		30,585,124	6,794,806	12,984,885	18,843,392	69,208,207	57,880,757

Bank and other borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2022, the aggregate carrying amounts of these bank loans amounted to RMB126,000 thousand (2021: RMB591,700 thousand). Taking into account the Group’s financial position, the management does not believe that it is probable that the banks and other debtors will exercise their discretionary rights to demand immediate repayment. The management believes that such bank and other borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank and other borrowings with a repayment on demand clause based on scheduled repayments:

	1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash outflow RMB'000
31 December 2022	<b>34,476</b>	<b>34,018</b>	<b>70,765</b>	-	<b>139,259</b>
31 December 2021	161,076	156,830	322,036	11,090	651,032

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## 48. FINANCIAL INSTRUMENTS (continued)

### Market risk

The Group's activities expose primarily to the market risks of changes in interest rates. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

#### (i) Currency risk

The Group collects all of its revenue in RMB and incurs almost all of its expenditures in RMB. A small portion of bank balances and cash of the Group are denominated in Hong Kong dollars ("HKD"), EURO and currency risk on United States dollars ("USD") mainly represents the USD denominated bonds totalling USD249.7 million. The Group pays all dividends in respect of H shares in HKD. The Group monitors currency risk exposure by periodically reviewing foreign currency exchange rates and will consider hedging significant foreign currency exposure should the need arise.

The table below is a sensitivity analysis of exchange rate risk, which reflects the impact on net profit or loss after tax, when there are reasonable and potential changes in USD, EURO and HKD exchange rates, under the presumption that all other variables remain unchanged.

2022

	Increase/(decrease) in exchange rate %	Increase/(decrease) in net profit or loss RMB'000	Increase/(decrease) in total shareholders' equity RMB'000
Depreciation of RMB against USD	(5.00)	(64,136)	(64,136)
Appreciation of RMB against USD	5.00	64,136	64,136
Depreciation of RMB against HKD	(5.00)	38	38
Appreciation of RMB against HKD	5.00	(38)	(38)
Depreciation of RMB against EURO	(5.00)	6	6
Appreciation of RMB against EURO	5.00	(6)	(6)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

### Market risk (continued)

#### (i) Currency risk (continued)

2021

	Increase/(decrease) in exchange rate %	Increase/(decrease) in net profit or loss RMB'000	Increase/(decrease) in total shareholders' equity RMB'000
Depreciation of RMB against USD	(5.00)	(16,702)	(16,702)
Appreciation of RMB against USD	5.00	16,702	16,702
Depreciation of RMB against HKD	(5.00)	20	20
Appreciation of RMB against HKD	5.00	(20)	(20)
Depreciation of RMB against EURO	(5.00)	1,686	1,686
Appreciation of RMB against EURO	5.00	(1,686)	(1,686)

#### (ii) Interest rate risk

The Group is exposed to interest rate risk in relation to bank deposits, loan receivables, bank and other borrowings, bonds and lease liabilities. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank and other borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

##### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2021: 50 basis points) increase or decrease of variable-rate bank and other borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

## 48. FINANCIAL INSTRUMENTS (continued)

### Market risk (continued)

#### (ii) Interest rate risk (continued)

##### *Sensitivity analysis (continued)*

If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's:

- post-tax profit for the year ended 31 December 2022 would decrease/increase by RMB77,294 thousand (2021: decrease/increase by approximately RMB77,235 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and;
- other equity reserves would decrease/increase by RMB77,294 thousand (2021: decrease/increase by approximately RMB77,235 thousand) mainly as a result of the changes in retain earning.

#### (iii) Price risk of equity instrument investment

Price risk of equity instrument investment is the risk that the fair values of equity securities decrease as a result of changes in the levels of share indices and the value of individual securities. The Group was exposed to price risk of equity instrument investment arising from individual equity instrument investment classified as equity instrument investment measured at fair value through profit or loss and equity instrument investment measured at fair value through other comprehensive income as at 31 December 2022 and 2021. The Group's listed equity instrument investments are listed on the stock exchange in Shanghai and Shenzhen and are measured at quoted market prices at the balance sheet date.

##### *Sensitivity analysis*

Following are market stock indices of the following stock exchanges at the end of the trading day closest to the balance sheet date, and their respective highest closing point and the lowest closing point during the year:

	End of 2022	2022 Highest/Lowest	End of 2021	2021 Highest/Lowest
SSE – A share index	3,089	3,652/2,863	3,640	3,675/3312
SZSE – A share index	11,015	14,941/10,087	14,857	15,767/13,252

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

### Market risk (continued)

#### (iii) Price risk of equity instrument investment (continued)

##### *Sensitivity analysis (continued)*

The table below demonstrates the sensitivity of the Group's net profit or loss and net other comprehensive income after tax to every 10% change in the fair values of equity instrument investments, with all other variables held constant (based on their book values at the balance sheet date).

#### 2022

	Book value of equity instrument investment	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
Equity instrument investment				
SSE – FVTPL	-	-	-	-
SSE – FVTOCI	540,895	-	40,755	40,755
SZSE – FVTPL	-	-	-	-
SZSE – FVTOCI	406,472	-	31,569	31,569
NEEQ – FVTOCI	2,424	-	182	182
NASDAQ – FVTOCI	116,658	-	9,741	9,741
Non-listed equity instrument at FVTOCI	1,520,120	-	128,166	128,166

#### 2021

	Book value of equity instrument investment	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
Equity instrument investment				
SSE – FVTPL	15,846	1,347	-	1,347
SSE – FVTOCI	1,449,067	-	110,995	110,995
SZSE – FVTPL	10,959	931	-	931
SZSE – FVTOCI	142,013	-	12,071	12,071
NYSE – FVTOCI	608,663	-	45,650	45,650
Non-listed equity instrument at FVTOCI	1,970,228	-	193,417	193,417

## 48. FINANCIAL INSTRUMENTS (continued)

### Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

#### Fair value hierarchy as at 31 December 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets at FVTPL</b>				
Debt instrument investments	–	–	839,726	839,726
Funds	–	82,112	–	82,112
Equity instrument investments	–	–	332,275	332,275
Equity instruments at FVTOCI	1,064,026	2,423	1,520,120	2,586,569

#### Fair value hierarchy as at 31 December 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets at FVTPL</b>				
Debt instrument investments	–	–	638,411	638,411
Funds	–	353,478	–	353,478
Equity instrument investments	26,804	–	370,775	397,579
Equity instruments at FVTOCI	2,195,703	4,040	1,970,228	4,169,971
<b>Financial liabilities</b>				
Derivative financial liabilities	–	18,168	–	18,168

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 48. FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and significant unobservable inputs
	31 December 2022	31 December 2021		
	RMB'000	RMB'000		
1) Debt instrument investments	<b>839,726</b>	638,411	Level 3	Discounted cash flow approach Risk-adjusted discount Rate: 2.2% (2021:2.2%) (note a)
2) Equity instrument investments-FVTPL	<b>332,275</b>	370,775	Level 3	Discounted cash flow approach Risk-adjusted discount Rate: 15.00%-18.00% (2021:13.04%-14.48%) (note b)
3) Equity instrument investments-FVTOCI	<b>1,520,120</b>	1,970,228	Level 3	Comparable company approach Liquidity discount rate: 70%-80% (2021:80%-85%) (note c)

notes:

- (a) The higher the discount rate, the lower the fair value.
- (b) An increase in the discount rate would result in a decrease in fair value measurement of the Equity instrument investment- FVTPL, and vice versa.
- (c) A slight increase in the liquidity discount rate would results in a significant decrease in the fair value of the equity instrument investments – FVTOCI and vice versa.

There were no transfers between Level 1 and 2 during the year.

## 48. FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

### Reconciliation measurements of Level 3 fair value

	Equity instruments at FVTOCI RMB'000	Debt instruments at FVTPL RMB'000	Equity instruments at FVTPL RMB'000
As at 1 January 2021	2,294,884	72,036	396,925
Transfer out of level 3 (note)	(742,017)	–	–
Included in profit or loss	–	–	(8,750)
Included in other comprehensive income	343,073	–	–
Additions	192,374	637,668	1,600
Disposal/settlements	(118,086)	(71,293)	(19,000)
<b>As at 31 December 2021 and 1 January 2022</b>	<b>1,970,228</b>	<b>638,411</b>	<b>370,775</b>
Transfer out of level 3	(443,338)	–	–
Included in profit or loss	–	8,404	(32,000)
Included in other comprehensive income	16,069	–	–
Additions	20,000	2,022,648	14,100
Disposal/settlements	(42,839)	(1,829,737)	(20,600)
<b>As at 31 December 2022</b>	<b>1,520,120</b>	<b>839,726</b>	<b>332,275</b>

*note:* The Group owns certain investment at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2022 amounts to RMB443,338 thousand (2021: RMB742,017 thousand). The fair value of the investment as at 31 December 2021 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. As certain investments have become a listed entity with its shares traded in an active market. Therefore, the fair value of the investment was determined based on a published price quotation available on the stock exchange and was classified as Level 1 of the fair value hierarchy.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease Liabilities RMB'000	Bonds RMB'000	Bank and other borrowings RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2021	5,114,055	8,465,899	36,643,492	-	50,223,446
<b>Changes from financing cash flows:</b>					
Capital element of lease rentals paid	(149,024)	-	-	-	(149,024)
Proceeds from bank and other borrowings	-	-	9,646,415	-	9,646,415
Repayment of bank and other borrowings	-	-	(12,109,771)	-	(12,109,771)
Interest paid	(72,218)	(327,554)	(2,102,936)	-	(2,502,708)
Redemption of bonds	-	(4,013,438)	-	-	(4,013,438)
Advance from related parties and third parties	-	-	-	4,701,557	4,701,557
Repayment to related parties and third parties	-	-	-	(4,171,376)	(4,171,376)
Total changes from financing cash flows	(221,242)	(4,340,992)	(4,566,292)	530,181	(8,598,345)
<b>Other non-cash changes:</b>					
Interest expenses	235,674	355,931	2,102,936	-	2,694,541
Addition of lease liabilities	124,249	-	-	-	124,249
Lease modification	90,920	-	-	-	90,920
Exchange difference	-	(44,521)	-	-	(44,521)
As at 31 December 2021 and 1 January 2022	<b>5,343,656</b>	<b>4,436,317</b>	<b>34,180,136</b>	<b>530,181</b>	<b>44,490,290</b>
<b>Changes from financing cash flows:</b>					
Capital element of lease rentals paid	(646,109)	-	-	-	(646,109)
Proceeds from bank and other borrowings	-	-	8,187,190	-	8,187,190
Repayment of bank and other borrowings	-	-	(10,757,974)	-	(10,757,974)
Interest paid	(224,229)	(237,752)	(2,030,663)	-	(2,492,644)
Proceeds from new bonds raised	-	1,697,888	-	-	1,697,888
Redemption of bonds	-	(4,131,427)	-	-	(4,131,427)
Advance from related parties and third parties	-	-	-	3,289,811	3,289,811
Repayment to related parties and third parties	-	-	-	(2,163,384)	(2,163,384)
Total changes from financing cash flows	(870,338)	(2,671,291)	(4,601,447)	1,126,427	(7,016,649)
<b>Other non-cash changes:</b>					
Interest expenses	224,229	248,421	2,030,663	-	2,503,313
Addition of lease liabilities	33,777	-	-	-	33,777
Lease modification	(368,865)	-	-	-	(368,865)
Exchange difference	-	240,782	-	-	240,782
As at 31 December 2022	<b>4,362,459</b>	<b>2,254,229</b>	<b>31,609,352</b>	<b>1,656,608</b>	<b>39,882,648</b>

## 50. CONTINGENT LIABILITIES

There is no material contingent liabilities at the end of Reporting Period.

## 51. RELATED PARTY TRANSACTIONS

### 1. Major Transactions between the Group and Related Parties

The following related party transactions are necessary for the development of the group's business. The transactions between the group and related parties are related to daily operations. The transactions follow the principles of openness, fairness and fairness. The transactions between both parties are settled at fair market prices.

#### (1) Purchase and sale of goods, provision and receipt of services from related parties

*Purchase of goods and receipt of services from related parties*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Shanghai Hongxing Cloud Computing Technology Co., Ltd. (上海紅星雲計算科技有限公司)	Purchase of goods	25,683	1,561
CSSC Cruise Industry Development (Shanghai) Co., Ltd. (中船郵輪產業發展(上海)有限公司)	Purchase of goods	2,411	–
Yimeijisi Optoelectronics Technology (Fujian) Co., Ltd. (誼美吉斯光電科技(福建)有限公司)	Purchase of goods	1,543	2,068
Lan Zhou Red star Business Management Co., Ltd. (蘭州紅星商業管理有限公司)	Purchase of goods	934	–
Alibaba Cloud Computing Co., Ltd (阿里雲計算有限公司)	Purchase of goods	641	42
Shanghai Yuanshang Property Co., Ltd (上海遠繡物業有限公司)	Purchase of goods	548	–
Sunsea Parking Holdings Limited and its subsidiaries (陽光海天停車控股有限公司及其子公司)	Purchase of goods	211	–
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司)	Purchase of goods	153	–
Baoshan Red Star Urban and Rural Investment and Real Estate Co., Ltd. (保山紅星城鄉投資置業有限公司)	Purchase of goods	139	–
Asia New Materials (Beijing) Building Materials Co., Ltd. (亞細亞新材(北京)建築材料有限公司)	Purchase of goods	58	–
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	Purchase of goods	51	139

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
	Shanghai Yuanxing Huanyu Real Estate Group Co., Ltd (上海遠星寰宇房地產集團有限公司)	34	2,587
	Hangzhou Nabel Ceramics Co., Ltd. And its branches (杭州諾貝爾陶瓷有限公司及其分公司)	4	–
	Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	1	3
	Shanghai Yunshen Intelligent Technology Co., Ltd. (上海雲紳智能科技有限公司)	–	404
	Chongqing Jinke Zhongjun Real Estate Development Co., Ltd. (重慶金科中俊房地產開發有限公司)	–	254
	Qianzhi (Beijing) Cultural Development Co., Ltd. (乾智(北京)文化發展有限公司)	–	244
	Shanghai AI.Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	–	198
	Shanghai Zhenyang Decoration Co., Ltd. and its branches (上海振洋建築裝潢工程有限公司及其分公司)	–	128
	Shanghai Jinyu Investment Consulting Co., Ltd (上海錦禦投資諮詢有限公司)	–	68
	Shanghai Yueying Technology Co., Ltd. (上海躍影科技有限公司)	–	36
	Chengdu Wanfu Xingkai Business Management Co., Ltd. (成都萬福星凱商業管理有限公司)	–	26
	Shanghai Kaixin Cinema Management Co., Ltd. (上海凱昕影院管理有限公司)	–	12
	Shenyang Yuanze Xinghui Property Management Co., Ltd (瀋陽遠擇星輝物業管理有限公司)	N/A	2,574
	Chongqing Xingmei Business Management Co., Ltd. (重慶星美商業管理有限公司)	N/A	77

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

		Details of Transactions	2022 RMB'000	2021 RMB'000
	Meinian Onehealth Healthcare (Group) Co., Ltd (美年大健康產業(集團)有限公司)	Purchase of goods	N/A	76
	Suzhou Pinwei Property Management Co., Ltd. (蘇州遠擇品唯物業管理有限公司)	Purchase of goods	N/A	41
			<b>32,411</b>	10,538

*Note:* Commodity purchases from related parties: during the year, the Group conducted commodity transactions with related parties based on market prices.

		Details of Transactions	2022 RMB'000	2021 RMB'000
	CSSC Cruise Industry Development (Shanghai) Co., Ltd. (中船郵輪產業發展(上海)有限公司)	Settlement of interest income from deposit	<b>1,618</b>	185
	Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Settlement of interest income from deposit	<b>51</b>	58
	Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Settlement of interest income from deposit	<b>35</b>	16
	Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	Settlement of interest income from deposit	–	775
	Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	Settlement of interest income from deposit	N/A	3
			<b>1,704</b>	1,037

*Note:* Payment of interest on deposits to related parties: during the year, the Group conducted transactions with related parties based on market prices.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
	Shandong Inzone Green Home Co., Ltd. and its subsidiaries (山東銀座家居有限公司及其子公司)	5,341	2,590
	Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	4,196	2,807
	Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	1,786	1,541
	Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	1,394	1,513
	Jining Hongrui Market Management Company Limited (濟寧鴻瑞市場經營管理有限公司)	958	686
	Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	535	357
	Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	369	–
	Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	335	–
	Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	16	–
	Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	–	232
	Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	N/A	23
		<b>14,930</b>	<b>9,749</b>

*Note:* Related parties provided joint marketing services for the Group: during the year, the Group conducted transactions with related parties based on market prices.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

		Details of Transactions	2022 RMB'000	2021 RMB'000
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	Revenue from advertising space lease/ Administrative expenses		–	1,508
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Revenue from advertising space lease/ Administrative expenses		413	199
Jining Hongrui Market Management Company Limited (濟寧鴻瑞市場經營管理有限公司)	Revenue from advertising space lease/ Administrative expenses		347	–
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Revenue from advertising space lease/ Administrative expenses		321	48
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Revenue from advertising space lease/ Administrative expenses		284	35
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Revenue from advertising space lease/ Administrative expenses		255	25
Shandong Inzone Green Home Co., Ltd. and its subsidiaries (山東銀座家居有限公司及其子公司)	Revenue from advertising space lease/ Administrative expenses		201	18

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Revenue from advertising space lease/ Administrative expenses	41	–
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	Revenue from advertising space lease/ Administrative expenses	34	–
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	Revenue from advertising space lease/ Administrative expenses	N/A	10
		<b>1,896</b>	1,843

*Note:* Related parties provided the Group with advertising space leasing/management services: during the year, the Group entered into transactions with related parties based on market prices.

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

		2022	2021
Details of Transactions		RMB'000	RMB'000
Shanghai Macalline Property Management Service Co., Ltd. and its branches (上海美凱龍物業管理服務有限公司及其分公司)	Receipt of services	319,099	49,412
Shanghai Xingyue Property Service Co., Ltd. and its branches (上海星悅物業服務有限公司及其分公司)	Receipt of services	191,589	98,442
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)	Receipt of services	55,497	43,544
Shanghai Zhenyang Decoration Co., Ltd. and its branches (上海振洋建築裝潢工程有限公司及其分公司)	Receipt of services	21,129	3,886
Shanghai Hongxing Cloud Computing Technology Co., Ltd. (上海紅星雲計算科技有限公司)	Receipt of services	17,352	32,974
Shanghai Xingzhiyu Commercial Management Co., Ltd. (上海星之域商業經營管理有限公司)	Receipt of services	13,023	12,648
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	Receipt of services	11,669	18,787
Hangzhou Alimama Software Service Co., Ltd (杭州阿里媽媽軟件服務有限公司)	Receipt of services	8,608	19,531
Zhanjiang Haixin Meikai Investment Co., Ltd. (湛江市海新美凱投資有限公司)	Receipt of services	8,071	–
Hangzhou Ant Nest Supply Chain Service Co., Ltd (杭州蟻巢供應鏈服務有限公司)	Receipt of services	4,669	–
Zhejiang Alibaba Communication Technology Co., Ltd (浙江阿里巴巴通信技術有限公司)	Receipt of services	4,213	2,767
Changyuanxin Supply Chain Management (Dongguan) Co., Ltd. (昌源鑫供應鏈管理(東莞)有限公司)	Receipt of services	2,016	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Shanghai Macalline Aijia Property Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	Receipt of services	1,110	61
Beijing Allgf Cultural and Scientific Consultation Co., Ltd. (北京國富縱橫文化科技諮詢股份有限公司)	Receipt of services	902	1,033
Alibaba Cloud Computing Co., Ltd (阿里雲計算有限公司)	Receipt of services	550	4,157
Shanghai Xincheng'an Construction Co., Ltd. (上海鑫誠安建設有限公司)	Receipt of services	357	1,156
Chongqing Xinshengyue Media Co., Ltd (重慶鑫生悅傳媒有限公司)	Receipt of services	288	–
Jinke Smart Service Group Co., Ltd (金科智慧服務集團股份有限公司)	Receipt of services	246	–
Qianzhi (Beijing) Cultural Development Co., Ltd. (乾智(北京)文化發展有限公司)	Receipt of services	199	–
Alibaba (China) Technology Co., Ltd (阿里巴巴(中國)網絡技術有限公司)	Receipt of services	181	–
Chongqing Jinke Hotel Co., Ltd (重慶金科大酒店有限公司)	Receipt of services	117	–
Yimeijisi Optoelectronics Technology (Fujian) Co., Ltd. (誼美吉斯光電科技(福建)有限公司)	Receipt of services	94	–
Tao Bao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司)	Receipt of services	85	91
Chongqing New Starting Point Decoration Engineering Co., Ltd (重慶新起點裝飾工程有限公司)	Receipt of services	85	–
Yuyao Xingkai Real Estate Co., Ltd. (余姚星凱置業有限公司)	Receipt of services	55	–
Zhejiang Tonight Films Co., Ltd. (浙江龍凱影業有限公司)	Receipt of services	40	117

## 51. RELATED PARTY TRANSACTIONS (continued)

## 1. Major Transactions between the Group and Related Parties (continued)

## (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

		Details of Transactions	2022 RMB'000	2021 RMB'000
	Alibaba (Sichuan) Network Technology Co., Ltd. (阿里(四川)網絡技術有限公司)	Receipt of services	38	10
	Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Receipt of services	28	7
	Shanghai Dijing Catering Management Co., Ltd (上海帝景餐飲管理有限公司)	Receipt of services	21	-
	Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Receipt of services	11	304
	Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Receipt of services	2	8
	Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	Receipt of services	-	600
	Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司)	Receipt of services	-	522
	Baoshan Red Star Urban and Rural Investment and Real Estate Co., Ltd. (保山紅星城鄉投置業有限公司)	Receipt of services	-	466
	Zhejiang Tmall Supply Chain Management Company Limited (浙江天貓供應鏈管理有限公司)	Receipt of services	-	299
	Kunming Yuanhonghui Real Estate Co., Ltd (昆明遠鴻匯房地產有限公司)	Receipt of services	-	144
	Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	Receipt of services	-	140
	Chongqing Kaiqin Business Management Co., Ltd. (重慶凱琴商業管理有限公司)	Receipt of services	-	20
	Zigong Aegean Business Management Co., Ltd. (自貢愛琴海商業管理有限公司)	Receipt of services	-	17

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Purchase of goods and receipt of services from related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Shenzhen Yishujia Space Technology Co., Ltd (深圳市藝澍家空間科技有限公司)	Receipt of services	N/A	2,071
Shenyang Yuanze Xinghui Property Management Co., Ltd (瀋陽遠擇星輝物業管理有限公司)	Receipt of services	N/A	611
Meinian Onehealth Healthcare (Group) Co., Ltd and its branches (美年大健康產業(集團)有限公司及其下屬公司)	Receipt of services	N/A	584
Kunming Guangyuan Real Estate Development Co., Ltd. (昆明廣遠房地產開發有限公司)	Receipt of services	N/A	11
		<b>661,344</b>	294,420

*Note:* Related parties provided labor services for the Group: during the year, the Group conducted transactions with related parties based on market prices.

## 51. RELATED PARTY TRANSACTIONS (continued)

## 1. Major Transactions between the Group and Related Parties (continued)

## (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Danyang Rongjin Hongxing Real Estate Development Co., Ltd. (丹陽市融錦宏星置業發展有限公司)	Sales of goods	2,120	19,219
Lan Zhou Red star Business Management Co., Ltd. (蘭州紅星商業管理有限公司)	Sales of goods	934	–
Jiaxing Longmao Xiansen Home Furnishing Co., Ltd (嘉興龍貓先森家居有限公司)	Sales of goods	748	–
Hefei Longmao Xiansen Home Furnishing Co., Ltd (合肥龍貓先森家居有限公司)	Sales of goods	734	–
Yunnan Yuanzepingwei Property Management Co., Ltd (雲南遠擇品唯物業管理有限公司)	Sales of goods	557	–
Shanghai Dijing Catering Management Co., Ltd (上海帝景餐飲管理有限公司)	Sales of goods	553	2,556
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Sales of goods	349	108
Shandong Inzone Green Home Co., Ltd. and its subsidiaries (山東銀座家居有限公司及其子公司)	Sales of goods	319	957
Mex Smart Home (Shenzhen) Co., Ltd. (美時智能家居(深圳)有限公司)	Sales of goods	196	–
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Sales of goods	185	309
Shanghai AI.Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	Sales of goods	173	–
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Sales of goods	153	214
Changxing Ronghao Trading Co., Ltd. (長興榮皓貿易有限公司)	Sales of goods	133	5,604
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	Sales of goods	96	34

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Shanghai Weilaishi Decoration Technology Co., Ltd. (上海威來適裝飾科技有限公司)	Sales of goods	80	40
Ultimate IOT (Shanghai) Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	Sales of goods	74	47
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	Sales of goods	66	–
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	Sales of goods	49	162
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Sales of goods	48	20
Hangzhou Nabel Ceramics Co., Ltd. And its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Sales of goods	29	96
Jining Hongrui Market Management Company Limited (濟寧鴻瑞市場經營管理有限公司)	Sales of goods	18	–
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	Sales of goods	15	95
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成傢俱經營部)	Sales of goods	10	8
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	Sales of goods	4	1,944
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	Sales of goods	3	8
Sunsea Parking Holdings Limited and its subsidiaries (陽光海天停車控股有限公司及其子公司)	Sales of goods	2	–

## 51. RELATED PARTY TRANSACTIONS (continued)

## 1. Major Transactions between the Group and Related Parties (continued)

## (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

		Details of Transactions	2022 RMB'000	2021 RMB'000
	Shanghai Tianhe Intelligent Technology Co., Ltd. and its branches (上海天合智能科技股份有限公司及其分公司)	Sales of goods	-	-
	Zhanjiang Haixin Meikai Investment Co., Ltd. (湛江市海新美凱投資有限公司)	Sales of goods	-	5,244
	Hengshui Xinglong Real Estate Development Co., Ltd. (衡水星龍房地產開發有限公司)	Sales of goods	-	1,997
	Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	Sales of goods	-	1,778
	Shanghai Hongxing Cloud Computing Technology Co., Ltd. (上海紅星雲計算科技有限公司)	Sales of goods	-	1,443
	Yiwu Meilong Real Estate Co., Ltd. (義烏美龍置業有限公司)	Sales of goods	-	526
	Cixi Haorui Real Estate Co., Ltd. (慈溪皓瑞置業有限公司)	Sales of goods	-	454
	Shanghai Xingyue Property Service Co., Ltd. and its branches (上海星悅物業服務有限公司及其分公司)	Sales of goods	-	434
	Qianzhi (Beijing) Cultural Development Co., Ltd. (乾智(北京)文化發展有限公司)	Sales of goods	-	289
	Shanghai Macalline Property Management Service Co., Ltd. (上海美凱龍物業管理服務有限公司)	Sales of goods	-	160
	Shanghai Zhenyang Decoration Co., Ltd. and its branches (上海振洋建築裝潢工程有限公司及其分公司)	Sales of goods	-	114
	Shanghai Jinyu Investment Consulting Co., Ltd (上海錦禦投資諮詢有限公司)	Sales of goods	-	60
	Shanghai Xuanyan Enterprise Management Company Limited (上海暄妍企業管理有限公司)	Sales of goods	-	36
	Guangdong Sanweijia Information Technology Co., Ltd (廣東三維家信息科技有限公司)	Sales of goods	-	24

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Asia New Materials Beijing Building Materials Co., Ltd. (亞細亞新材(北京)建築材料有限公司)	Sales of goods	–	5
Henan Chenbo Real Estate Co., Ltd. (河南宸博置業有限公司)	Sales of goods	N/A	5,155
Shenyang Yuanze Xinghui Property Management Co., Ltd (瀋陽遠擇星輝物業管理有限公司)	Sales of goods	N/A	832
Shanghai Shimao Macalline Home Technology Co., Ltd. (上海世茂美居家居科技有限公司)	Sales of goods	N/A	610
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	Sales of goods	N/A	516
Suning.com Group Co., Ltd. and its subsidiaries (蘇寧易購集團股份有限公司及其子公司)	Sales of goods	N/A	178
		<b>7,648</b>	<b>51,276</b>

*Note:* Sales of goods to related parties: during the year, the Group conducted transactions with related parties based on market prices.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

		2022	2021
Details of Transactions		RMB'000	RMB'000
Quzhou Huicheng Ole Business Management Co., Ltd. (衢州市慧城奧萊商業管理有限公司)	Rendering of service	220,908	23,162
Yangzhou Xinglong Real Estate Development Co., Ltd. (揚州星龍房地產開發有限公司)	Rendering of service	65,710	–
Shanghai Macalline Property Management Service Co., Ltd. and its branches (上海美凱龍物業管理服務有限公司及其分公司)	Rendering of service	65,379	2,286
Zhanjiang Haixin Meikai Investment Co., Ltd. (湛江市海新美凱投資有限公司)	Rendering of service	47,945	128,668
Shanghai Xingyue Property Service Co., Ltd. and its branches (上海星悅物業服務有限公司及其分公司)	Rendering of service	25,158	8,407
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)	Rendering of service	10,507	8,118
Baoshan Red Star Urban and Rural Investment and Real Estate Co., Ltd. (保山紅星城鄉投資置業有限公司)	Rendering of service	2,083	–
Shanghai Xingzhiyu Commercial Management Co., Ltd. (上海星之域商業經營管理有限公司)	Rendering of service	1,768	2,051
Dalian Xingqin Commercial Management Co., Ltd (大連星琴商業管理有限公司)	Rendering of service	1,744	–
Dalian Xingkai Commercial Management Co., Ltd (大連星凱商業管理有限公司)	Rendering of service	1,306	–
Changzhou Aegean Ole Business Management Co., Ltd. (常州愛琴海奧萊商業管理有限公司)	Rendering of service	1,219	2,141
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	Rendering of service	1,060	2,710
Shanghai Aegean Business Management Co., Ltd. (上海愛琴海商務管理有限公司)	Rendering of service	951	1,149

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	Rendering of service	864	264
Xining Yuanhong Real Estate Development Co., Ltd (西寧遠鴻房地產開發有限公司)	Rendering of service	545	–
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Rendering of service	528	446
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司)	Rendering of service	268	10,384
Shanghai Red Star Macalline Real Estate Co. Ltd. (上海紅星美凱龍置業有限公司)	Rendering of service	191	129
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	Rendering of service	158	141
Ultimate IOT (Shanghai) Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	Rendering of service	82	150
Yuyao Xingkai Real Estate Co., Ltd. (余姚星凱置業有限公司)	Rendering of service	69	–
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	Rendering of service	63	102
Shanghai Aegean Ole Business Management Co., Ltd. (上海愛琴海奧萊商業管理有限公司)	Rendering of service	46	66
Shanghai Weilaishi Decoration Technology Co., Ltd. (上海威來適裝飾科技有限公司)	Rendering of service	42	53
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	Rendering of service	22	23

## 51. RELATED PARTY TRANSACTIONS (continued)

## 1. Major Transactions between the Group and Related Parties (continued)

## (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司)	Rendering of service	21	25
Shanghai Longhong Cinema Management Co., Ltd. (上海龍紅影院管理有限公司)	Rendering of service	14	–
Shanghai Kaihong Cinema Management Co., Ltd. (上海凱紅影院管理有限公司)	Rendering of service	13	–
Qingdao Dana International Studios Co., Ltd. (青島德納國際影城有限公司)	Rendering of service	11	140
Qingdao Hongying Cinema Management Co., Ltd. (青島紅影影院管理有限公司)	Rendering of service	10	–
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	Rendering of service	4	5
Shanghai Aegean Commercial Group Co., Ltd. (上海愛琴海商業集團股份有限公司)	Rendering of service	1	–
Hangzhou Nabel Ceramics Co., Ltd. And its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Rendering of service	1	6,877
Shanghai Tianhe Intelligent Technology Co., Ltd. and its branches (上海天合智能科技股份有限公司及其分公司)	Rendering of service	–	3
Hengshui Xinglong Real Estate Development Co., Ltd. (衡水星龍房地產開發有限公司)	Rendering of service	–	3,718
Shanghai Macalline Aijia Property Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	Rendering of service	–	2,192
Shanghai Kaixin Cinema Management Co., Ltd. (上海凱昕影院管理有限公司)	Rendering of service	–	388

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

		Details of Transactions	2022 RMB'000	2021 RMB'000
	Kunming Yuanhonghui Real Estate Co., Ltd. (昆明遠鴻匯房地產有限公司)	Rendering of service	–	348
	Tianjin Hongxing Pacific Cinema Management Co., Ltd. (天津紅星太平洋影院管理有限公司)	Rendering of service	–	247
	Shanghai Linglong Fitness Club Co., Ltd. (上海玲瀧健身俱樂部有限公司)	Rendering of service	–	225
	Suzhou Hongmei Cinema Management Co., Ltd. (蘇州紅美影院管理有限公司)	Rendering of service	–	203
	Changzhou Hongmei Cinema Management Co., Ltd. (常州紅美影院管理有限公司)	Rendering of service	–	189
	Tianjin Laina Huakai Film Co., Ltd. (天津萊納華開影業有限公司)	Rendering of service	–	145
	Shanghai Linwu Fitness Club Co., Ltd. (上海林戊健身俱樂部有限公司)	Rendering of service	–	140
	Yixing Yimei Studios Co., Ltd. (宜興逸美影城有限公司)	Rendering of service	–	117
	Suzhou Kaimei Cinema Management Co., Ltd. (蘇州凱美影院管理有限公司)	Rendering of service	–	117
	Yixing Chenxing Digital Cinema Co., Ltd. (宜興市晨興數字影院有限公司)	Rendering of service	–	104
	Shanghai Lingsi Fitness Club Co., Ltd. (上海玲思健身俱樂部有限公司)	Rendering of service	–	83
	Shanghai Lingyi Beauty Body Co., Ltd. (上海玲逸美容美體有限公司)	Rendering of service	–	80
	Ningbo Kaixing Cinema Management Co., Ltd. (寧波凱星影院管理有限公司)	Rendering of service	–	77
	Tianjin Cameo Film Co., Ltd. (天津卡美奧影業有限公司)	Rendering of service	–	70
	Xiaogan Honghe Studios Management Co., Ltd. (孝感泓河影城管理有限公司)	Rendering of service	–	69
	Jinhua Jiayi Film Co., Ltd. (金華市佳藝影業有限公司)	Rendering of service	–	60

## 51. RELATED PARTY TRANSACTIONS (continued)

## 1. Major Transactions between the Group and Related Parties (continued)

## (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Shanghai Macalline Seven Star Hotel Management Co., Ltd. (上海美凱龍七星酒店管理有限公司)	Rendering of service	–	35
Shanghai Xingchen Interactive Entertainment Technology Co., Ltd. (上海星琛互動娛樂科技有限公司)	Rendering of service	–	32
Xiangshan Kaisheng Real Estate Co., Ltd. (象山凱勝置業有限公司)	Rendering of service	–	30
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Rendering of service	–	28
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	Rendering of service	–	28
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Rendering of service	–	14
Shanghai Hongxin Cinema Management Co., Ltd. (上海紅昕影院管理有限公司)	Rendering of service	–	11
Shanghai Hongkaixing Cinema Management Co., Ltd. (上海紅凱星影院管理有限公司)	Rendering of service	–	11
Shanghai Xingkai Cinema Management Co., Ltd. (上海星凱影院管理有限公司)	Rendering of service	–	9
Shanghai Meiying Enterprise Management Co., Ltd. (上海美影企業管理有限公司)	Rendering of service	–	8
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司)	Rendering of service	–	3
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	Rendering of service	–	3

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Shanghai Xinxi Information Technology Co., Ltd. (上海歆璽信息科技有限公司)	Rendering of service	–	1
Jinhua Hangkai Real Estate Co., Ltd. (金華航凱置業有限公司)	Rendering of service	N/A	9,722
Ganzhou Kaiyue Real Estate Co., Ltd. (贛州凱越置業有限公司)	Rendering of service	N/A	6,926
Suqian Xingkai Real Estate Development Co., Ltd. (宿遷星凱房地產開發有限公司)	Rendering of service	N/A	6,308
Shuyang Xinglong Real Estate Development Co., Ltd. (沭陽星龍房地產開發有限公司)	Rendering of service	N/A	1,854
Shanghai Lindsay Fitness Club Co., Ltd. and its branches (上海林賽健身俱樂部有限公司及其分公司)	Rendering of service	N/A	231
Shanghai Xinxing Catering Management Co., Ltd. (上海恣星餐飲管理有限公司)	Rendering of service	N/A	152
Kunming Guangyuan Real Estate Development Co., Ltd. (昆明廣遠房地產開發有限公司)	Rendering of service	N/A	14
		<b>448,691</b>	231,492

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Jining Hongrui Market Management Company Limited (濟寧鴻瑞市場經營管理有限公司)	Brand management service	4,245	4,601
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Brand management service	3,790	3,623
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Brand management service	2,830	2,830
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Brand management service	2,830	2,830
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	Brand management service	2,830	3,774
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Brand management service	2,594	2,830
Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Brand management service	1,792	1,792
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Brand management service	1,698	158
		<b>22,609</b>	<b>22,438</b>

Note: Provision of brand management services for related parties: during the year, the Group conducted transactions with related parties based on market prices.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

		Details of Transactions	2022 RMB'000	2021 RMB'000
Zhanjiang Haixin Meikai Investment Co., Ltd. (湛江市海新美凱投資有限公司)	Service income		15,440	12,869
Xining Yuanduo Real Estate Development Co., Ltd (西寧遠鐸房地產開發有限公司)	Service income		8,019	72,418
Hangzhou Nabel Ceramics Co., Ltd. And its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Service income		5,750	2,882
Shenzhen Long Life Basics Sleep Science and Technology Co., Ltd. (深圳市朗樂福睡眠科技有限公司)	Service income		4,881	4,075
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	Service income		2,784	6,708
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	Service income		1,887	3,145
Ultimate IOT (Shanghai) Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	Service income		1,413	645
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	Service income		1,003	-
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Service income		700	216
Mex Smart Home (Shen Zhen) Co., Ltd. (美時智能家居(深圳)有限公司)	Service income		665	-
LEAWOD Door and Window Group Co., Ltd. (良木道門窗集團有限公司)	Service income		495	1,751
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	Service income		462	-
Shanghai Hongxing Cloud Computing Technology Co., Ltd. (上海紅星雲計算科技有限公司)	Service income		418	8,061

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

		2022	2021
Details of Transactions		RMB'000	RMB'000
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Service income	262	28
Chengdu Aige Furniture Co., Ltd (成都艾格傢俱有限公司)	Service income	92	–
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	Service income	87	130
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Service income	74	56
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成傢俱經營部)	Service income	51	31
Shanghai Tianhe Intelligent Technology Co., Ltd. and its branches (上海天合智能科技股份有限公司及其分公司)	Service income	48	–
Beijing Allgf Cultural and Scientific Consultation Co., Ltd. (北京國富縱橫文化科技諮詢股份有限公司)	Service income	9	361
Sunsea Parking Holdings Ltd. and its subsidiaries (陽光海天停車控股有限公司及其子公司)	Service income	1	12
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Service income	–	–
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Service income	–	1
Chongqing Jinke Zhongjun Real Estate Development Co., Ltd. (重慶金科中俊房地產開發有限公司)	Service income	–	51,179
Shanghai Luochang Enterprise Management Co., Ltd. (上海洛昶企業管理有限公司)	Service income	–	19,495
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司)	Service income	–	6,551

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Hengshui Xinglong Real Estate Development Co., Ltd. (衡水星龍房地產開發有限公司)	Service income	–	3,928
Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司)	Service income	–	2,869
Yunnan Yuanzepinwei Property Management Co., Ltd (雲南遠擇品唯物業管理有限公司)	Service income	–	467
Zhengzhou Xingbo Real Estate Development Co., Ltd. (鄭州星鉞房地產開發有限公司)	Service income	–	354
Shanghai Zhongyide Trading Company Limited (上海眾意得商貿有限公司)	Service income	–	92
Shanghai Red Star Jinghai Commercial Management Co., Ltd. (上海紅星晶海商業管理有限公司)	Service income	–	18
Shanghai Xingzhiyun Business Information Consulting Co., Ltd. (上海星之韻商務信息諮詢有限公司)	Service income	–	12
Asia New Materials (Beijing) Building Materials Co., Ltd. (亞細亞新材(北京)建築材料有限公司)	Service income	–	11
Shanghai Xingyin Hai Industrial Co., Ltd. (上海星銀海實業有限公司)	Service income	–	11
Shanghai Zhenyang Decoration Co., Ltd. and its branches (上海振洋建築裝潢工程有限公司及其分公司)	Service income	–	5
Shanghai Aegean Commercial Group Co., Ltd. (上海愛琴海商業集團股份有限公司)	Service income	–	4
Shanghai Xinxi Information Technology Co., Ltd. (上海歆璽信息科技有限公司)	Service income	–	2
Chongqing Ocean Red Star Enterprise Development Co., Ltd (重慶遠洋紅星企業發展有限公司)	Service income	–	2

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000	
	Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	Service income	–	1
	Taiyuan Red Star Weiye Property Development and Management Co., Ltd. (太原紅星偉業房地產開發經營有限公司)	Service income	–	–
	Shenyang Yuanze Xinghui Property Management Co., Ltd. and its branches (瀋陽遠擇星輝物業管理有限公司及其分公司)	Service income	N/A	85
	Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	Service income	N/A	2
		<b>44,541</b>	<b>198,477</b>	

	Details of Transactions	2022 RMB'000	2021 RMB'000	
	Nanchang Haoran Real Estate Co., Ltd. (南昌浩然置業有限公司)	Design consultation income	1,181	–
	Zhanjiang Haixin Meikai Investment Co., Ltd. (湛江市海新美凱投資有限公司)	Design consultation income	975	2,588
	Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	Design consultation income	270	15
	Yangzhou Xinglong Real Estate Development Co., Ltd. (揚州星龍房地產開發有限公司)	Design consultation income	194	–
	Quzhou Huicheng Ole Business Management Co., Ltd. (衢州市慧城奧萊商業管理有限公司)	Design consultation income	142	12,535

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2022 RMB'000	2021 RMB'000
Cixi Xingkai Real Estate Co., Ltd. (慈溪星凱置業有限公司)	Design consultation income	94	3,252
Chongqing Kaishuang Real Estate Development Co., Ltd. (重慶凱雙房地產開發有限公司)	Design consultation income	–	14,717
Baoshan Red Star Urban and Rural Investment and Real Estate Co., Ltd. (保山紅星城鄉投資置業有限公司)	Design consultation income	–	11,057
Changchun Red Star Macalline Real Estate Development Co., Ltd. (長春紅星美凱龍房地產開發有限公司)	Design consultation income	–	8,743
Taiyuan Red Star Weiye Property Development and Management Co., Ltd. (太原紅星偉業房地產開發經營有限公司)	Design consultation income	–	4,104
Yiwu Meilong Real Estate Co., Ltd. (義烏美龍置業有限公司)	Design consultation income	–	3,993
Xining Red Star Macalline Real Estate Development Co., Ltd. (西寧紅星美凱龍房地產開發有限公司)	Design consultation income	–	3,943
Xuzhou Maoxing Real Estate Co., Ltd. (徐州茂星置業有限公司)	Design consultation income	–	2,962
Taiyuan Shuangming Kailong Real Estate Development Co., Ltd. (太原雙明凱龍房地產開發有限公司)	Design consultation income	–	2,782
Changzhou Yuanhong Real Estate Co., Ltd. (常州遠弘置業有限公司)	Design consultation income	–	1,972
Taiyuan Shuangmingzhikun Real Estate Development Co., Ltd. (太原雙明智坤房地產開發有限公司)	Design consultation income	–	1,690
Xiangshan Meilong Real Estate Co., Ltd. (象山美龍置業有限公司)	Design consultation income	–	583

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

		Details of Transactions	2022 RMB'000	2021 RMB'000
Yancheng Kailong Property Company Limited (鹽城凱龍置業有限公司)	Design consultation income		–	546
Tianjin Meilong Real Estate Development Co., Ltd. (天津美龍房地產開發有限公司)	Design consultation income		–	439
Hengshui Xinglong Real Estate Development Co., Ltd. (衡水星龍房地產開發有限公司)	Design consultation income		–	371
Chongqing Jinke Zhongjun Real Estate Development Co., Ltd. (重慶金科中俊房地產開發有限公司)	Design consultation income		–	347
Jinan Xinglong Real Estate Development Co., Ltd. (濟南星龍房地產開發有限公司)	Design consultation income		–	330
Shaoxing Xingkai Real Estate Co., Ltd. (紹興星凱置業有限公司)	Design consultation income		–	200
Shanghai Macalline Property Management Service Co., Ltd. (上海美凱龍物業管理服務有限公司)	Design consultation income		–	4
Suqian Xingkai Real Estate Development Co., Ltd. (宿遷星凱房地產開發有限公司)	Design consultation income		N/A	3,990
Shuyang Xinglong Real Estate Development Co., Ltd. (沭陽星龍房地產開發有限公司)	Design consultation income		N/A	2,902
Henan Chenbo Real Estate Co., Ltd. (河南宸博置業有限公司)	Design consultation income		N/A	2,810
Jining Kaixing Shopping Plaza Co., Ltd. (濟寧凱星購物廣場有限公司)	Design consultation income		N/A	566
Nantong Xinglong Real Estate Development Co., Ltd. (南通星龍房地產開發有限公司)	Design consultation income		N/A	151
			<b>2,856</b>	<b>87,592</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related party

As lessors

	Type of leased assets	2022 RMB'000	2021 RMB'000
Shanghai Xingzhiyu Commercial Management Co., Ltd. (上海星之域商業經營管理有限公司)	Office	48,210	51,260
Shanghai Macalline Seven Star Hotel Management Co., Ltd. (上海美凱龍七星酒店管理有限公司)	Office	329	1,315
Zhengzhou Xingbo Real Estate Development Co., Ltd. (鄭州星鉞房地產開發有限公司)	Office	243	–
Changzhou Yizhi International Trade Co., Ltd. (常州市藝致國際貿易有限公司)	Office	45	30
Changzhou Longyao Equity Investment Management Co., Ltd. (常州龍耀股權投資管理有限公司)	Office	33	33
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	Light box advertising space	48	–
Ultimate IOT (Shanghai) Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	Shop(s) in shopping mall	6,245	5,682
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Shop(s) in shopping mall	4,133	9,626
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	Shop(s) in shopping mall	1,528	836
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	Shop(s) in shopping mall	1,035	569
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	Shop(s) in shopping mall	842	2,209
Changzhou Yizhi International Trade Co., Ltd. (常州市藝致國際貿易有限公司)	Shop(s) in shopping mall	812	678

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related party

As lessors (continued)

	Type of leased assets	2022 RMB'000	2021 RMB'000
Beijing Hema Network Technology Co., Ltd. (北京盒馬網絡科技有限公司)	Shop(s) in shopping mall	568	554
Shanghai Weilaishi Decoration Technology Company Limited (上海威來適裝飾科技有限公司)	Shop(s) in shopping mall	516	523
Shanghai Macalline Aijia Property Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	Shop(s) in shopping mall	372	501
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成家具經營部)	Shop(s) in shopping mall	233	251
Shanghai Tianhe Smart Home Technology Company Ltd. and its branches (上海天合智能科技股份有限公司及其分公司)	Shop(s) in shopping mall	208	186
Hangzhou Nobel Business Services Co., Ltd (杭州諾貝爾商業服務有限公司)	Shop(s) in shopping mall	62	–
Mex Smart Home (Shen Zhen) Co., Ltd. (美時智能家居(深圳)有限公司)	Shop(s) in shopping mall	–	699
Shanghai Zhenyang Decoration Co., Ltd. (上海振洋建築裝潢工程有限公司)	Shop(s) in shopping mall	–	625
Asia New Materials (Beijing) Building Materials Co., Ltd. (亞細亞新材(北京)建築材料有限公司)	Shop(s) in shopping mall	–	517
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星家具總廠有限公司)	Shop(s) in shopping mall	–	397
Alibaba Sports Co., Ltd (阿里體育有限公司)	Shop(s) in shopping mall	–	189
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司)	Shop(s) in shopping mall	–	188
CAO Zhongmin (曹仲民)	Shop(s) in shopping mall	–	107
ZHANG Jianfang (張建芳)	Shop(s) in shopping mall	–	82

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related party

*As lessors (continued)*

	Type of leased assets	2022 RMB'000	2021 RMB'000
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	Shop(s) in shopping mall	–	46
Meinian Onehealth Healthcare (Group) Co., Ltd. and its subsidiaries (美年大健康產業(集團)有限公司及其下屬公司)	Shop(s) in shopping mall	–	3,925
Suning.com Group Co., Ltd. and its subsidiaries (蘇寧易購集團股份有限公司及其下屬公司)	Shop(s) in shopping mall	–	1,121
Jiangyin Tishang Home Furnishing Co., Ltd. (江陰提尚家居有限公司)	Shop(s) in shopping mall	–	11
Sunsea Parking Holdings Ltd. and its subsidiaries (陽光海天停車控股有限公司及其子公司)	Parking garage	37,201	5,787
Shanghai Xinhua Chengcheng Asset Management Co., Ltd. (上海新華成城資產管理有限公司)	Parking garage	19,048	19,048
Shanghai Xingzhiyu Commercial Management Co., Ltd. (上海星之域商業經營管理有限公司)	Parking garage	220	370
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	Parking garage	–	10
		<b>121,931</b>	107,375

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related party

As lessees

	Type of leased assets	2022 RMB'000	2021 RMB'000
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	Office	4,594	5,520
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Office	–	48
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Light box advertising space	–	441
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Light box advertising space	–	119
Shandong Inzone Green Home Co., Ltd. and its subsidiaries (山東銀座家居有限公司及其子公司)	Light box advertising space	–	102
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Light box advertising space	–	53
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Light box advertising space	–	47
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	Light box advertising space	–	17
Baoxiang Red Star Macalline (Xiamen) Global Home Plaza Co., Ltd. (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	Light box advertising space	N/A	15
Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. (徐州紅星美凱龍國際家具裝飾城有限公司)	Light box advertising space	–	–
Jining Hongrui Market Management Company Limited (濟寧鴻瑞市場經營管理有限公司)	Light box advertising space	–	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related party

*As lessees (continued)*

	Type of leased assets	2022 RMB'000	2021 RMB'000
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)	Shop(s) in shopping mall	21,550	19,697
Shanghai Yunshen Intelligent Technology Co., Ltd. (上海雲紳智能科技有限公司)	Shop(s) in shopping mall	600	2,370
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Shop(s) in shopping mall	201	193
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Shop(s) in shopping mall	173	163
Hainan Huirui Investment Co., Ltd. (海南暉瑞投資有限公司)	Shop(s) in shopping mall	–	25
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Shop(s) in shopping mall	125	–
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Shop(s) in shopping mall	26	–
Yunnan Yuanzepinwei Property Management Co., Ltd (雲南遠擇品唯物業管理有限公司)	Parking garage	711	1,500
CHE Jianxing (車國興)	Dormitory	–	370
CHEN Shuhong (陳淑紅)	Dormitory	57	52
		<b>28,037</b>	<b>30,732</b>

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties

*Receiving guarantees from related parties*

2022

	Amount of guarantees RMB'000	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
CHE Jianxing (車建興) (Note 1)	785,000	2017/12/15	2027/12/15	No
CHE Jianxing (車建興) (Note 2)	726,637	2020/3/3	2030/3/2	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 3)	108,000	2022/4/1	2024/3/31	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 4)	54,000	2022/9/8	2024/9/7	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 5)	870,000	2020/10/23	2023/10/22	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 6)	525,000	2020/6/16	2030/6/16	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 7)	478,500	2020/12/26	2035/12/25	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 8)	202,000	2018/2/26	2026/2/26	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 9)	112,000	2019/12/19	2029/12/19	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 10)	255,000	2020/1/17	2030/1/17	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 11)	380,500	2019/6/20	2029/6/20	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 12)	617,500	2019/8/30	2031/6/15	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 13)	333,490	2019/9/25	2026/9/17	No

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

*Receiving guarantees from related parties (continued)*

2022 (continued)

	Amount of guarantees RMB'000	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 14)	328,800	2020/6/30	2030/6/29	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 15)	365,000	2019/12/27	2031/12/27	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 16)	230,000	2021/2/22	2028/2/21	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 17)	595,000	2020/3/25	2030/3/25	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 18)	103,500	2019/12/17	2028/12/17	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 19)	79,000	2019/12/30	2027/12/20	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 20)	60,000	2020/7/22	2030/7/27	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 21)	360,000	2020/3/20	2028/3/20	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 22)	532,300	2019/7/1	2029/6/20	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 23)	48,781	2020/11/3	2025/11/2	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 24)	280,000	2028/7/10	2030/7/9	No

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

*Receiving guarantees from related parties (continued)*

2022 (continued)

	Amount of guarantees RMB'000	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 25)	100,000	2022/9/14	2023/9/14	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團 有限公司) (Note 26)	315,000	2021/6/18	2023/6/17	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團 有限公司) (Note 27)	101,740	2019/6/28	2022/12/31	No
Red Star Macalline Holding Group Company Limited · CHE Jianxing (紅星美凱龍控股集團有限公司、車建興) (Note 28)	700,000	2021/12/24	2024/12/23	No
Red Star Macalline Holding Group Company Limited · CHE Jianxing (紅星美凱龍控股集團有限公司、車建興) (Note 29)	700,000	2022/7/7	2025/7/6	No
Red Star Macalline Holding Group Company Limited · CHE Jianxing (紅星美凱龍控股集團有限公司、車建興) (Note 30)	300,000	2021/8/20	2025/2/20	No
Liuzhou Red Star Macalline Real Estate Co., Ltd. · CHE Jianxing (柳州紅星美凱龍置業有限公司、車建興) (Note 31)	212,489	2019/11/28	2029/11/27	No
CHE Jianxing (車建興) (Note 32)	209,500	2017/6/8	2026/6/8	No
CHE Jianxin (車建興) (Note 33)	184,500	2017/1/5	2025/6/20	No
CHE Jianxing · CHEN Shuhong (車建興 · 陳淑紅) (Note 34)	1,780,000	2022/6/15	2037/6/15	No
CHE Jianxing · CHEN Shuhong (車建興 · 陳淑紅) (Note 35)	1,715,389	2022/8/17	2026/3/17	No

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

*Receiving guarantees from related parties (continued)*

**2022** (continued)

*Note 1:* The loan is also secured by the investment property of Shanghai Shanhai Art Furniture Company Limited, a subsidiary of the Group.

*Note 2:* The loan is also secured by the investment property of Shanghai Shanhai Art Furniture Company Limited, a subsidiary of the Group.

*Note 3:* The loan is also secured by the investment property of Changzhou Macalline International Computer and Electronics Furnishing Plaza Company Limited, a subsidiary of the Group.

*Note 4:* The loan is also secured by the investment property of Changzhou Macalline International Computer and Electronics Furnishing Plaza Company Limited, a subsidiary of the Group.

*Note 5:* The loan is also secured by the investment property of Tianjin Red Star Macalline International Home Furnishing Expo Company Limited, a subsidiary of the Group.

*Note 6:* The loan is also secured by the investment property of Suzhou Industry Park Red Star Macalline Home Furnishing Company Limited, a subsidiary of the Group.

*Note 7:* The loan is also secured by the investment property of Shanghai Red Star Macalline Xinglong Home Furnish Company Limited, a subsidiary of the Group.

*Note 8:* The loan is also secured by the investment property of Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited, a subsidiary of the Group.

*Note 9:* The loan is also secured by the investment property of Zhengzhou Red Star Macalline International Home Furnishing Company Limited, a subsidiary of the Group.

*Note 10:* The loan is also secured by the investment property of Zhengzhou Red Star Macalline International Home Furnishing Company Limited, a subsidiary of the Group.

*Note 11:* The loan is also secured by the investment property of Zhengzhou Red Star Macalline International Home Furnishing Company Limited, a subsidiary of the Group.

*Note 12:* The loan is also secured by the investment property of Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited, a subsidiary of the Group.

*Note 13:* The loan is also secured by the investment property of Nanchang Red Star Macalline Global Home Expo Center Company Limited, a subsidiary of the Group.

*Note 14:* The loan is also secured by the investment property of Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited, a subsidiary of the Group.

*Note 15:* The loan is also secured by the investment property of Ningbo Red Star Macalline Home Shopping Plaza Company Limited, a subsidiary of the Group.

*Note 16:* The loan is also secured by the investment property of Nantong Hongmei Shibo Home Furnishing Plaza Company Limited, a subsidiary of the Group.

*Note 17:* The loan is also secured by the investment property of Nanning Red Star Macalline Shibo Home Furnishing Exhibition Centre Company Limited, a subsidiary of the Group.

## 51. RELATED PARTY TRANSACTIONS (continued)

### 1. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

*Receiving guarantees from related parties (continued)*

**2022** (continued)

*Note 18:* The loan is also secured by the investment property of Shanghai Jianliu Enterprise Management Co., Ltd., a subsidiary of the Group.

*Note 19:* The loan is also secured by the investment property of Shanghai enliu Enterprise Management Co., Ltd., a subsidiary of the Group.

*Note 20:* The loan is also secured by the investment property of Shanghai Laicheng Enterprise Management Limited, a subsidiary of the Group.

*Note 21:* The loan is also secured by the investment property of Foshan Junda Enterprise Management Co., Ltd., a subsidiary of the Group.

*Note 22:* The loan is also secured by the investment property of Hangzhou Weiliang Electromechanical Hardware Market Co., Ltd., a subsidiary of the Group.

*Note 23:* The loan is also secured by the investment property of Shaanxi Red Star Heji Home Shopping Plaza Company Limited, a subsidiary of the Group.

*Note 24:* The loan is also secured by the investment property of Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited, a subsidiary of the Group.

*Note 25:* The loan is also secured by the shares of Red Star Macalline Group Corporation Ltd., a subsidiary of the Group.

*Note 26:* The loan is also secured by the investment property of Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited, a subsidiary of the Group.

*Note 27:* The loan is also secured by the investment property of Hangzhou Weiliang Electromechanical Hardware Market Co., Ltd, a subsidiary of the Group.

*Note 28:* The loan is also secured by the investment property of Changzhou World Furniture and Home Plaza Co., Ltd., a subsidiary of the Group.

*Note 29:* The loan is also secured by the investment property of Hefei Red Star Macalline Shibo Furniture Plaza Company Limited, a subsidiary of the Group.

*Note 30:* The loan is also secured by the investment property of Changzhou Hongyang Home Furnishing Plaza Company Limited, a subsidiary of the Group.

*Note 31:* The loan is also secured by the investment property of Liuzhou Red Star Macalline Home Furnishing Company Limited, a subsidiary of the Group.

*Note 32:* The loan is also secured by the investment property of Chongqing Red Star Macalline Expo Home Living Plaza Company Limited, a subsidiary of the Group.

*Note 33:* The loan is also secured by the investment property of Wuxi Red Star Macalline Home Living Plaza Company Limited, a subsidiary of the Group.

*Note 34:* The loan is also secured by the investment property of Beijing Red Star Macalline International Home Furnishing Plaza Company Limited and Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited, subsidiaries of the Group.

*Note 35:* The loan is also secured by the investment property of Tianjin Red Star Macalline Home Living and Decorating Plaza Company Limited and Chongqing Xingkaike Home Furnishing Company Limited, subsidiaries of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
<b>Accounts receivable</b>				
Shanghai Xingzhiyu Commercial Management Co., Ltd. (上海星之域商業經營管理有限公司)	40,722	1,833	-	-
Shanghai Macalline Property Management Service Co., Ltd. and its branches (上海美凱龍物業管理服務有限公司及其分公司)	37,494	1,687	775	-
Shanghai Xinhua Chengcheng Asset Management Co., Ltd. (上海新華成城資產管理有限公司)	33,333	1,500	13,333	600
Yangzhou Xinglong Real Estate Development Co., Ltd. (揚州星龍房地產開發有限公司)	25,836	2,252	10,000	611
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	13,000	13,000	13,000	13,000
Shanghai Xingyue Property Service Co., Ltd. and its branches (上海星悅物業服務有限公司及其分公司)	11,613	523	1,469	-
Hengshui Xinglong Real Estate Development Co., Ltd. (衡水星龍房地產開發有限公司)	7,940	442	209	9
Zhanjiang Haixin Meikai Investment Co., Ltd. (湛江市海新美凱投資有限公司)	6,746	470	60,736	3,639
Danyang Rongjin Hongxing Real Estate Development Co., Ltd. (丹陽市融錦宏星置業發展有限公司)	6,086	274	6,086	274
Quzhou Huicheng Ole Business Management Co., Ltd. (衢州市慧城奧萊商業管理有限公司)	4,769	249	6,206	379
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	4,000	4,000	4,000	4,000
Nanchang Haoran Real Estate Co., Ltd. (南昌浩然置業有限公司)	2,530	915	1,275	246
Yiwu Meilong Real Estate Co., Ltd. (義烏美龍置業有限公司)	2,328	459	2,028	142
Changzhou Aegean Ole Business Management Co., Ltd. (常州愛琴海奧萊商業管理有限公司)	1,749	79	1,338	60
Tianjin Xingkai Real Estate Development Co., Ltd. (天津星凱房地產開發有限公司)	1,650	597	1,650	318
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	1,544	138	211	41

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
Shanghai Luochang Enterprise Management Co., Ltd. (上海洛昶企業管理有限公司)	1,518	79	7,247	443
Changzhou Jintan Weiyi Construction Engineering Co., Ltd. (常州市金壇維億建設工程有限公司)	1,500	1,500	1,500	856
Shanghai Macalline Aijia Real Estate Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	1,420	504	-	-
Changchun Red Star Macalline Real Estate Development Co., Ltd. (長春紅星美凱龍房地產開發有限公司)	1,110	221	3,953	242
Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. (徐州紅星美凱龍國際家具裝飾城有限公司)	1,062	252	-	-
Changxing Ronghao Trading Co., Ltd. (長興榮皓貿易有限公司)	1,026	46	3,687	166
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	1,005	45	640	29
Xuzhou Maoxing Real Estate Co., Ltd. (徐州茂星置業有限公司)	990	52	1,390	85
Jinan Xinglong Real Estate Development Co., Ltd. (濟南星龍房地產開發有限公司)	950	344	1,100	193
Xining Yuanhong Real Estate Development Co., Ltd. (西寧遠鴻房地產開發有限公司)	905	47	1,170	71
Jiaxing Longmao Xiansen Home Furnishing Co., Ltd. (嘉興龍貓先森家居有限公司)	834	38	-	-
Tianjin Meilong Real Estate Development Co., Ltd. (天津美龍房地產開發有限公司)	833	301	1,065	144
Hefei Longmao Xiansen Home Furnishing Co., Ltd. (合肥龍貓先森家居有限公司)	822	37	-	-
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	750	164	-	-
Dalian Xingkai Commercial Management Co., Ltd. (大連星凱商業管理有限公司)	460	24	-	-
Xiangshan Meilong Real Estate Co., Ltd. (象山美龍置業有限公司)	444	101	444	38
Chongqing Jinke Zhongjun Real Estate Development Co., Ltd. (重慶金科中俊房地產開發有限公司)	409	21	409	25

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	388	17	162	7
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)	350	16	-	-
Liuzhou Red Star Macalline Real Estate Co., Ltd. (柳州紅星美凱龍置業有限公司)	317	14	324	14
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商場有限公司)	263	12	261	12
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	181	40	-	-
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	166	7	-	-
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	125	6	-	-
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	123	6	8	-
Kunming Yuanhonghui Real Estate Co., Ltd (昆明遠鴻匯房地產有限公司)	96	34	-	-
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	69	3	-	-
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	58	3	5	-
Yuyao Xingkai Real Estate Co., Ltd. (余姚星凱置業有限公司)	43	2	32	1
Shanghai Aegean Ole Business Management Co., Ltd. (上海愛琴海奧萊商業管理有限公司)	43	2	6	-
Xiangshan Kaisheng Real Estate Co., Ltd. (象山凱勝置業有限公司)	34	12	89	10
Shanghai Longhong Cinema Management Co., Ltd. (上海龍紅影院管理有限公司)	27	1	12	1
Qingdao Dana International Studios Co., Ltd. (青島德納國際影城有限公司)	12	1	-	-
Qingdao Hongying Cinema Management Co., Ltd. (青島紅影院管理有限公司)	11	-	-	-

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
Shanghai Tianhe Smart Home Technology Company Ltd. and its branches (上海天合智能科技股份有限公司及其分公司)	10	-	-	-
Yancheng Kailong Property Company Limited (鹽城凱龍置業有限公司)	7	-	-	-
Shanghai Meiying Enterprise Management Co., Ltd. (上海美影企業管理有限公司)	3	-	3	-
Zhejiang Zhongguang Electric Appliances Group Co., Ltd. (浙江中廣電器集團股份有限公司)	-	-	3,500	3,500
Cixi Xingkai Real Estate Co., Ltd. (慈溪星凱置業有限公司)	-	-	3,433	210
Changzhou Yuanhong Real Estate Co., Ltd. (常州遠弘置業有限公司)	-	-	2,267	-
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	-	-	1,420	274
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	-	-	604	214
Shanghai Kaixin Cinema Management Co., Ltd. (上海凱昕影院管理有限公司)	-	-	578	26
Shaoxing Xingkai Real Estate Co., Ltd. (紹興星凱置業有限公司)	-	-	106	6
Xiangshan Xinglong Real Estate Co., Ltd. (象山星龍置業有限公司)	-	-	31	1
Taiyuan Shuangmingzhikun Real Estate Development Co., Ltd. (太原雙明智坤房地產開發有限公司)	-	-	30	2
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	-	-	30	1
Tianjin Macalline Real Estate Co., Ltd. (天津美凱龍置業有限公司)	-	-	15	1
Xining Yuanduo Real Estate Development Co., Ltd. (西寧遠鐸房地產開發有限公司)	N/A	N/A	19,105	1,167
Suqian Xingkai Real Estate Development Co., Ltd. (宿遷星凱房地產開發有限公司)	N/A	N/A	8,922	545
Shuyang Xinglong Real Estate Development Co., Ltd. (沭陽星龍房地產開發有限公司)	N/A	N/A	5,528	155

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
Baoshan Red Star Urban and Rural Investment and Real Estate Co., Ltd. (保山紅星城鄉投資置業有限公司)	N/A	N/A	5,193	311
Jinhua Hangkai Real Estate Co., Ltd. (金華航凱置業有限公司)	N/A	N/A	4,989	305
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司)	N/A	N/A	4,405	266
Ganzhou Kaiyue Real Estate Co., Ltd. (贛州凱越置業有限公司)	N/A	N/A	3,482	314
Henan Chenbo Real Estate Co., Ltd. (河南宸博置業有限公司)	N/A	N/A	2,720	122
Suning.com Group Co., Ltd. and its subsidiaries (蘇寧易購集團股份有限公司及其下屬公司)	N/A	N/A	1,256	–
Nantong Xinglong Real Estate Development Co., Ltd. (南通星龍房地產開發有限公司)	N/A	N/A	960	59
Jining Kaixing Shopping Plaza Co., Ltd. (濟寧凱星購物廣場有限公司)	N/A	N/A	600	37
Shanghai Shimao Macalline Home Technology Co., Ltd. (上海世茂美居家居科技有限公司)	N/A	N/A	114	5
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	N/A	N/A	100	5
Beijing Meichen Home Property Agency Co., Ltd. (北京美晨家園房地產經紀有限公司)	N/A	N/A	4	–
	<b>219,704</b>	<b>32,370</b>	215,215	33,182

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
<b>Prepayments</b>				
Shanghai Macalline Property Management Service Co., Ltd. and its branches (上海美凱龍物業管理服務有限公司及其分公司)	10,952	-	288	-
Hangzhou Alimama Software Services Co., Ltd. (杭州阿里媽媽軟件服務有限公司)	2,809	-	1,822	-
Shanghai Zhenyang Decoration Co., Ltd.(上海振洋建築裝潢工程有限公司)	1,480	-	23	-
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	902	-	1,068	-
Shanghai AI.Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	765	-	420	-
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	573	-	573	-
Alibaba Cloud Computing Co., Ltd (阿里雲計算有限公司)	555	-	342	-
Shanghai Macalline Aijia Real Estate Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	253	-	-	-
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	195	-	195	-
CSSC Cruise Industry Development (Shanghai) Co., Ltd. (中船郵輪產業發展(上海)有限公司)	185	-	-	-
Shanghai Red Star Cloud Computing Technology Co., Ltd. (上海紅星雲計算科技有限公司)	177	-	122	-
Chongqing Xinshengyue Media Co., Ltd (重慶鑫生悅傳媒有限公司)	170	-	-	-
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	158	-	215	-
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	151	-	75	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. (徐州紅星美凱龍國際家具裝飾城有限公司)	131	-	-	-
Jining Hongrui Market Management Company Limited (濟寧鴻瑞市場經營管理有限公司)	124	-	223	-
Tao Bao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司)	116	-	119	-
Zhejiang Alibaba Communication Technology Co., Ltd. (浙江阿里巴巴通信技術有限公司)	108	-	960	-
Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司)	89	-	11	-
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)	80	-	496	-
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	80	-	92	-
Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司)	67	-	66	-
Changzhou Aegean Ole Business Management Co., Ltd. (常州愛琴海奧萊商業管理有限公司)	60	-	-	-
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	45	-	4	-
Sunsea Parking Holdings Limited and its subsidiaries (陽光海天停車控股有限公司及其子公司)	41	-	-	-
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	22	-	-	-
Binzhou Ginza Home Furnishings Co., Ltd. (濱州銀座家居有限公司)	15	-	15	-
Asia New Materials (Beijing) Building Materials Co., Ltd. (亞細亞新材(北京)建築材料有限公司)	6	-	3	-
Chongqing Jinke Zhongjun Real Estate Development Co., Ltd. (重慶金科中俊房地產開發有限公司)	1	-	1	-
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	-	-	4	-

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
Shanghai Xingyue Property Service Co., Ltd. and its branches (上海星悅物業服務有限公司及其分公司)	-	-	2,819	-
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星家具總廠有限公司)	-	-	210	-
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	-	-	34	-
Beijing Allgf Cultural and Scientific Consultation Co., Ltd. (北京國富縱橫文化科技諮詢股份有限公司)	-	-	4	-
Shenyang Yuanze Xinghui Property Management Co., Ltd (瀋陽遠擇星輝物業管理有限公司)	N/A	N/A	368	-
Suning.com Group Co., Ltd. and its subsidiaries (蘇寧易購集團股份有限公司及 其下屬公司)	N/A	N/A	11	-
Meinian Onehealth Healthcare (Group) Co., Ltd. and its subsidiaries (美年大健康產業(集 團)有限公司及其下屬公司)	N/A	N/A	10	-
	<b>20,310</b>	<b>-</b>	<b>10,593</b>	<b>-</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
<b>Other receivables</b>				
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	173,000	8,650	163,000	8,150
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	31,002	–	31,000	–
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	27,840	6,892	22,240	1,814
Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited (深圳紅星美凱龍世紀中心家居生活廣場有限公司)	5,265	5,265	5,265	5,265
Yunnan Red Star Macalline Real Estate Co., Ltd. (雲南紅星美凱龍置業有限公司)	4,031	4,031	4,031	4,031
Shanghai Yunshen Intelligent Technology Co., Ltd. (上海雲紳智能科技有限公司)	1,200	1	1,200	1
Hangzhou Alimama Software Services Co., Ltd. (杭州阿里媽媽軟件服務有限公司)	526	1	526	1
Anhui Tenghui Investment Group Hefei Co., Ltd. (安徽騰輝投資集團合肥有限公司)	500	500	500	175
Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司)	270	–	–	–
Chongqing Jinke Zhongjun Real Estate Development Co., Ltd. (重慶金科中俊房地產開發有限公司)	240	–	240	–
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	200	–	200	13
Quzhou Huicheng Ole Business Management Co., Ltd. (衢州市慧城奧萊商業管理有限公司)	150	–	–	–
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)	150	–	210	14

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
Jinan Xinglong Real Estate Development Co., Ltd. (濟南星龍房地產開發有限公司)	100	-	100	-
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	82	82	-	-
Shanghai Yuanxing Huanyu Real Estate Group Co., Ltd and its branches (上海遠星寰宇房地產集團有限公司及其分公司)	20	-	-	-
Zhengzhou Xingbo Real Estate Development Co., Ltd. (鄭州星鉞房地產開發有限公司)	11	-	337	23
Jinke Smart Service Group Co., Ltd and its branches (金科智慧服務集團股份有限公司及其分公司)	5	-	-	-
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	1	-	25	2
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	-	-	3,500	285
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	-	-	786	23
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	-	-	346	23
Yancheng Kailong Property Company Limited (鹽城凱龍置業有限公司)	-	-	100	-
Tao Bao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司)	-	-	2	-
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	N/A	N/A	46,559	25,370
Baoshan Red Star Urban and Rural Investment and Real Estate Co., Ltd. (保山紅星城鄉投資置業有限公司)	N/A	N/A	10	-
	<b>244,593</b>	<b>25,422</b>	<b>280,177</b>	<b>45,190</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
<b>Contract assets</b>				
Quzhou Huicheng Ole Business Management Co., Ltd. (衢州市慧城奧萊商業管理有限公司)	66,754	532	23,162	138
Zhanjiang Haixin Meikai Investment Co., Ltd. (湛江市海新美凱投資有限公司)	50,167	400	56,191	334
Yangzhou Xinglong Real Estate Development Co., Ltd. (揚州星龍房地產開發有限公司)	48,348	385	-	-
Shanghai Luochang Enterprise Management Co., Ltd. (上海洛昶企業管理有限公司)	30,057	239	31,944	190
Changchun Red Star Macalline Real Estate Development Co., Ltd. (長春紅星美凱龍房地產開發有限公司)	3,411	27	4,250	25
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	2,313	18	-	-
Hengshui Xinglong Real Estate Development Co., Ltd. (衡水星龍房地產開發有限公司)	1,090	9	3,400	20
Xining Yuanhong Real Estate Development Co., Ltd. (西寧遠鴻房地產開發有限公司)	880	7	2,035	12
Taiyuan Shuangmingzhikun Real Estate Development Co., Ltd. (太原雙明智坤房地產開發有限公司)	787	6	756	4
Dalian Xingkai Commercial Management Co., Ltd (大連星凱商業管理有限公司)	764	6	-	-
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	668	5	-	-
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	261	2	-	-
Kunming Yuanhonghui Real Estate Co., Ltd (昆明遠鴻匯房地產有限公司)	256	2	-	-

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
Taiyuan Shuangming Kailong Real Estate Development Co., Ltd. (太原雙明凱龍房地產開發有限公司)	255	2	2,377	14
Shanghai Macalline Aijia Real Estate Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	111	1	–	–
Dalian Xingqin Commercial Management Co., Ltd. (大連星琴商業管理有限公司)	95	1	–	–
Liuzhou Red Star Macalline Real Estate Co., Ltd. (柳州紅星美凱龍置業有限公司)	86	1	–	–
Ningbo Huixin Real Estate Co., Ltd. (寧波匯鑫置業有限公司)	44	–	–	–
Xiangshan Kaisheng Real Estate Co., Ltd. (象山凱勝置業有限公司)	–	–	346	2
Xining Yuanduo Real Estate Development Co., Ltd. (西寧遠鐸房地產開發有限公司)	N/A	N/A	37,983	226
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司)	N/A	N/A	12,431	74
Jinhua Hangkai Real Estate Co., Ltd. (金華航凱置業有限公司)	N/A	N/A	3,179	19
Ganzhou Kaiyue Real Estate Co., Ltd. (贛州凱越置業有限公司)	N/A	N/A	2,832	17
Henan Chenbo Real Estate Co., Ltd. (河南宸博置業有限公司)	N/A	N/A	2,764	16
Baoshan Red Star Urban and Rural Investment and Real Estate Co., Ltd. (保山紅星城鄉投資置業有限公司)	N/A	N/A	2,338	14
Suqian Xingkai Real Estate Development Co., Ltd. (宿遷星凱房地產開發有限公司)	N/A	N/A	2,183	13
Shuyang Xinglong Real Estate Development Co., Ltd. (瀘陽星龍房地產開發有限公司)	N/A	N/A	2,180	13
	206,347	1,643	190,351	1,131

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
<b>Other non-current assets</b>				
Chengdu Xingyuan Real Estate Co., Ltd (成都星遠置業有限公司)	247,705	-	247,705	-
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	26,805	268	4,264	43
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	5,000	50	-	-
	<b>279,510</b>	<b>318</b>	<b>251,969</b>	<b>43</b>

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
<b>Other current assets</b>				
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	6,685	67	6,221	62
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	-	-	3,600	36
	<b>6,685</b>	<b>67</b>	<b>9,821</b>	<b>98</b>

	2022		2021	
	Book balance RMB'000	Bad debt Allowance RMB'000	Book balance RMB'000	Bad debt Allowance RMB'000
<b>Non-current assets due within one year</b>				
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居 廣場有限公司)	77	1	-	-
	<b>77</b>	<b>1</b>	<b>-</b>	<b>-</b>

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
<b>Accounts payable</b>		
Shanghai Macalline Property Management Service Co., Ltd. and its branches (上海美凱龍物業管理服務有限公司及其分公司)	88,561	-
Shanghai Xingyue Property Service Co., Ltd. and its branches (上海星悅物業服務有限公司及其分公司)	60,683	-
Shanghai Zhenyang Decoration Co., Ltd. (上海振洋建築裝潢工程有限公司)	41,252	44,353
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)	33,181	-
Shanghai Xincheng'an Construction Co., Ltd. (上海鑫誠安建設有限公司)	20,300	22,111
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	19,640	15,052
Shanghai Xingzhiyu Commercial Management Co., Ltd. (上海星之域商業經營管理有限公司)	10,353	-
Shanghai Red Star Cloud Computing Technology Co., Ltd. (上海紅星雲計算科技有限公司)	4,824	86
Yimeijisi Optoelectronics Technology (Fujian) Co., Ltd. (誼美吉斯光電科技(福建)有限公司)	2,817	-
Shanghai Yuanxing Huanyu Real Estate Group Co., Ltd and its branches (上海遠星寰宇房地產集團有限公司及其分公司)	2,587	2,587
Hangzhou Alimama Software Services Co., Ltd. (杭州阿里媽媽軟件服務有限公司)	582	-
Alibaba Cloud Computing Limited (阿里雲計算有限公司)	558	758
Beijing Allgf Cultural and Scientific Consultation Co., Ltd. (北京國富縱橫文化科技諮詢股份有限公司)	337	486
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	202	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
Chongqing Xinchengyue Media Co., Ltd (重慶鑫生悅傳媒有限公司)	160	-
Shanghai Shengyu Information Technology Co., Ltd (上海盛域信息技術有限公司)	126	-
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	101	120
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	84	-
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星家具總廠有限公司)	57	64
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	44	-
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	39	-
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	38	-
Shanghai Yuanhe Commercial Development Co., Ltd (上海遠褐商業發展有限公司)	32	-
Sunsea Parking Holdings Limited and its subsidiaries (陽光海天停車控股有限公司及其子公司)	28	-
Shanghai AI.Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	-	370
Shanghai Macalline Aijia Real Estate Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	-	3
Meinian Onehealth Healthcare (Group) Co., Ltd. and its subsidiaries (美年大健康產業(集團)有限公司及其下屬公司)	N/A	186
	<b>286,586</b>	<b>86,176</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
<b>Other payables</b>		
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	180,000	-
Shandong Inzone Green Home Co., Ltd. and its subsidiaries (山東銀座家居有限公司及其子公司)	162,225	80,462
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商場有限公司)	92,333	20,811
CSSC Cruise Industry Development (Shanghai) Co., Ltd. (中船郵輪產業發展(上海)有限公司)	66,764	80,000
Sunsea Parking Holdings Limited and its subsidiaries (陽光海天停車控股有限公司及其子公司)	57,066	-
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司)	35,323	35,955
Shanghai Macalline Property Management Service Co., Ltd. and its branches (上海美凱龍物業管理服務有限公司及其分公司)	11,432	-
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	6,381	9,076
Shanghai Xincheng'an Construction Co., Ltd. (上海鑫誠安建設有限公司)	5,192	5,192
Shanghai Xingyue Property Service Co., Ltd. and its branches (上海星悅物業服務有限公司及其分公司)	3,399	-
Nanchang Xinshi Enterprise Management Co., Ltd. (南昌歆獅企業管理有限公司)	2,500	-
Shanghai Zhenyang Decoration Co., Ltd. (上海振洋建築裝潢工程有限公司)	1,772	4,489
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	1,748	15,958
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	1,597	1,647
Guangzhou Huoshuyinhua Information Technology Co., Ltd (廣州火數銀花信息科技有限公司)	1,500	-
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	1,116	-
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	930	930
Shanghai Red Star Cloud Computing Technology Co., Ltd. (上海紅星雲計算科技有限公司)	813	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
Yimeijisi Optoelectronics Technology (Fujian) Co., Ltd. (誼美 吉斯光電科技(福建)有限公司)	766	-
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州 諾貝爾陶瓷有限公司及其分公司)	665	2,237
Shanghai Yuansuo Property Co., Ltd (上海遠緇物業有限公司)	584	2
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	460	1,064
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	456	-
Shanghai Yuanxing Huanyu Real Estate Group Co., Ltd and its branches (上海遠星寰宇房地產集團有限公司及其分公司)	429	424
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	391	-
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	369	-
Jining Hongrui Market Management Company Limited (濟寧鴻瑞市場經營管理有限公司)	296	-
Chongqing Ocean Red Star Enterprise Development Co., Ltd (重慶遠洋紅星企業發展有限公司)	200	200
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司)	108	-
Beijing Allgf Cultural and Scientific Consultation Co., Ltd. (北京國富縱橫文化科技諮詢股份有限公司)	78	113
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	76	232
Shanghai Weilaishi Decoration Technology Company Limited (上海威來適裝飾科技有限公司)	50	60
Hangzhou Nabel Group Co., Ltd. and its branches (杭州諾貝爾集團有限公司及其分公司)	41	610
Asia New Materials (Beijing) Building Materials Co., Ltd.(亞 細亞新材(北京)建築材料有限公司)	28	28
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	12	20
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	11	-
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星家具總廠有限公司)	2	42

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
Xinjiang Jinkeyutai Real Estate Development Co., Ltd.(新疆金科宇泰房地產開發有限公司)	-	717
LEAWOD Door and Window Group Co., Ltd. (良木道門窗集團有限公司)	-	530
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成家具經營部)	-	111
Changzhou Yizhi International Trade Co., Ltd. (常州市藝致國際貿易有限公司)	-	103
Mex Smart Home (Shen Zhen) Co., Ltd. (美時智能家居(深圳)有限公司)	-	100
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司)	-	95
Shanghai Macalline Aijia Real Estate Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	-	62
Shanghai Tianhe Smart Home Technology Company Ltd. and its branches (上海天合智能科技股份有限公司及其分公司)	-	57
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	-	51
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	-	42
QIAN Yumei (錢玉梅)	-	40
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	-	40
Shenzhen Long Life Basics Sleep Science and Technology Co., Ltd. (深圳市朗樂福睡眠科技有限公司)	-	30
Hangzhou Feishi Bath & Kitchen Products Co., Ltd. (杭州菲氏浴廚用品有限公司)	-	20
CAO Zhongmin (曹仲民)	-	6
Xuzhou Red Star Macalline International Furniture Decoration City Co., Ltd. (徐州紅星美凱龍國際家具裝飾城有限公司)	-	2
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	N/A	17,614

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
Xiamen Xiazhe Investment Partnership (LIMITED PARTNERSHIP) (廈門廈柘投資合夥企業(有限合夥))	N/A	2,801
Baoshan Red Star Urban and Rural Investment and Real Estate Co., Ltd. (保山紅星城鄉投資置業有限公司)	N/A	491
Shenzhen Yishujia Space Technology Co., Ltd (深圳市藝澗家空間科技有限公司)	N/A	469
Meinian Onehealth Healthcare (Group) Co., Ltd. and its subsidiaries (美年大健康產業(集團)有限公司及其下屬公司)	N/A	211
Shanghai Qiangshang Environmental Technology Company Limited (上海牆尚環保科技有限公司)	N/A	30
Jiangyin Tishang Home Furnishing Co., Ltd. (江陰提尚家居有限公司)	N/A	10
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	N/A	1
	<b>637,113</b>	<b>283,185</b>

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
<b>Advance from customers</b>		
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	590	1,024
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	234	1,416
Hangzhou Nabel Group Co., Ltd. and its branches (杭州諾貝爾集團有限公司及其分公司)	229	156
Beijing Hema Network Technology Co., Ltd. (北京盒馬網絡科技有限公司)	127	-
Shanghai Weilaishi Decoration Technology Company Limited (上海威來適裝飾科技有限公司)	107	144
Shanghai Tianhe Smart Home Technology Company Ltd. and its branches (上海天合智能科技股份有限公司及其分公司)	84	51
Changzhou Yizhi International Trade Co., Ltd. (常州市藝致國際貿易有限公司)	8	29
QIAN Zhongxiang (錢忠祥)	3	3
Asia New Materials (Beijing) Building Materials Co., Ltd. (亞細亞新材(北京)建築材料有限公司)	3	3
Shengbao (Shanghai) Intelligent Technology Co., Ltd. (晟葆(上海)智能科技有限公司)	2	149
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	-	300
Zhengzhou Xingbo Real Estate Development Co., Ltd. (鄭州星鉑房地產開發有限公司)	-	232
Shanghai Huojing Business Management Company Limited and its subsidiaries (上海或京商業管理有限公司及其分公司)	-	135
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成家具經營部)	-	74
Shanghai Macalline Aijia Real Estate Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	-	42
Jiangyin Tishang Home Furnishing Co., Ltd. (江陰提尚家居有限公司)	N/A	4
	<b>1,387</b>	<b>3,762</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
<b>Contract liabilities</b>		
Chongqing Jinke Real Estate Development Co., Ltd. (重慶金科房地產開發有限公司)	240,566	240,566
Sunsea Parking Holdings Limited and its subsidiaries (陽光海天停車控股有限公司及其子公司)	37,617	-
Hengshui Xinglong Real Estate Development Co., Ltd. (衡水星龍房地產開發有限公司)	5,996	-
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	3,302	2,249
Shanghai Qiaotong Enterprise Management Co., Ltd. (上海喬彤企業管理有限公司)	3,022	3,069
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	2,625	2,549
Kunming Yuanhonghui Real Estate Co., Ltd (昆明遠鴻匯房地產有限公司)	2,554	2,051
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	1,952	1,952
Mex Smart Home (Shen Zhen) Co., Ltd. (美時智能家居(深圳)有限公司)	939	472
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	805	-
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	604	621
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	575	2,291
Xiangshan Kaisheng Real Estate Co., Ltd. (象山凱勝置業有限公司)	398	-
Liuzhou Red Star Macalline Real Estate Co., Ltd. (柳州紅星美凱龍置業有限公司)	382	4,163
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	371	70
Huai'an Xinmeilong Real Estate Co., Ltd (淮安新美龍置業有限公司)	223	-
Shenzhen Long Life Basics Sleep Science and Technology Co., Ltd. (深圳市朗樂福睡眠科技有限公司)	193	1,300
Zhanjiang Haixin Meikai Investment Co., Ltd. (湛江市海新美凱投資有限公司)	153	-
Guangdong VIFA Customized Home Furnishings Co., Ltd. (廣東威法定制家居股份有限公司)	94	-
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	70	-
Tianjin Macalline Real Estate Co., Ltd. (天津美凱龍置業有限公司)	61	60

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
Shanghai Brewster Environmental Protection Technology Co., Ltd (上海布魯斯特環保科技有限公司)	47	-
LEAWOD Door and Window Group Co., Ltd. (良木道門窗集團有限公司)	42	-
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	31	31
Shanghai Hongmei Real Estate Co., Ltd. (上海洪美置業有限公司)	16	16
Zhejiang Zhongguang Electric Appliances Group Co., Ltd. (浙江中廣電器集團股份有限公司)	-	4,425
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	-	3,459
Xinjiang Jinkeyutai Real Estate Development Co., Ltd. (新疆金科宇泰房地產開發有限公司)	-	3,000
Shanghai Macalline Aijia Real Estate Management Consulting Co., Ltd. (上海美凱龍愛家房地產管理諮詢有限公司)	-	1,946
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	-	1,936
Jining Hongrui Market Management Company Limited (濟寧鴻瑞市場經營管理有限公司)	-	1,165
Shanghai Dijing Catering Management Co., Ltd. (上海帝景餐飲管理有限公司)	-	625
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	-	548
Chengdu Rhine Etam Furniture Co., Ltd. (成都艾格家具有限公司)	-	87
Xinjiang Jinkeyutai Real Estate Development Co., Ltd. (新疆宇泰房地產開發有限公司)	N/A	3,000
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	N/A	2,419
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司)	N/A	146
Shanghai Shimao Macalline Home Technology Co., Ltd. (上海世茂美居家居科技有限公司)	N/A	14
	<b>302,638</b>	<b>284,230</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
<b>Lease liabilities</b>		
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)	5,549	19,921
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	–	2,905
	<b>5,549</b>	<b>22,826</b>
	2021 RMB'000	2020 RMB'000
<b>Long-term payables</b>		
Wuhu Red Star Macalline Equity Investment Fund Management Company Limited (蕪湖紅星美凱龍股權投資基金管理有限公司)	9,800	9,800
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	–	3,483
	<b>9,800</b>	<b>13,283</b>
	2021 RMB'000	2020 RMB'000
<b>Non-current Liabilities Due Within One Year</b>		
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)	23,112	22,439
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	7,661	4,572
Shanghai Huojing Business Management Company Limited and its branches (上海或京商業管理有限公司及其分公司)	365	2,150
CSSC Cruise Industry Development (Shanghai) Co., Ltd. (中船郵輪產業發展(上海)有限公司)	–	182
	<b>31,138</b>	<b>29,343</b>

## 51. RELATED PARTY TRANSACTIONS (continued)

### 2. Amounts due from/to related parties (continued)

	2022 RMB'000	2021 RMB'000
<b>Other non-current liabilities</b>		
Sunsea Parking Holdings Limited and its subsidiaries (陽光海天停車控股有限公司及其子公司)	<b>235,131</b>	–
	<b>235,131</b>	–

	2022 RMB'000	2021 RMB'000
<b>Short-term Loans</b>		
Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	<b>34,918</b>	57,322
	<b>34,918</b>	57,322

### 3. Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Company and other key management of the Group. The key management personnel compensation are as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	<b>27,612</b>	20,139
Retirement benefit contributions	<b>1,234</b>	1,078
Performance related incentive payments	<b>15,652</b>	8,590
	<b>44,498</b>	29,807

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 52. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
<b>As at 31 December 2022</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	116,252	100,514
Right-of-use assets	1,755,098	1,853
Intangible assets	42,086	52,282
Interests in subsidiaries	19,969,550	18,767,123
Interests in associates	884,551	883,732
Interests in joint ventures	891,736	924,761
Financial instruments at fair value through profit or loss	525,050	10,100
Financial instruments at fair value through other comprehensive income	1,912,721	2,434,915
Deferred tax assets	581,969	570,246
Restricted bank deposits	77,199	300,000
Loan receivables	608,189	1,559,669
Deposits and prepayment	1,678,294	1,982,505
<b>Total non-current assets</b>	<b>29,042,695</b>	<b>27,587,700</b>
<b>Current assets</b>		
Inventories	1,087	2,041
Loan receivables	634,668	549,014
Financial instruments at fair value through profit or loss	82,112	2,000
Account receivables	270,208	257,521
Contract assets	40,701	61,971
Deposits, prepayment and other receivables	31,793,232	29,548,946
Bank balance and cash	670,711	933,563
<b>Total current assets</b>	<b>33,492,719</b>	<b>31,355,056</b>
<b>Total assets</b>	<b>62,535,414</b>	<b>58,942,756</b>

## 52. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2022 RMB'000	2021 RMB'000
<b>Current liabilities</b>		
Trade and other payables	24,310,465	22,676,142
Rental and service fee received in advance	56,469	110,520
Contract Liabilities	1,028,152	707,694
Tax payables	135,491	–
Bank and other borrowings	4,847,212	5,347,353
Lease liabilities	166,599	1,834
Bonds	530,829	1,997,088
Other current liabilities	73,648	74,021
<b>Total current liabilities</b>	<b>31,148,865</b>	<b>30,914,652</b>
<b>Non-current liabilities</b>		
Bank and other borrowings	3,475,013	3,064,143
Bonds	1,723,400	532,620
Lease liabilities	1,633,929	62
Other payables	110,822	83,938
Deferred income	387	76
Other non-current liabilities	851,878	925,526
Contract Liabilities	246,826	296,256
<b>Total non-current liabilities</b>	<b>8,042,255</b>	<b>4,902,621</b>
<b>NET ASSETS</b>	<b>23,344,294</b>	<b>23,125,483</b>
<b>Equity</b>		
Share capital	4,354,733	4,354,733
Reserves	18,989,561	18,770,750
<b>Total equity</b>	<b>23,344,294</b>	<b>23,125,483</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 53. RESERVES OF THE COMPANY

	Attributable to shareholders of Company						
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2022</b>	<b>4,354,733</b>	<b>8,162,137</b>	-	<b>921,462</b>	<b>2,026,611</b>	<b>7,660,540</b>	<b>23,125,483</b>
Profit for the year	-	-	-	(213,740)	-	873,027	659,287
Profit and total comprehensive income for the year	-	-	-	(213,740)	-	873,027	659,287
Repurchase of shares	-	-	(5,003)	-	-	-	(5,003)
Appropriate to surplus reserve	-	-	-	-	87,303	(87,303)	-
Dividend paid	-	-	-	-	-	(435,473)	(435,473)
Disposal of financial instruments at FVTOCT	-	-	-	(132,470)	-	132,470	-
<b>As at 31 December 2022</b>	<b>4,354,733</b>	<b>8,162,137</b>	<b>(5,003)</b>	<b>575,252</b>	<b>2,113,914</b>	<b>8,143,261</b>	<b>23,344,294</b>

	Attributable to shareholders of Company						
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2021</b>	<b>3,905,000</b>	<b>4,825,621</b>	-	<b>789,632</b>	<b>1,896,668</b>	<b>6,220,581</b>	<b>17,637,502</b>
Profit for the year	-	-	-	402,304	-	1,299,428	1,701,732
Profit and total comprehensive income for the year	-	-	-	402,304	-	1,299,428	1,701,732
Issue of A shares	449,733	3,336,516	-	-	-	-	3,786,249
Appropriate to surplus reserve	-	-	-	-	129,943	(129,943)	-
Dividend paid	-	-	-	-	-	-	-
Disposal of financial instruments at FVTOCT	-	-	-	(270,474)	-	270,474	-
<b>As at 31 December 2021</b>	<b>4,354,733</b>	<b>8,162,137</b>	-	<b>921,462</b>	<b>2,026,611</b>	<b>7,660,540</b>	<b>23,125,483</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Changsha Red Star Macalline Shibo Home Furnishing Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Shanghai Red Star Macalline Global Home Design Expo Company Limited (上海紅星美凱龍環球家居設計博覽有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	97	97
Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司)	Site leasing management	PRC	Registered RMB230,000 Paid up capital RMB230,000	100	100
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	Brand management	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任 公司)	Site leasing management	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	Site leasing management	PRC	Registered RMB552,879 Paid up capital RMB552,879	100	100
Beijing Xingkai Jingzhou Furniture Plaza Company Limited (北京星凱洲家具廣場有限公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	51	51

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	Site leasing management	PRC	Registered RMB445,000 Paid up capital RMB445,000	100	100
Shanghai Red Star Macalline Global Home Furnishing Market Management Company Limited (上海紅星美凱龍全球家居市場經營管理有限公司)	Market company	PRC	Registered RMB500 Paid up capital RMB500	100	100
Yantai Red Star Macalline Home Furnishing Company Limited (煙台紅星美凱龍家居有限公司)	Site leasing management	PRC	Registered RMB175,000 Paid up capital RMB175,000	100	100
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	Site leasing management	PRC	Registered RMB255,000 Paid up capital RMB255,000	100	100
Beijing Century Europe and America Business Investment Company Limited (北京世紀歐美商業投資有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	80	80
Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司)	Site leasing management	PRC	Registered RMB280,000 Paid up capital RMB280,000	100	100
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	Site leasing management	PRC	Registered RMB250,000 Paid up capital RMB250,000	100	100
Shanghai Jingdu Investment Company Limited (上海晶都投資有限公司)	Investment management	PRC	Registered RMB10,000 Paid up capital RMB10,000	51	51
Tianjin Red Star Macalline Home Living and Decorating Plaza Company Limited (天津紅星美凱龍家居傢飾生活廣場有限公司)	Site leasing management	PRC	Registered RMB424,879 Paid up capital RMB424,879	100	100
Panjin Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (盤錦紅星美凱龍全球家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB210,000 Paid up capital RMB210,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	Investment management	PRC	Registered RMB1,000 Paid up capital RMB1,000	65	65
Shenyang Red Star Macalline Home Furnishing Company Limited (瀋陽紅星美凱龍家居有限公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	100
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	Investment management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Harbin Red Star Macalline Shibo Furniture Plaza Company Limited (哈爾濱紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB310,000 Paid up capital RMB310,000	100	100
Shanghai Xingjia Decoration and Building Materials Company Limited (上海星家裝飾建材有限公司)	Construction material markets	PRC	Registered RMB20,000 Paid up capital RMB20,000	100	100
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	55	55
Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB149,939 Paid up capital RMB149,939	100	100
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大東紅星美凱龍家具建材市場有限公司)	Site leasing management	PRC	Registered RMB3,000 Paid up capital RMB3,000	100	100
Xi'an Red Star Macalline Home Furnishing Plaza Company Limited (西安紅星美凱龍家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB200,000 Paid up capital RMB200,000	75	75
Daqing Red Star Macalline Shibo Furniture Plaza Company Limited (大慶紅星美凱龍世博家居有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	70	70

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Beijing Red Star Macalline Furnishing Market Company Limited (北京紅星美凱龍家居市場有限公司)	Brand management	PRC	Registered RMB2,000 Paid up capital RMB2,000	100	100
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司)	Site leasing management	PRC	Registered RMB149,939 Paid up capital RMB149,939	100	100
Beijing Century Kailong Business Investment Company Limited (北京世紀凱隆商業投資有限公司)	Site leasing management	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Shanghai Red Star Ogloria Home Living Market Management Company Limited (上海紅星歐麗洛雅家居市場經營管理有限公司)	Market company	PRC	Registered RMB500 Paid up capital RMB500	100	100
Hefei Red Star Macalline Shibo Furniture Plaza Company Limited (合肥紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB349,848 Paid up capital RMB349,848	100	100
Nanjing Red Star Macalline International Home Furnishing Company Limited (南京紅星美凱龍國際家居有限責任公司)	Site leasing management	PRC	Registered RMB764,017 Paid up capital RMB764,017	100	100
Shanghai Red Star Macalline Yijia Home Decorating Company Limited (上海紅星美凱龍億家裝飾工程有限公司)	Home design	PRC	Registered RMB20,000 Paid up capital RMB20,000	100	100
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	Commercial service	PRC	Registered RMB150,000 Paid up capital RMB150,000	100	100
Shanghai Hongmei E-commerce Company Limited (上海紅星美凱龍家品會電子商務有限公司)	E-commerce	PRC	Registered RMB18,400 Paid up capital RMB18,400	100	100
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	Site leasing management	PRC	Registered RMB314,286 Paid up capital RMB314,286	65	65

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Tianjin Red Star Macalline World Trade Home Furnishing Company Limited (天津紅星美凱龍世貿家居有限公司)	Site leasing management	PRC	Registered RMB200,000 Paid up capital RMB200,000	100	100
Shanghai Meihao Home Decorating Design Company Limited (上海美昊裝飾設計工程有限公司)	Home design	PRC	Registered RMB2,500 Paid up capital RMB2,500	100	100
Harbin Red Star Macalline International Home Furnishing Company Limited (哈爾濱紅星美凱龍國際家居有限公司)	Site leasing management	PRC	Registered RMB349,818 Paid up capital RMB349,818	100	100
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB68,000 Paid up capital RMB68,000	100	100
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	Investment management	PRC	Registered RMB100,000 Paid up capital RMB100,000	90	90
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	Investment management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	Brand management	PRC	Registered RMB3,000 Paid up capital RMB3,000	100	100
Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited (上海紅星美凱龍龍美家居市場經營管理有限公司)	Market company	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100
Chongqing Jiaxin Home Decorating Design Company Limited (重慶家欣裝飾設計工程有限公司)	Home design	PRC	Registered RMB2,000 Paid up capital RMB2,000	70	70
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	Site leasing management	PRC	Registered RMB46,757 Paid up capital RMB46,757	100	100

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For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company Limited (上海紅星美凱龍住建集採商貿有限公司)	Site leasing management	PRC	Registered RMB20,000 Paid up capital RMB20,000	100	100
Lanzhou Red Star Macalline Shibo Furniture Plaza Company Limited (蘭州紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	100
Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	Management and consultancy	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Shanghai Red Star Macalline Home Decorating and Furnishing Market Management Company Limited (上海紅星美凱龍裝飾家居市場經營管理有限公司)	Brand management	PRC	Registered RMB500 Paid up capital RMB500	100	100
Shanghai Red Star Macalline Network Technology Company Limited (上海紅星美凱龍網絡技術有限公司)	E-commerce	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	100
Shanghai Red Star Macalline Decorating Public Network Technology Company Limited (上海紅星美凱龍裝修公網絡技術有限公司)	E-commerce	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	100
Yunnan Red Star Macalline Home Furnishing Plaza Company Limited (雲南紅星美凱龍家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB80,000 Paid up capital RMB80,000	87	87
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	70	70
Shanghai Anjia Network Technology Company Limited (上海安家網絡科技有限公司)	E-commerce	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Aiguangjia E-commerce Company Limited (上海愛逛家電子商務有限公司)	E-commerce	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100
Shanghai Jia Ju Information Technology Company Limited (上海家聚信息技術有限公司)	E-commerce	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100
Shanghai Hongmei Network Technology Company Limited (上海紅美網絡科技有限公司)	E-commerce	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100
Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司)	Brand management	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Shanghai Red Star Macalline Assets Management Company Limited (上海紅星美凱龍資產管理有限公司)	Investment management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Shanghai Xinghe Zhaipei Home Furnishing Service Company Limited (上海星和宅配家居服務有限公司)	Home design	PRC	Registered RMB38,000 Paid up capital RMB38,000	100	100
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司)	Logistics service	PRC	Registered RMB210,000 Paid up capital RMB210,000	60	60
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	Site leasing management	PRC	Registered RMB39,000 Paid up capital RMB39,000	100	100
Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司)	Management and consultancy	PRC	Registered RMB505,000 Paid up capital RMB505,000	100	100
Red Star Macalline Chengdu Enterprise Management Consulting Company Limited (紅星美凱龍成都企業管理諮詢有限公司)	Management and consultancy	PRC	Registered RMB505,000 Paid up capital RMB505,000	100	100

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For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恒家居有限公司)	Site leasing management	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB120,000 Paid up capital RMB120,000	100	100
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居廣場有限公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	51	51
Kunming Red Star Macalline Shibo Home Furnishing Plaza Company Limited (昆明紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB5,000 Paid up capital RMB5,000	87	87
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限責任公司)	Site leasing management	PRC	Registered RMB121,000 Paid up capital RMB121,000	100	100
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	Site leasing management	PRC	Registered RMB25,000 Paid up capital RMB25,000	100	100
Xi'an Red Star Macalline Shibo Home Furnishing Company Limited (西安紅星美凱龍世博家居有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅星美凱龍天府世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	Site leasing management	PRC	Registered RMB210,000 Paid up capital RMB210,000	100	100
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)	Investment management	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline Yuejia Network Technology Company Limited (上海紅星美凱龍悅家互聯網科技有限公司)	E-commerce	PRC	Registered RMB200,000 Paid up capital RMB200,000	100	100
Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	Investment management	PRC	Registered RMB200,000 Paid up capital RMB200,000	100	100
Zhengzhou Juankai Enterprise Management Consultation Company Limited (鄭州雋鑑企業管理諮詢有限公司)	Enterprise management and consultancy	PRC	Registered RMB2,650,000 Paid up capital RMB2,650,000	100	100
Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司)	Investment management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Shanghai Yuxv Enterprise Management Company Limited (上海宇煦企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Zhengzhou Dongsheng Enterprise Management Company Limited (鄭州東晟企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	Proprietary sales	PRC	Registered RMB200,000 Paid up capital RMB200,000	100	100
Yantai Xinhuan Enterprise Management Company Limited (煙台欣歡企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB180,000 Paid up capital RMB180,000	100	100
Red Star Macalline Enterprise Management and Consultancy Company Limited (紅星美凱龍企業管理諮詢有限公司)	Enterprise management and consultancy	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Khorgos Red Star Macalline Business Management Company Limited (霍爾果斯紅星美凱龍商業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Shanghai Fanju Network Technology Company Limited (上海泛居網絡科技有限公司)	Network technology	PRC	Registered RMB30,000 Paid up capital RMB30,000	70	100
Shanghai Red Star Macalline Information Technology Company Limited (上海紅星美凱龍信息科技有限公司)	Investment management	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Red Star Macalline Group Finance Company Limited (紅星美凱龍家居集團財務有限責任公司)	Loan service	PRC	Registered RMB600,000 Paid up capital RMB600,000	100	100
Longzhihui (Shanghai) Facility Management Services Company Limited (龍之惠(上海)設施管理服務有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	59	50

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline International Trading Company Limited (上海紅星美凱龍國際貿易有限公司)	Import and export	PRC	Registered RMB5,000 Paid up capital RMB5,000	55	55
Shanghai Red Star Macalline Home Furnishing Trading Company Limited (上海紅星美凱龍美居商貿有限公司)	Import and export	PRC	Registered RMB5,000 Paid up capital RMB5,000	28	28
Hainan Hongju Enterprise Management Co., Ltd. (海南紅居企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Chengdu Red Star Macalline Xinnan Business Management Company Limited (成都紅星美凱龍新南商業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Khorgos Yarui Venture Capital Company Limited (霍爾果斯雅睿創業投資有限公司)	Investment management	PRC	Registered RMB30,000 Paid up capital RMB30,000	90	90
Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	Brand management	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Ningbo Meishan Bonded Port Area Xingkaiyang Asset Management Company Limited (寧波梅山保稅港區星凱贏資產管理有限公司)	Asset management	PRC	Registered RMB10,000 Paid up capital RMB10,000	51	51
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	Investment management	PRC	Registered RMB50,000 Paid up capital RMB50,000	90	90
Shanghai Betterhome Industrial Company Limited (上海家倍得實業有限公司)	Construction decoration	PRC	Registered RMB2,000 Paid up capital RMB2,000	68	68
Shanghai Kaichun Investment Management Company Limited (上海凱淳投資管理有限公司)	Investment management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山紅星美凱龍裝飾材料有限公司)	Site leasing management	PRC	Registered RMB139,622 Paid up capital RMB139,622	100	100
Tianjin Jinrui Corporate Management Company Limited (天津津瑞企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB712,870 Paid up capital RMB712,870	100	100
Chongqing Xingkaike Home Furnishing Company Limited (重慶星凱科家居有限公司)	Site leasing management	PRC	Registered RMB681,909 Paid up capital RMB681,909	100	100
Shanghai Ozing Digital Technology Company Limited (上海好記星數碼科技有限公司)	Warehouse logistics	PRC	Registered USD20,000 Paid up capital USD20,000	100	100
Bright Rainbow Investments Limited (合樂投資有限公司)	Market service, investment	PRC	Registered USD10,000 Paid up capital USD10,000	100	100
Chongqing Red Star Ogloria Home Furnishing Company Limited (重慶紅星歐麗洛雅家居有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Shanghai Huaixing Culture Company Limited (上海懷星文化發展有限公司)	Cultural and artistic exchange	PRC	Registered RMB2,000 Paid up capital RMB2,000	80	80
Shanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設計雲信息科技有限公司)	Information science and technology development	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Shanghai Beimei Logistics Company Limited (上海倍美物流有限公司)	Warehouse logistics	PRC	Registered RMB60,000 Paid up capital RMB60,000	100	100
Shanghai Red Star Macalline Exhibition service Company Limited (上海紅星美凱龍展覽服務有限公司)	Exhibition services	PRC	Registered RMB5,000 Paid up capital RMB5,000	55	55

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Taiyuan Red Star Macalline Global Home Furnishing Plaza Company Limited (太原紅星美凱龍全球家居廣場有限公司)	Site leasing management	PRC	Registered RMB10,000 Paid up capital RMB10,000	<b>51</b>	51
Jilin Red Star Macalline Logistics Company Limited (吉林紅星美凱龍物流有限公司)	Warehouse logistics	PRC	Registered RMB40,000 Paid up capital RMB40,000	<b>100</b>	100
Changzhou Meilong Trading Company Limited (常州美龍貿易有限公司)	Sale of home furniture	PRC	Registered RMB500 Paid up capital RMB500	<b>100</b>	100
Shanghai Mengsheng Industrial Company Limited (上海夢晟實業有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	<b>100</b>	100
Shanghai Beibang Logistics Company Limited (上海倍邦物流有限公司)	Warehouse logistics	PRC	Registered RMB125,000 Paid up capital RMB125,000	<b>100</b>	100
Shanghai Red Star Macalline Construction and Decoration Design Company Limited (上海紅星美凱龍住建裝配設計有限公司)	Home design	PRC	Registered RMB5,000 Paid up capital RMB5,000	<b>100</b>	100
Shanghai Red Star Macalline Installation of Construction and Furnishing Materials Technology Company Limited (上海紅星美凱龍住建裝配科技有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	<b>100</b>	100
Shanghai Beiyao Logistics Company Limited (上海倍耀物流有限公司)	Warehouse logistics	PRC	Registered RMB150,000 Paid up capital RMB150,000	<b>100</b>	100
Zhengzhou Red Star Macalline Shibo Home Living Company Limited (鄭州紅星美凱龍世博家居有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	<b>55</b>	55
Nantong Hongmei Shibo Home Furnishing Plaza Company Limited (南通紅美世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB150,000 Paid up capital RMB150,000	<b>100</b>	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Nanning Red Star Macalline Shibo Home Furnishing Exhibition Centre Company Limited (南寧紅星美凱龍世博家居展覽中心有限公司)	Exhibition services	PRC	Registered RMB305,000 Paid up capital RMB305,000	100	100
Shanghai Hongyue Logistics Company Limited (上海宏岳物流有限公司)	Warehouse logistics	PRC	Registered RMB63,000 Paid up capital RMB63,000	60	60
Ganzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (贛州紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	70	70
Red Star Macalline (Zhejiang) Information Service Company Limited (紅星美凱龍(浙江)信息技術有限公司)	E-commerce	PRC	Registered RMB20,000 Paid up capital RMB20,000	100	100
Zhejiang Xingzhuo Decoration Company Limited (浙江星卓裝飾有限公司)	Construction decoration	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Nanchang Red Star Macalline Global Home Expo Center Company Limited (南昌紅星美凱龍環球家居博覽中心有限責任公司)	Site leasing management	PRC	Registered RMB365,000 Paid up capital RMB365,000	100	100
Tianjin Red Star Macalline Supply Chain Management Company Limited (天津紅星美凱龍供應鏈管理有限公司)	Supply chain management	PRC	Registered RMB63,000 Paid up capital RMB63,000	60	60
Shanghai Banlong Business Management Company Limited (上海阪龍商業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Nantong Longmei International Home Furnishing Company Limited (南通龍美國際家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Beijing Xingmei Yongsheng Information Consultation Company Limited (北京星美永盛信息諮詢有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	70	70

# Notes to the Consolidated Financial Statements

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## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Zhiya Business Management Company Limited (上海柢雅管理諮詢有限公司)	Enterprise management and consultancy	PRC	Registered RMB230,000 Paid up capital RMB230,000	100	100
Shanghai Guixv Enterprise Management Company Limited (上海歸翹企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB2,000 Paid up capital RMB2,000	100	100
Shanghai Red Star Macalline Decoration (Group) Company Limited (上海紅星美凱龍建築裝飾(集團)有限公司)	Construction decoration	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Red Star Macalline Life Aesthetics Center Management Company Limited (紅星美凱龍生活美學中心管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB50,000 Paid up capital RMB50,000	95	95
Zhejiang Xingyisheng Industrial Development Company Limited (浙江星易盛實業發展有限公司)	Construction decoration	PRC	Registered RMB50,000 Paid up capital RMB50,000	75	75
Shanghai Red Star Macalline Home Decorating Company Limited (上海美凱龍裝飾工程集團有限公司)	Construction decoration	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Shijiazhuang Bochen Industrial Company Limited (石家莊博宸實業有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Wuhu Red Star Macalline World Trade Home Furnishing Plaza Company Limited (蕪湖紅星美凱龍世貿家居廣場有限公司)	Site leasing management	PRC	Registered RMB96,000 Paid up capital RMB96,000	100	100
Betterhome Construction Technology Company Limited (家倍得建築科技有限公司)	Construction decoration	PRC	Registered RMB200,000 Paid up capital RMB200,000	90	90
Shanghai Red Star Macalline Creative Design Company Limited (上海麗浩創意設計有限公司)	Construction decoration	PRC	Registered RMB10,000 Paid up capital RMB10,000	90	90

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For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Guangzhou Red Star Macalline Market Management Company Limited (廣州紅星美凱龍市場經營管理有限公司)	Site leasing management	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Haikou Red Star Macalline Global Home Furnishing Company Limited (海口紅星美凱龍全球家居有限公司)	Site leasing management	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Hong Kong Red Star Macalline Business Management Company Limited (香港紅星美凱龍商業管理有限公司)	Enterprise management and consultancy	PRC	Registered USD5,000 Paid up capital USD5,000	100	100
Shanghai Jianliu Enterprise Management Co., Ltd (上海簡柳企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Shanghai Macalline Aesthetic Decoration Engineering Company Limited (上海美凱龍美學裝飾工程有限公司)	Construction decoration	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Red Star Macalline Glory Casa (Hainan) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(海南)家居科技有限公司)	E-commerce	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	70
Red Star Global Holdings Limited	Others	The Virgin Islands	Registered USD50 Paid up capital USD50	100	100
Taiyuan Red Star Macalline Shimao Home Furnishing Company Limited (太原紅星美凱龍世貿家居廣場有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	60	60
Red Star Home (Shanghai) Technology Co., Ltd. (紅星到家(上海)科技有限公司)	E-commerce	PRC	Registered RMB200,000 Paid up capital RMB200,000	100	100
Suzhou Xingtong Enterprise Management Consultation Company Limited (宿州星通企業管理諮詢有限公司)	Enterprise management and consultancy	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100

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For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai enliu Enterprise Management Co., Ltd (上海蔥柳企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Shanghai Bencheng Enterprise Management Company Limited (上海賽程企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB668,900 Paid up capital RMB668,900	100	100
Shanghai Red Star Macalline Home Furnishing Company Limited (上海紅星美凱龍泛家信息服務有限公司)	E-commerce	PRC	Registered RMB5,000 Paid up capital RMB5,000	51	51
Shanghai Red Star Macalline Home Furnishing Company Limited (上海紅星美凱龍星家居用品有限公司)	Proprietary sales	PRC	Registered RMB20,000 Paid up capital RMB20,000	54	54
Red Star Macalline Shibo (Tianjin) Home Living Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB142,000 Paid up capital RMB142,000	100	100
Kunshan Red Star Macalline Global Home Furnishing Company Limited (昆山紅星美凱龍全球家居有限公司)	Brand management	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100
Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited (桐鄉紅星美凱龍世博家居廣場管理有限公司)	Brand management	PRC	Registered RMB500 Paid up capital RMB500	100	100
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	Brand management	PRC	Registered RMB3,000 Paid up capital RMB3,000	100	100
Wuxi Red Star Macalline Business Management Company Limited (無錫紅星美凱龍經營管理有限公司)	Brand management	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100

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For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Quzhou Red Star Macalline Shibo Market Management Service Company Limited (衢州紅星美凱龍世博市場管理服務有限公司)	Brand management	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇州紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB80,000 Paid up capital RMB80,000	60	60
Nanchang Betterhome Decoration Engineering Company Limited (南昌家倍得裝飾工程有限公司)	Home design	PRC	Registered RMB1,000 Paid up capital RMB1,000	41*	41*
Red Star Macalline Glory Casa (Hong Kong) Furnishing Co., Limited (紅星美凱龍凱撒至尊(香港)家居有限公司)	Proprietary sales	PRC	Registered USD3,000 Paid up capital USD3,000	100	100
Chongqing Liangjiang New Area Red Star Macalline Business Management Company Limited (重慶兩江新區紅星美凱龍商業管理有限公司)	Management and consultancy	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Shanghai Beibao Logistics Co., Ltd. (上海倍寶物流有限公司)	Warehouse logistics	PRC	Registered RMB60,000 Paid up capital RMB60,000	100	100
Shanghai Beida Logistics Co., Ltd. (上海倍達物流有限公司)	Warehouse logistics	PRC	Registered RMB60,000 Paid up capital RMB60,000	100	100
Shanghai Beisheng Logistics Co., Ltd. (上海倍昇物流有限公司)	Warehouse logistics	PRC	Registered RMB60,000 Paid up capital RMB60,000	100	100
Shanghai Totoro Xiansen New Retail Home Furnishing Co., Ltd. (上海龍貓先森新零售家居有限公司)	E-commerce	PRC	Registered RMB20,000 Paid up capital RMB20,000	70	70
Shanghai Macalline Wenshang Business Management Co., Ltd. (上海美凱龍文商商務企業管理有限公司)	Management and consultancy	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100

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For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline Aimule Decoration Engineering Co., Ltd. (上海紅星美凱龍愛木樂裝飾工程有限公司)	Home design	PRC	Registered RMB10,000 Paid up capital RMB10,000	75	68
Red Star Macalline Commercial Management Co., Ltd. (紅星美凱龍商業經營管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Red Star Macalline Shibo Business Management Co., Ltd. (紅星美凱龍世博商業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Red Star Macalline Management Consulting Service Co., Ltd. (紅星美凱龍管理諮詢服務有限公司)	Enterprise management and consultancy	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Beijing Yingchuang Shixun Technology Co., Ltd. (北京盈創時訊科技有限公司)	E-commerce	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100
Shanghai Macalline Xingshang Modular Decoration Technology Co., Ltd. (上海美凱龍星尚模數裝飾科技有限公司)	Home design	PRC	Registered RMB20,000 Paid up capital RMB20,000	100	100
Jade AG Logistics Investment (Hong Kong) Limited	Enterprise management and consultancy	Hong Kong	Registered HKD10 Paid up capital HKD10	100	100
Chengdu Airport Logistics Investment Co., Ltd. (成都空港物流投資有限公司)	Warehouse logistics	PRC	Registered USD11,850 Paid up capital USD11,850	100	100
Hefei Aiguang Logistics Co., Ltd. (合肥愛廣物流有限公司)	Warehouse logistics	PRC	Registered RMB120,000 Paid up capital RMB120,000	100	100
Longzhihui (Changzhou) Facility Management Services Company Limited (龍之惠(常州)設施管理科技有限公司)	Enterprise management and consultancy	PRC	Registered RMB1,000 Paid up capital RMB1,000	35*	30*

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline Technology Development Co., Ltd. (上海紅星美凱龍科技發展有限公司)	Home design	PRC	Registered RMB60,000 Paid up capital RMB60,000	80	80
Shanghai Macalline Home Furnishing Technology Co., Ltd. (上海美凱龍美居科技有限公司)	Home design	PRC	Registered RMB200,000 Paid up capital RMB200,000	80	90
Shanghai KEMI Industry Co., Ltd. (上海科米實業有限公司)	Home design	PRC	Registered RMB3,400 Paid up capital RMB3,400	100	100
Shanghai Boyang Enterprise Development Co., Ltd. (上海鉞洋企業發展有限公司)	Home design	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	100
Chengdu Red Star Macalline Global Home Furnishing Company Limited (成都紅星美凱龍全球家居有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	63	63
Huaihua Xingxin Commercial Management Co., Ltd. (懷化星欣商業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Xiamen Red Star Macalline Expo Home Furnishing Plaza Co., Ltd. (廈門紅星美凱龍博覽家居廣場有限公司)	Home design	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	100
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Hangzhou Weiliang Electromechanical Hardware Market Co., Ltd. (杭州偉量機電五金市場有限公司)	Site leasing management	PRC	Registered RMB244,368 Paid up capital RMB244,368	100	100
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	Site leasing management	PRC	Registered RMB250,000 Paid up capital RMB250,000	88	80

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	50	50
Shanghai Xinwei Property Company Limited (上海新偉置業有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	98	98
Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited (鄭州紅星美凱龍全球家居生活廣場經營管理有限公司)	Site leasing management	PRC	Registered RMB1,000 Paid up capital RMB1,000	60	60
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	Site leasing management	PRC	Registered RMB20,000 Paid up capital RMB20,000	50*	50*
Shanghai Red Star Macalline Building Design Company Limited (上海紅星美凱龍建築設計有限公司)	Engineering design	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Wuxi Red Star Macalline Home Living Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB534,818 Paid up capital RMB534,818	100	100
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	70	70
Shanghai Red Star Macalline Intellectual Property Agency Company Limited (上海紅星美凱龍知識產權代理有限公司)	Intellectual property	PRC	Registered RMB500 Paid up capital RMB500	100	100
Shanghai Macalline Smart Decoration Technology Co., Ltd. (上海美凱龍智裝科技有限公司)	Home design	PRC	Registered RMB20,000 Paid up capital RMB20,000	68	68
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	<b>63</b>	63
Suzhou Industry Park Red Star Macalline Home Furnishing Company Limited (蘇州工業園區紅星美凱龍家居有限公司)	Site leasing management	PRC	Registered RMB100,000 Paid up capital RMB100,000	<b>55</b>	55
Shanghai Xingyijia Business Management Co., Ltd. (上海星藝佳商業管理有限公司)	Management and consultancy	PRC	Registered RMB10,000 Paid up capital RMB10,000	<b>100</b>	100
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	Site leasing management	PRC	Registered RMB80,000 Paid up capital RMB80,000	<b>100</b>	100
Shanghai Zengmin Enterprise Management Company Limited (上海增敏企業管理有限公司)	Management and consultancy	PRC	Registered RMB100 Paid up capital RMB100	<b>100</b>	100
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	Site leasing management	PRC	Registered RMB40,000 Paid up capital RMB40,000	<b>62</b>	62
Yongqing Yintong Construction and Development Co., Ltd. (永清銀通建設開發有限公司)	Industrial investment	PRC	Registered RMB50,000 Paid up capital RMB50,000	<b>70</b>	70
Yongqing Yintai Future Land Construction and Development Co., Ltd. (永清銀泰新城建設開發有限公司)	Industrial investment	PRC	Registered RMB100,000 Paid up capital RMB100,000	<b>70</b>	70
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司)	Industrial investment	PRC	Registered RMB100,000 Paid up capital RMB100,000	<b>70</b>	70
Qianzhi (Shanghai) Home Furnishing Company Limited (乾智(上海)家居有限公司)	Proprietary sales	PRC	Registered RMB5,000 Paid up capital RMB5,000	<b>60</b>	60

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Xinsheng Property Management (Shanghai) Co., Ltd. (鑫笙物業管理(上海)有限公司)	Site leasing management	PRC	Registered RMB48,977 Paid up capital RMB48,977	100	100
Suzhou Xingfeng Enterprise Management Consultation Company Limited (宿州市星豐企業管理諮詢有限公司)	Site leasing management	PRC	Registered RMB85,000 Paid up capital RMB85,000	100	100
Xiamen Red Star Macalline Home Furnishing Plaza Company Limited (廈門紅星美凱龍家居生活廣場有限責任公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	100
Changzhou Red Star Macalline International Computer Home appliances Mall Company Limited (常州美凱龍國際電腦家電裝飾城有限公司)	Site leasing management	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Changzhou World Furniture and Home Plaza Co., Ltd. (常州世界家具家居廣場有限公司)	Site leasing management	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Wuxi Red Star Macalline International Home Furnishing Company Limited (無錫紅星美凱龍國際家具裝飾有限公司)	Site leasing management	PRC	Registered RMB80,000 Paid up capital RMB80,000	100	100
Lianyungang Red Star Macalline International Home Furnishing Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	Site leasing management	PRC	Registered RMB3,000 Paid up capital RMB3,000	100	100
Nanjing Red Star International Home Furnishing Mall Company Limited (南京紅星國際家具裝飾城有限公司)	Site leasing management	PRC	Registered RMB20,000 Paid up capital RMB20,000	100	100
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	Site leasing management	PRC	Registered RMB80,000 Paid up capital RMB80,000	100	100
Shanghai Red Star Macalline Decorative Furniture Mall Company Limited (上海紅星美凱龍裝飾家具城有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	97	97

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	Site leasing management	PRC	Registered RMB150,000 Paid up capital RMB150,000	100	100
Shanghai Mountain and sea art Furniture Company Limited (上海山海藝術傢俱有限公司)	Site leasing management	PRC	Registered RMB242,550 Paid up capital RMB242,550	90	90
Shanghai Red Star Macalline Home Furnishing Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	Market company	PRC	Registered RMB20,000 Paid up capital RMB20,000	90	90
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB102,600 Paid up capital RMB102,600	70	70
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	100
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	60	60
Changzhou Red Star Macalline Home Furnishing and Decorating Market Company Limited (常州紅星美凱龍裝飾家居用品市場有限公司)	Market company	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍家具裝飾市場經營管理有限公司)	Market company	PRC	Registered RMB3,000 Paid up capital RMB3,000	98	98
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	Site leasing management	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	100
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	Investment management	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Shanghai Hongmei E-Commerce Company Limited (上海紅美電子商務有限公司)	E-commerce	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Changzhou Hongyang Home Furnishing Plaza Company Limited (常州紅陽家居生活廣場有限公司)	Site leasing management	PRC	Registered RMB60,000 Paid up capital RMB60,000	75	75
Jiangsu Sunan Construction Company Limited (江蘇蘇南建築安裝工程有限公司)	Building construction	PRC	Registered RMB200,000 Paid up capital RMB200,000	100	100
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家居有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	Investment management	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際家具建材廣場有限公司)	Site leasing management	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博家具廣場有限公司)	Site leasing management	PRC	Registered RMB29,990 Paid up capital RMB29,990	100	100
Beijing Macalline Home Furnishing Material Market Company Limited (北京美凱龍家具建材市場有限公司)	Market company	PRC	Registered RMB3,000 Paid up capital RMB3,000	100	100
Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited (北京紅星美凱龍世博家具建材廣場有限公司)	Market company	PRC	Registered RMB2,000 Paid up capital RMB2,000	100	100
Baotou Red Star Macalline Home Furnishing Plaza Company Limited (包頭紅星美凱龍家居生活廣場有限責任公司)	Site leasing management	PRC	Registered RMB5,000 Paid up capital RMB5,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited (紅星美凱龍環球(北京)家具建材廣場有限公司)	Site leasing management	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Shanghai Macalline Zunke Design Engineering Co., Ltd. (上海美凱龍尊科設計工程有限公司)	Home design	PRC	Registered RMB35,000 Paid up capital RMB35,000	46*	46*
Hainan Red Star Macalline Enterprise Management Co., Ltd. (海南紅星美凱龍企業管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB500,000 Paid up capital RMB500,000	100	100
Macalline Digital Technology Co., Ltd. (美凱龍數字科技有限公司)	E-commerce	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100
Shenzhen Meilong Wisdom Home Decoration Engineering Co., Ltd. (深圳市美隆智慧家裝飾工程有限公司)	Home design	PRC	Registered RMB1,000 Paid up capital RMB1,000	35*	35*
Liuzhou Red Star Macalline Home Furnishing Company Limited (柳州紅星美凱龍家居有限公司)	Site leasing management	PRC	Registered RMB20,000 Paid up capital RMB20,000	100	100
Guizhou Meican Management Co., Ltd. (貴州美餐管理有限公司)	Building construction	PRC	Registered RMB500 Paid up capital RMB500	100	100
Yangzhou Red Star Macalline Global Home Living Expo Company Limited (揚州紅星美凱龍全球博覽家居有限公司)	Site leasing management	PRC	Registered RMB10,000 Paid up capital RMB10,000	100	100
Zhejiang Red Star Macalline Commercial Management Co., Ltd. (浙江紅星美凱龍商業經營管理有限公司)	Enterprise management and consultancy	PRC	Registered RMB50,000 Paid up capital RMB50,000	100	100
Hangzhou Macalline Intelligent Industry Development Co., Ltd. (杭州美凱龍智能產業發展有限公司)	Enterprise management and consultancy	PRC	Registered RMB100,000 Paid up capital RMB100,000	100	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital '000	Proportion of ownership interest and voting power held by the Group	
				2022 %	2021 %
Wuhu Yuanche Yuqi Investment Center (Limited Partnership) (蕪湖遠澈御祺投資中心(有限合夥))	Investment management	PRC	Registered RMB1,030,100 Paid up capital RMB1,030,100	100	–
Tianjin Yuanmi Management Company Limited (天津遠密企業管理諮詢有限公司)	Investment management	PRC	Registered RMB1,000 Paid up capital RMB1,000	100	–
Shenzhen Xingke Smart Innovation Industry Development Company Limited (深圳星科智創產業發展有限公司)	Property management	PRC	Registered RMB1,000 Paid up capital RMB1,000	90	–
Xiamen Xiazhe Investment Partnership(Limited Partnership) (廈門廈柘投資合夥企業(有限合夥))	New business form	PRC	Registered RMB75,010 Paid up capital RMB75,010	100	50
Shanghai Chentan Industry Co., Ltd. (上海宸檀實業有限公司)	New business form	PRC	Registered RMB5,100 Paid up capital RMB5,100	100	–
Liaocheng Xinghan Management Consulting Service Co., Ltd. (聊城星瀚管理諮詢服務有限公司)	Others	PRC	Registered RMB100 Paid up capital RMB100	100	–
Jinjiang Red Star Macalline International Home Furnishing Company Limited (晉江紅星美凱龍國際家居有限公司)	Proprietary lease	PRC	Registered RMB30,000 Paid up capital RMB30,000	100	–
Maanshan Tuosi Building Decoration Design Company Limited (馬鞍山拓思建築裝飾設計有限公司)	Home decoration	PRC	Registered RMB10,080 Paid up capital RMB10,080	100	–

\*: The Group has the practical ability to direct the relevant activities of these entities unilaterally under agreements with other shareholders of these entities. Therefore the Group has control over these entities and accounted for as subsidiaries.

All the subsidiaries were incorporated/established in the PRC as a company with limited liability. The English translation are for translation purpose only and have not been registered.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 55. EVENTS AFTER THE REPORTING PERIOD

### Subsequent events

#### Changes in equity and proposed changes in control

Xiamen C&D Inc. (listed on the Shanghai Stock Exchange, securities code: 600153.SH, “**Xiamen C&D**”), together with Red Star Holdings and Mr. Che Jianxing, jointly signed the “Share Transfer Framework Agreement” on 13 January 2023. Xiamen C&D 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 C&D Inc., 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 Xiamen C&D in the Company will increase from 0% to 29.95%. On 23 February 2023, Red Star Holdings notified that Xiamen C&D 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 Xiamen C&D, 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 Xiamen C&D.

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.

## 55. EVENTS AFTER THE REPORTING PERIOD (continued)

### Subsequent events (continued)

#### 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 extraordinary meeting of the fourth session of the Board of Directors and the 16th extraordinary meeting of the fourth session of the Supervisory Committee, 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 extraordinary general meeting in 2023. For details, please refer to the announcements of the Company dated 19 January 2023 and 16 February 2023 which were disclosure on the designated media in China and the announcements of the Company dated 18 January 2023 and 15 February 2023 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 Supervisory Committee

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 extraordinary meeting of the fourth Session of the Board of Directors, deliberating and passing "Proposal on Adding Mr. Zheng Yongda as a Non-Executive Director of the fourth Session of the Board of Directors of the Company", "Proposal on Adding Mr. Wang Wenhui as a Non-Executive Director of The Fourth Session of the Board of Directors of the Company", "Proposal on Adding Mr. Zou Shaorong as Non-Executive Director of the Fourth Session of the Board of Directors of the Company" and "Proposal on Adding Mr. Li Jianhong as Executive Director of the Fourth Session of the Board of Directors of the Company", nominate and add Mr. Zheng Yongda, Mr. Wang Wenhui, and Mr. Zou Shaorong as Non-Executive Directors of the Fourth Session of the Board of Directors of the Company, and nominate and add Mr. Li Jianhong as Executive Director of the Fourth Session of the Board of Directors of the Company.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 55. EVENTS AFTER THE REPORTING PERIOD (continued)

### Subsequent events (continued)

#### On the Change of Directors and the Extension of the Term of the Board of Directors and Supervisors (continued)

The 61st extraordinary meeting of the fourth session of the Board of Directors of the Company reviewed and approved the Proposal on Electing the Vice Chairman of the fourth session of the 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 session of the Board of Directors. The Board of Directors of the Company elected Mr. Zheng Yongda as the Vice Chairman of the fourth session of the 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 Wenhui 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 session of the Board of Directors of the Company and no longer hold any other positions in the Company.

The term of office of the fourth session of the Board of Directors and Supervisory Committee 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 Supervisory Committee has not yet been completed. In order to ensure the continuity and stability of the work of the Board of Directors and Supervisory Committee, the fifth session of the Board of Directors and Supervisory Committee 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 2023, 2 February 2023, 16 February 2023 and 17 February 2023 which were disclosure on the designated media in China and the announcements of the Company dated 18 January 2023, 1 February 2023, 15 February 2023 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.



## 55. EVENTS AFTER THE REPORTING PERIOD (continued)

### Subsequent events (continued)

#### Completion of share transfer between the controlling shareholder and the person acting in concert (continued)

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 2023 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 Shibe 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 2023 and 18 February 2023 which were disclosure on the designated media in China and the announcements of the Company dated 3 February 2023 and 17 February 2023 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 extraordinary meeting of the fourth session of the 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 2023 and 4 March 2023 which were disclosure on the designated media in China and the announcements of the Company dated 1 February 2023 and 3 March 2023 which were disclosure on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>), respectively.



# Five-Year Financial Summary

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	<b>14,138,320</b>	15,512,792	14,236,460	16,469,238	14,239,793
Net profits	<b>816,884</b>	2,100,698	2,064,077	4,686,242	4,705,447
– Owners of the Company	<b>678,566</b>	1,963,619	1,730,582	4,479,682	4,477,411
– Non-controlling interests					
Earnings per share	<b>138,318</b>	137,079	333,495	206,560	228,036
– Basic and Diluted (RMB)	<b>0.16</b>	0.49	0.44	1.15	1.20

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
– Non-current assets	<b>118,331,075</b>	121,741,988	116,411,135	108,339,973	95,142,125
– Current assets	<b>11,151,384</b>	14,869,087	15,136,784	13,954,445	15,718,593
Total Assets	<b>129,482,459</b>	136,611,075	131,547,919	122,294,418	110,860,718
– Current liabilities	<b>25,361,592</b>	25,361,592	31,638,847	27,767,945	25,313,807
– Non-current liabilities	<b>46,118,151</b>	46,118,151	48,811,229	45,541,623	40,251,085
Total liabilities	<b>71,479,743</b>	71,479,743	80,450,076	73,309,568	65,564,892
Net assets	<b>58,002,716</b>	58,579,498	51,097,843	48,984,850	45,295,826
Total Equity	<b>58,002,716</b>	58,579,498	51,097,843	48,984,850	45,295,826
– Equity attributable to owners of the Company	<b>54,446,965</b>	54,951,294	47,563,219	45,714,638	41,714,061
– Non-controlling interests	<b>3,555,751</b>	3,628,204	3,534,624	3,270,212	3,581,765

The financial summary for the year 2020, 2019 and 2018 were extracted from the consolidated Financial Statements prepared in accordance with the CASBE, while the financial summary for the year 2022 and 2021 were extracted from the Consolidated Financial Statement of the group prepared in accordance with the IFRSs.

# Definitions

Actual Controller	Che Jianxing
Articles of Association	articles of association of Red Star Macalline Group Corporation Ltd.
Board or Board of Directors	the board of directors of the Company
China Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
Corporate Governance Code	the Corporate Governance Code and Corporate Governance Report of Appendix 14 to Stock Exchange Listing Rules
CSRC	the China Securities Regulatory Commission
Director(s)	director(s) of the Company
H Share(s)	RMB-denominated overseas listed foreign ordinary share(s) issued outside mainland China by a company registered in China, listed for trading on the Hong Kong Stock Exchange, subscribed and traded in Hong Kong dollars
Managed Shopping Mall(s)	shopping mall(s) managed under contract management agreements
Nanjing Mingdu	Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)
pipeline Portfolio Shopping Mall(s)	including the Portfolio Shopping Malls for which we have entered into definitive agreements with local government authorities, including land acquisition agreements with local government authorities and investment or cooperation agreements with partners
Portfolio Shopping Mall(s)	all of the following shopping malls: (1) shopping malls which are owned by the Company's holding subsidiaries; (2) the repurchased shopping malls; (3) shopping malls leased by the Company; (4) shopping malls for which the Company operate and consolidate their results of operation and pay the relevant property owners a fixed amount of annual fees("fixed-fee Portfolio Shopping Malls"); (5) shopping malls held by the Company and associates or joint venture partners and operated by the Company. For the purpose of this report, we categorize the abovementioned (1) and (2) as "Self-owned Portfolio Shopping Malls" and the abovementioned (3), (4) and (5) as "Non-self-owned Portfolio Shopping Malls"
Red Star Macalline, Stock Company, Company or Our Company, Group	Red Star Macalline Group Corporation Ltd. and its holding subsidiaries
Red Star Furniture Group	Red Star Furniture Group Limited (紅星家具集團有限公司)
Reporting Period	the period from 1 January 2022 to 31 December 2022
RMB	RMB (unless under special circumstances)



## Definitions

RMB-denominated ordinary shares, A Share(s)	ordinary shares listed on stock exchanges in the PRC, subscribed for and traded in Renminbi, with a nominal value of RMB1.00 each
RSM Holding or Controlling Shareholder	Red Star Macalline Holding Group Company Limited
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	supervisor(s) of the Company
SSE Listing Rules	the Shanghai Stock Exchange Listing Rules
Stock Exchange	the Stock Exchange of Hong Kong Limited
Stock Exchange Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Xinghe Zhaipei	Shanghai Xinghe Zhaipei Home Furnishing Service Company Limited (上海星和宅配家居服務有限公司), a wholly-owned subsidiary of the Company
Zhengzhou Red Star	Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)

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

