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

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

**(Stock Code: 1528)**

**(Listed Debt Securities Code: 5454)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**” or “**Red Star Macalline**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**” or “**we**”) for the six months ended 30 June 2023 (the “**Reporting Period**” or “**1H 2023**”), together with comparative figures for the six months ended 30 June 2022 (the “**1H 2022**”).

**FINANCIAL HIGHLIGHTS**

|   | <b>Six months ended 30 June</b>           |                    |
|---|---|--------------------|
|   | <b>2023</b>                               | <b>2022</b>        |
|   | <i>(RMB'000, except otherwise stated)</i> |                    |
|   | <b>(Unaudited)</b>                        | <b>(Unaudited)</b> |
| Revenue   | <b>5,659,926</b>                          | 6,956,620          |
| Gross profit  | <b>3,622,346</b>                          | 4,637,255          |
| Gross profit margin   | <b>64.0%</b>                              | 66.7%              |
| Profit for the period   | <b>113,449</b>                            | 959,747            |
| Profit attributable to owners of the Company                                | <b>128,196</b>                            | 982,069            |
| Profit margin attributable to owners of the Company                         | <b>2.3%</b>                               | 14.1%              |
| Core net profit attributable to owners of the Company <sup>(2)</sup>        | <b>251,260</b>                            | 1,143,076          |
| Core net profit margin attributable to owners of the Company <sup>(3)</sup> | <b>4.4%</b>                               | 16.4%              |
| Earnings per share (Basic and diluted)                                      | <b>RMB0.03</b>                            | RMB0.23            |

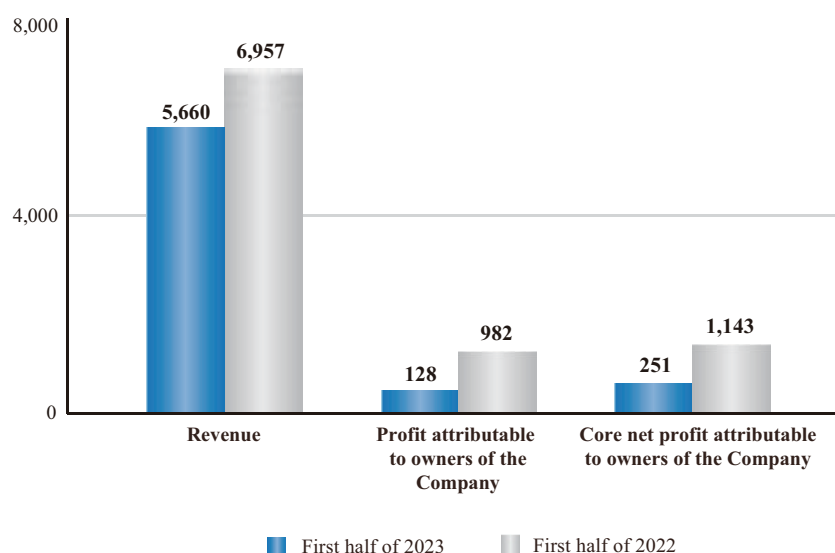
*Notes:* (1) In the event of any inconsistency between the Chinese version and the English version of this Announcement, the Chinese version shall prevail.

(2) Core net profit attributable to owners of the Company represents the profits attributable to owners of the Company after deducting the after-tax effects of changes in fair values of investment properties, other incomes and other gains or losses 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 in million



## OPERATIONAL HIGHLIGHTS

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

|  | As at<br>30 June<br>2023 | As at<br>31 December<br>2022 |
|--|--------------------------|------------------------------|
| Number of shopping malls                           | 372                      | 378                          |
| Operating area of shopping malls (sq.m.)           | 22,203,217               | 22,508,291                   |
| Number of cities covered                           | 219                      | 223                          |
| Number of Portfolio Shopping Malls                 | 91                       | 94                           |
| Operating area of Portfolio Shopping Malls (sq.m.) | 8,138,953                | 8,369,802                    |
| Average occupancy rate of Portfolio Shopping Malls | 85.7%                    | 85.2%                        |
| Number of Managed Shopping Malls                   | 281                      | 284                          |
| Operating area of Managed Shopping Malls (sq.m.)   | 14,064,264               | 14,138,489                   |
| Average occupancy rate of Managed Shopping Malls   | 87.7%                    | 86.7%                        |

Note: (1) See definitions in the 2022 annual report of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Six Months Ended 30 June 2023**

*(All amounts are expressed in RMB, except otherwise stated)*

|  | Note | Six months ended 30 June       |                                |
|--|------|--------------------------------|--------------------------------|
|  |      | 2023<br>RMB'000<br>(Unaudited) | 2022<br>RMB'000<br>(Unaudited) |
| <b>Revenue</b>   | 4    | <b>5,659,926</b>               | 6,956,620                      |
| Cost of sales and services   |      | <u>(2,037,580)</u>             | <u>(2,319,365)</u>             |
| <b>Gross profit</b>  |      | <b>3,622,346</b>               | 4,637,255                      |
| Other incomes  | 5    | <b>146,906</b>                 | 182,685                        |
| Other gains or losses, net   | 6    | <b>(241,926)</b>               | (31,143)                       |
| Selling and distribution expenses                                      |      | <b>(606,239)</b>               | (598,847)                      |
| Administrative expenses  |      | <b>(905,791)</b>               | (831,593)                      |
| Research and development expenses                                      |      | <b>(9,367)</b>                 | (25,522)                       |
| Change in fair value of investment properties, net                     |      | <b>(296,248)</b>               | (226,429)                      |
| Impairment losses under expected credit loss model,<br>net of reversal |      | <b>(252,246)</b>               | (169,465)                      |
| Share of results of associates, net                                    |      | <b>70,193</b>                  | 5,327                          |
| Share of results of joint ventures, net                                |      | <b>18,574</b>                  | 31,224                         |
| Finance cost   | 7    | <u><b>(1,258,002)</b></u>      | <u>(1,251,570)</u>             |
| <b>Profit before tax</b>   |      | <b>288,200</b>                 | 1,721,922                      |
| Income tax expenses  | 8    | <u><b>(174,751)</b></u>        | <u>(762,175)</u>               |
| <b>Profit for the period</b>   | 9    | <u><b>113,449</b></u>          | <u>959,747</u>                 |

|   |   | <b>Six months ended 30 June</b> |                    |
|---|---|---------------------------------|--------------------|
|   |   | <b>2023</b>                     | <b>2022</b>        |
|   |   | <b>RMB'000</b>                  | <b>RMB'000</b>     |
| <i>Note</i>   |   | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <b>Other comprehensive income</b>   |   |                                 |                    |
| <i>Other comprehensive income/(loss) that will not be reclassified to profit or loss:</i> |   |                                 |                    |
|   | Changes in fair value of other equity instrument investments  | <b>(29,105)</b>                 | (298,405)          |
| <i>Other comprehensive (loss)/income that will be reclassified to profit or loss:</i>     |   |                                 |                    |
|   | Effective part of fair value hedging                          | –                               | (35,056)           |
|   | Exchange differences from translation of financial statements | <u><b>1,659</b></u>             | <u>(1,312)</u>     |
|   | <b>Other comprehensive income/(loss) net of tax</b>           | <u><b>(27,446)</b></u>          | <u>(334,773)</u>   |
|   | <b>Total comprehensive income for the period</b>              | <u><b>86,003</b></u>            | <u>624,974</u>     |
| <b>Total profit for the period attributable to:</b>                                       |   |                                 |                    |
|   | Owners of the Company   | <b>128,196</b>                  | 982,069            |
|   | Non-controlling interests                                     | <u><b>(14,747)</b></u>          | <u>(22,322)</u>    |
|   |   | <u><b>113,449</b></u>           | <u>959,747</u>     |
| <b>Total comprehensive income attributable to:</b>  |   |                                 |                    |
|   | Owners of the Company   | <b>100,008</b>                  | 647,919            |
|   | Non-controlling interests                                     | <u><b>(14,005)</b></u>          | <u>(22,945)</u>    |
|   |   | <u><b>86,003</b></u>            | <u>624,974</u>     |
| <b>Earnings per share</b>   |   |                                 |                    |
|   | Basic and diluted earnings per share (RMB per share)          | <u><b>0.03</b></u>              | <u>0.23</u>        |
|   | <i>11</i>   |                                 |                    |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 30 June 2023***(All amounts are expressed in RMB, except otherwise stated)*

|   |             | As at<br>30 June<br>2023<br><i>RMB'000</i><br>(Unaudited) | As at<br>31 December<br>2022<br><i>RMB'000</i><br>(Audited) |
|---|-------------|---|---|
|   | <i>Note</i> |   |   |
| <b>ASSETS</b>   |             |   |   |
| <b>Non-current assets</b>                                     |             |   |   |
| Investment properties   | <i>12</i>   | <b>100,059,000</b>  | 100,022,185   |
| Property, plant and equipment                                 |             | <b>2,854,650</b>  | 3,082,253   |
| Right-of-use assets   |             | <b>15,100</b>   | 39,257  |
| Intangible assets   |             | <b>109,303</b>  | 107,285   |
| Goodwill  |             | <b>97,597</b>   | 97,597  |
| Interests in associates                                       |             | <b>2,591,608</b>  | 2,701,530   |
| Interests in joint ventures                                   |             | <b>1,068,413</b>  | 1,055,532   |
| Financial instruments at FVTPL                                |             | <b>319,075</b>  | 332,275   |
| Financial instruments at FVTOCI                               |             | <b>2,075,354</b>  | 2,586,569   |
| Deferred tax assets   |             | <b>2,914,196</b>  | 3,027,514   |
| Loan receivables  |             | <b>311,176</b>  | 975,130   |
| Restricted bank deposits                                      |             | <b>334,680</b>  | 302,205   |
| Deposit, prepayment and other receivables                     |             | <b>3,949,135</b>  | 4,001,743   |
|   |             | <hr/>   | <hr/>   |
| <b>Total non-current assets</b>                               |             | <b>116,699,287</b>  | 118,331,075   |
|   |             | <hr/>   | <hr/>   |
| <b>Current assets</b>   |             |   |   |
| Inventories   |             | <b>271,244</b>  | 302,869   |
| Loan receivables  |             | <b>2,012,642</b>  | 1,405,903   |
| Financial instruments at fair value through<br>profit or loss |             | <b>606,861</b>  | 921,838   |
| Account receivables   | <i>13</i>   | <b>1,654,948</b>  | 1,962,169   |
| Note receivables  |             | <b>14,141</b>   | 19,016  |
| Contract assets   |             | <b>1,766,505</b>  | 1,818,468   |
| Deposit, prepayment and other receivables                     |             | <b>2,104,758</b>  | 2,094,857   |
| Bank balance and cash   |             | <b>2,517,420</b>  | 2,626,264   |
|   |             | <hr/>   | <hr/>   |
| <b>Total current assets</b>                                   |             | <b>10,948,519</b>   | 11,151,384  |
|   |             | <hr/>   | <hr/>   |
| <b>Total assets</b>   |             | <b>127,647,806</b>  | 129,482,459   |
|   |             | <hr/> <hr/>   | <hr/> <hr/>   |

|  |             | As at<br><b>30 June<br/>2023</b><br><i>RMB'000</i><br><b>(Unaudited)</b> | As at<br>31 December<br>2022<br><i>RMB'000</i><br><b>(Audited)</b> |
|--|-------------|--|--|
|  | <i>Note</i> |  |  |
| <b>Current liabilities</b>                   |             |  |  |
| Trade and other payables                     | <i>14</i>   | <b>12,614,753</b>  | 12,996,449   |
| Rental and service fee received in advance   |             | <b>1,188,657</b>   | 873,855  |
| Contract liabilities                         |             | <b>1,655,703</b>   | 1,839,930  |
| Tax payables                                 |             | <b>651,946</b>   | 1,005,648  |
| Lease liabilities                            |             | <b>999,403</b>   | 940,871  |
| Bank and other borrowings                    | <i>15</i>   | <b>7,340,181</b>   | 7,100,362  |
| Other current liabilities                    |             | <b>73,463</b>  | 73,648   |
| Bonds  |             | <b>30,000</b>  | 530,829  |
|  |             | <hr/>  | <hr/>  |
| <b>Total current liabilities</b>             |             | <b>24,554,106</b>  | 25,361,592   |
|  |             | <hr/> <hr/>  | <hr/> <hr/>  |
| <b>Net current liabilities</b>               |             | <b>(13,605,587)</b>  | (14,210,208)   |
|  |             | <hr/> <hr/>  | <hr/> <hr/>  |
| <b>Total assets less current liabilities</b> |             | <b>103,093,700</b>   | 104,120,867  |
|  |             | <hr/> <hr/>  | <hr/> <hr/>  |
| <b>Non-current liabilities</b>               |             |  |  |
| Deferred tax liabilities                     |             | <b>13,963,111</b>  | 14,020,244   |
| Bank and other borrowings                    | <i>15</i>   | <b>24,186,193</b>  | 24,508,990   |
| Bonds  |             | <b>1,791,381</b>   | 1,723,400  |
| Lease liabilities                            |             | <b>3,166,298</b>   | 3,421,588  |
| Other payables                               | <i>14</i>   | <b>533,918</b>   | 556,241  |
| Deferred income                              |             | <b>212,965</b>   | 218,121  |
| Contract liabilities                         |             | <b>490,469</b>   | 582,559  |
| Other non-current liabilities                |             | <b>1,006,423</b>   | 1,087,008  |
|  |             | <hr/>  | <hr/>  |
| <b>Total non-current liabilities</b>         |             | <b>45,350,758</b>  | 46,118,151   |
|  |             | <hr/> <hr/>  | <hr/> <hr/>  |
| <b>Net assets</b>                            |             | <b>57,742,942</b>  | 58,002,716   |
|  |             | <hr/> <hr/>  | <hr/> <hr/>  |

|   |           | As at<br><b>30 June<br/>2023</b><br><i>RMB'000</i><br><b>(Unaudited)</b> | As at<br>31 December<br>2022<br><i>RMB'000</i><br>(Audited) |
|---|-----------|--|---|
| <b>Equity</b>                                       |           |  |   |
| Share capital                                       | <i>16</i> | <b>4,354,733</b>   | 4,354,733   |
| Reserves  |           | <b>49,839,648</b>  | 50,092,232  |
|   |           | <hr/>  | <hr/>   |
| <b>Equity attributable to owners of the Company</b> |           | <b>54,194,381</b>  | 54,446,965  |
| Non-controlling interests                           |           | <b>3,548,561</b>   | 3,555,751   |
|   |           | <hr/>  | <hr/>   |
| <b>Total equity</b>                                 |           | <b>57,742,942</b>  | 58,002,716  |
|   |           | <hr/> <hr/>  | <hr/> <hr/>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the Six Months Ended 30 June 2023

### 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. On 21 June 2023, 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, transferred 29.95% of its shareholding in the Company to Xiamen C&D Inc. (廈門建發股份有限公司) ("**Xiamen C&D**", a company listed on the Shanghai Stock Exchange (SH: 600153)) and its subsidiary, Lianfa (Group) Co., Ltd., and Xiamen C&D became the largest shareholder of the Company. For the details, please refer to the Company announcement dated 23 June 2023. On 15 August 2023, the proposals for electing directors of the fifth session of the Board of the Company was reviewed and passed at the general meeting of the Company, and the number of non-independent directors nominated by Xiamen C&D to the fifth session of the Board of the Company reached five. For the details, please refer to the Company announcement dated 15 August 2023. So far, Xiamen C&D exercises control over the Company and is the parent company of the Company.

The H shares of the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong 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 interim 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 condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries.



## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The management had assessed the ongoing operations of the Group for the 12 months starting from 1 July 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 30 June 2023, believed that the liquidity risks that the Group is exposed to due to the fact that it has net current liabilities at 30 June 2023 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 condensed consolidated financial statements have been prepared on an ongoing concern basis.

### **Reconciliation of Condensed Consolidated Financial Statements**

The adjustments described below pertain to the reconciliation of the condensed consolidated financial statements from Accounting Standards for Business Enterprise (“**Accounting Standards for Business Enterprise**” or “**ASBEs**”) to International Financial Reporting Standards (“**International Financial Reporting Standards**” or “**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 China Accounting Standards 21 (“**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.

The following tables disclose the adjustments that have been made by the management of the Group to each of the line items in the condensed consolidated statements of profit or loss and other comprehensive income, for the six months ended 30 June 2023 and 2022, and the condensed consolidated statement of financial position as at 30 June 2023.

**As at 30 June 2023**

| <b>Condensed consolidated statement of profit or loss and other comprehensive income (extract)</b> | <b>As stated in accordance with ASBEs<br/>RMB'000</b> | <b>Adjustment<br/>RMB'000</b> | <b>As stated in accordance with IFRS<br/>RMB'000</b> |
|--|---|-------------------------------|--|
| Right-of-use assets  | 2,825,489   | (2,810,389)                   | 15,100   |
| Investment properties  | 95,915,000  | 4,144,000                     | 100,059,000  |
| Deferred tax assets  | 3,028,244   | (114,048)                     | 2,914,196  |
| Deferred tax liabilities   | 13,743,756  | 219,355                       | 13,963,111   |
| Net assets   | 56,742,734  | 1,000,208                     | 57,742,942   |
| Capital and reserves   |   |                               |  |
| Reserves   | 48,962,793  | 876,855                       | 49,839,648   |
| Non-controlling interest   | 3,425,208   | 123,353                       | 3,548,561  |
| Total equity   | 56,742,734  | 1,000,208                     | 57,742,942   |

**For the six months ended 30 June 2023**

| <b>Condensed consolidated statement of financial position (extract)</b> | <b>As stated in accordance with ASBEs<br/>RMB'000</b> | <b>Adjustment<br/>RMB'000</b> | <b>As stated in accordance with IFRS<br/>RMB'000</b> |
|---|---|-------------------------------|--|
| Cost of sales and services  | (2,281,418)   | 243,838                       | (2,037,580)  |
| Other gains or losses, net  | (179,522)   | (62,404)                      | (241,926)  |
| Change in fair value of investment properties, net                      | (105,281)   | (190,967)                     | (296,248)  |
| Profit before tax   | 297,733   | (9,533)                       | 288,200  |
| Income tax expenses   | (177,134)   | 2,383                         | (174,751)  |
| Profit for the period   | 120,599   | (7,150)                       | 113,449  |
| Total profit for the period attributable to                             |   |                               |  |
| – Owners of the Company   | 150,701   | (22,505)                      | 128,196  |
| – Non-controlling interests   | (30,102)  | 15,355                        | (14,747)   |
| Earning per share   |   |                               |  |
| Basic and diluted earnings per share<br>(RMB per share)                 | 0.03  |                               | 0.03   |

**For the six months ended 30 June 2022**

| <b>Condensed consolidated statement of profit or loss and other comprehensive income (extract)</b> | <b>As stated in accordance with ASBEs<br/>RMB'000</b> | <b>Adjustment<br/>RMB'000</b> | <b>As stated in accordance with IFRS<br/>RMB'000</b> |
|--|---|-------------------------------|--|
| Cost of sales and services   | (2,619,834)   | 300,469                       | (2,319,365)  |
| Change in fair value of investment properties, net   | 95,641  | (322,070)                     | (226,429)  |
| Profit before tax  | 1,743,523   | (21,601)                      | 1,721,922  |
| Income tax expenses  | (767,575)   | 5,400                         | (762,175)  |
| Profit for the period  | 975,948   | (16,201)                      | 959,747  |
| Total profit for the period attributable to  |   |                               |  |
| – Owners of the Company  | 1,025,091   | (43,022)                      | 982,069  |
| – Non-controlling interests  | (49,143)  | 26,821                        | (22,322)   |
| Earning per share  |   |                               |  |
| Basic and diluted earnings per share (RMB per share)   | 0.24  |                               | 0.23   |

**3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than additional/change in accounting policies resulting from application of new and amendments to IFRS, agenda decision/decisions of the IFRS Interpretations Committee (the “Committee”) of the IASB, and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

**Application of amendments to IFRSs**

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

|  |  |
|--|--|
| IFRS 17 (including the June 2020 and December 2021 Amendment to IFRS 17) | Insurance Contracts  |
| Amendments to IAS 8  | Definition of Accounting Estimates   |
| Amendments to IAS 12   | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12   | International Tax Reform – Pillar Two model Rules                                |

The application of the new and amendments to IFRSs and the Committee’s agenda decisions in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 4. 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 five business units:

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

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

**Construction and design:** this segment derives revenue from providing construction and design services.

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

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

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other incomes, other gains or losses, research and development expenses, changes in fair value of investment properties, impairment loss under expected credit losses, share of results associates, share of results of joint ventures, finance costs, 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.

The following is an analysis of the Group's revenue and results by reportable and operating segment.

|  | Owned/Leased<br>Portfolio<br>Shopping<br>Malls<br><i>RMB'000</i> | Managed<br>Shopping Malls<br><i>RMB'000</i> | Construction<br>and design<br><i>RMB'000</i> | Related home<br>decoration and<br>sales of<br>merchandise<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|--|---|--|---|--------------------------|-------------------------|
| <b>Six months ended 30 June 2023</b>                                   |  |   |  |   |                          |                         |
| Segment revenue from external customers                                | 3,376,869  | 1,076,901                                   | 531,535                                      | 220,719   | 453,902                  | 5,659,926               |
| Segment profit   | 1,828,896  | 161,589                                     | 41,065                                       | (74,872)  | 180,859                  | 2,137,537               |
| <b>Unallocated:</b>  |  |   |  |   |                          |                         |
| Other incomes  |  |   |  |   |                          | 146,906                 |
| Other gains or losses, net   |  |   |  |   |                          | (241,926)               |
| Administrative expense   |  |   |  |   |                          | (27,221)                |
| Research and development expenses                                      |  |   |  |   |                          | (9,367)                 |
| Change in fair value of investment<br>properties, net                  |  |   |  |   |                          | (296,248)               |
| Impairment losses under expected credit<br>loss model, net of reversal |  |   |  |   |                          | (252,246)               |
| Share of results of associates, net                                    |  |   |  |   |                          | 70,193                  |
| Share of results of joint ventures, net                                |  |   |  |   |                          | 18,574                  |
| Finance cost   |  |   |  |   |                          | (1,258,002)             |
| Profit before tax  |  |   |  |   |                          | <u>288,200</u>          |

|  | Owned/Leased<br>Portfolio<br>Shopping<br>Malls<br><i>RMB'000</i> | Managed<br>Shopping Malls<br><i>RMB'000</i> | Construction<br>and design<br><i>RMB'000</i> | Related home<br>decoration and<br>sales of<br>merchandise<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|--|---|--|---|--------------------------|-------------------------|
| Six months ended 30 June 2022  |  |   |  |   |                          |                         |
| Segment revenue from external customers                                | 4,153,357  | 1,295,775                                   | 730,374                                      | 250,985   | 526,129                  | 6,956,620               |
| Segment profit   | 2,772,618  | 306,154                                     | 73,831                                       | (144,635)   | 214,662                  | 3,222,630               |
| Unallocated:   |  |   |  |   |                          |                         |
| Other incomes  |  |   |  |   |                          | 182,685                 |
| Other gains or losses, net   |  |   |  |   |                          | (31,143)                |
| Administrative expense   |  |   |  |   |                          | (15,815)                |
| Research and development expenses                                      |  |   |  |   |                          | (25,522)                |
| Change in fair value of investment<br>properties, net                  |  |   |  |   |                          | (226,429)               |
| Impairment losses under expected credit<br>loss model, net of reversal |  |   |  |   |                          | (169,465)               |
| Share of results of associates, net                                    |  |   |  |   |                          | 5,327                   |
| Share of results of joint ventures, net                                |  |   |  |   |                          | 31,224                  |
| Finance cost   |  |   |  |   |                          | (1,251,570)             |
| Profit before tax  |  |   |  |   |                          | <u>1,721,922</u>        |

Classification by revenue type is as follow:

|                                       | <b>Six months ended 30 June</b> |                       |
|---------------------------------------|---------------------------------|-----------------------|
|                                       | <b>2023</b>                     | <b>2022</b>           |
|                                       | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
| Revenue from contracts with customers | <b>2,252,496</b>                | 2,765,013             |
| Rental and related revenue            | <b>3,407,430</b>                | 4,191,607             |
|                                       | <b><u>5,659,926</u></b>         | <u>6,956,620</u>      |

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

|  | <b>Managed<br/>Shopping<br/>Malls<br/>RMB'000</b> | <b>Construction<br/>and design<br/>RMB'000</b> | <b>Related home<br/>decoration<br/>and sales of<br/>merchandise<br/>RMB'000</b> | <b>Others<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|--|---|--|---|---------------------------|--------------------------|
| <b>Six months ended 30 June 2023</b>   |   |  |   |                           |                          |
| <b>Principal operating region</b>  |   |  |   |                           |                          |
| Mainland of China  | <u>1,076,901</u>                                  | <u>531,535</u>                                 | <u>220,719</u>  | <u>423,341</u>            | <u>2,252,496</u>         |
| <b>A point in time</b>   |   |  |   |                           |                          |
| Revenue from sales of goods  | -   | -  | 38,231  | -                         | 38,231                   |
| Other revenue  | -   | -  | -   | 130,677                   | 130,677                  |
| <b>Over-time</b>   |   |  |   |                           |                          |
| Revenue from the brand consulting and management service for the early stage | 71,377  | -  | -   | -                         | 71,377                   |
| Revenue from annual brand consulting and management service for project      | 999,369   | -  | -   | -                         | 999,369                  |
| Revenue from commercial consultation fee and tenant sourcing commissions     | 6,155   | -  | -   | -                         | 6,155                    |
| Revenue from construction and design service                                 | -   | 531,535  | -   | -                         | 531,535                  |
| Revenue from decoration  | -   | -  | 182,488   | -                         | 182,488                  |
| Other revenue  | -   | -  | -   | 292,664                   | 292,664                  |
| Total  | <u><u>1,076,901</u></u>                           | <u><u>531,535</u></u>                          | <u><u>220,719</u></u>   | <u><u>423,341</u></u>     | <u><u>2,252,496</u></u>  |

|   | Managed<br>Shopping<br>Malls<br><i>RMB'000</i> | Construction<br>and design<br><i>RMB'000</i> | Related home<br>decoration and<br>sales of<br>merchandise<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|--|--|---|--------------------------|-------------------------|
| Six months ended 30 June 2022   |  |  |   |                          |                         |
| <b>Principal operating region</b>   |  |  |   |                          |                         |
| Mainland of China   | <u>1,295,775</u>                               | <u>730,374</u>                               | <u>250,985</u>  | <u>487,879</u>           | <u>2,765,013</u>        |
| <b>A point in time</b>  |  |  |   |                          |                         |
| Revenue from commercial management<br>and consultation service for construction | 6,991  | –  | –   | –                        | 6,991                   |
| Revenue from sales of goods   | –  | –  | 62,178  | –                        | 62,178                  |
| Other revenue   | –  | –  | –   | 110,887                  | 110,887                 |
| <b>Over-time</b>  |  |  |   |                          |                         |
| Revenue from the brand consulting and<br>management service for the early stage | 146,058  | –  | –   | –                        | 146,058                 |
| Revenue from annual brand consulting<br>and management service for project      | 1,125,279                                      | –  | –   | –                        | 1,125,279               |
| Revenue from commercial consultation<br>fee and tenant sourcing commissions     | 17,447   | –  | –   | –                        | 17,447                  |
| Revenue from construction and design service                                    | –  | 730,374                                      | –   | –                        | 730,374                 |
| Revenue from decoration   | –  | –  | 188,807   | –                        | 188,807                 |
| Other revenue   | –  | –  | –   | 376,992                  | 376,992                 |
| Total   | <u><u>1,295,775</u></u>                        | <u><u>730,374</u></u>                        | <u><u>250,985</u></u>   | <u><u>487,879</u></u>    | <u><u>2,765,013</u></u> |

#### 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 30 June 2023 and the expected timing of recognising revenue are as follows:

|                    | Managed<br>Shopping<br>Malls<br><i>RMB'000</i> | Construction<br>and design<br><i>RMB'000</i> | Related<br>decoration<br>and sales of<br>merchandise<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i>  |
|--------------------|--|--|--|--------------------------|--------------------------|
| Within one year    | <u>1,130,209</u>                               | <u>750,067</u>                               | <u>295,116</u>   | <u>384,645</u>           | <u>2,560,037</u>         |
| More than one year | <u>11,110,763</u>                              | <u>432,318</u>                               | <u>36,000</u>  | <u>102,438</u>           | <u>11,681,519</u>        |
|                    | <u><u>12,240,972</u></u>                       | <u><u>1,182,385</u></u>                      | <u><u>331,116</u></u>  | <u><u>487,083</u></u>    | <u><u>14,241,556</u></u> |

The transaction price allocated to the remaining obligations (unsatisfied or partially unsatisfied) as at 30 June 2022 and the expected timing of recognising revenue are as follows:

|                    | Managed<br>Shopping<br>Malls<br><i>RMB'000</i> | Construction<br>and design<br><i>RMB'000</i> | Related home<br>decoration<br>and sales of<br>merchandise<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--------------------|--|--|---|--------------------------|-------------------------|
| Within one year    | 1,138,674                                      | 1,160,201                                    | 429,487   | 348,075                  | 3,076,437               |
| More than one year | 12,367,634                                     | 416,181                                      | 153,644   | 138,740                  | 13,076,199              |
|                    | <u>13,506,308</u>                              | <u>1,576,382</u>                             | <u>583,131</u>  | <u>486,815</u>           | <u>16,152,636</u>       |

### 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 Reporting Period.

## 5. OTHER INCOMES

|                                      | Six months ended 30 June              |                                       |
|--------------------------------------|---------------------------------------|---------------------------------------|
|                                      | 2023<br><i>RMB'000</i><br>(Unaudited) | 2022<br><i>RMB'000</i><br>(Unaudited) |
| Interest income on                   |                                       |                                       |
| – bank deposits                      | 7,221                                 | 23,803                                |
| – other loans and receivables        | 72,352                                | 95,552                                |
|                                      | <u>79,573</u>                         | <u>119,355</u>                        |
| Total interest income                | 79,573                                | 119,355                               |
| Subsidy for land supporting expenses | 2,924                                 | 2,924                                 |
| Government grants                    | 29,476                                | 47,657                                |
| Dividend income                      | 34,541                                | 11,447                                |
| Income from default compensation     | 392                                   | 1,302                                 |
|                                      | <u>146,906</u>                        | <u>182,685</u>                        |



**6. OTHER GAINS OR LOSSES, NET**

|  | <b>Six months ended 30 June</b> |                       |
|--|---------------------------------|-----------------------|
|  | <b>2023</b>                     | <b>2022</b>           |
|  | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|  | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
| Loss on disposal of associates and joint ventures          | <b>(40,586)</b>                 | (7,293)               |
| (Loss)/gain on disposal of financial instrument at FVTPL   | <b>(21,820)</b>                 | 10,983                |
| (Loss)/gain on disposal of properties, plant and equipment | <b>(15,249)</b>                 | 707                   |
| Loss on lease modification                                 | <b>(48,410)</b>                 | –                     |
| Gain on disposal of subsidiaries                           | <b>4,689</b>                    | –                     |
| Fair value change on financial instrument at FVTPL         | <b>(4,960)</b>                  | (2,634)               |
| Charitable donations                                       | <b>(17)</b>                     | (1,087)               |
| Compensation expenses                                      | <b>(55,741)</b>                 | (5,310)               |
| Exchange (loss)  | <b>(65,218)</b>                 | (24,572)              |
| Others   | <b>5,386</b>                    | (1,937)               |
|  | <b>(241,926)</b>                | <b>(31,143)</b>       |

**7. FINANCE COST**

|   | <b>Six months ended 30 June</b> |                       |
|---|---------------------------------|-----------------------|
|   | <b>2023</b>                     | <b>2022</b>           |
|   | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|   | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
| Interest on bank and other borrowings                     | <b>1,270,473</b>                | 1,193,591             |
| Interest on lease liabilities                             | <b>94,470</b>                   | 115,291               |
| Interest on bonds   | <b>61,632</b>                   | 105,037               |
|   | <b>1,426,575</b>                | 1,413,919             |
| Less: amount capitalised in the cost of qualifying assets | <b>(168,573)</b>                | (162,349)             |
|   | <b>1,258,002</b>                | <b>1,251,570</b>      |

## 8. INCOME TAX EXPENSES

|                               | Six months ended 30 June |                |
|-------------------------------|--------------------------|----------------|
|                               | 2023                     | 2022           |
|                               | <i>RMB'000</i>           | <i>RMB'000</i> |
|                               | (Unaudited)              | (Unaudited)    |
| Income tax expenses comprise: |                          |                |
| Current tax:                  |                          |                |
| PRC enterprise income tax     | 89,328                   | 405,977        |
| Deferred tax – current year   | 85,423                   | 356,198        |
|                               | <hr/>                    | <hr/>          |
| Income tax expenses           | 174,751                  | 762,175        |
|                               | <hr/> <hr/>              | <hr/> <hr/>    |

## 9. PROFIT FOR THE PERIOD

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2023                     | 2022           |
|   | <i>RMB'000</i>           | <i>RMB'000</i> |
|   | (Unaudited)              | (Unaudited)    |
| Profit for the period has been arrived at after charging/(crediting): |                          |                |
| Staff costs (including directors emoluments)                          |                          |                |
| Salaries and other benefits   | 1,238,202                | 1,309,631      |
| Retirement benefits scheme contributions                              | 117,868                  | 139,345        |
|   | <hr/>                    | <hr/>          |
| Total staff costs   | 1,356,070                | 1,448,976      |
| Cost of inventories recognised as an expense                          | 81,305                   | 86,905         |
| Depreciation of property, plant and equipment                         | 143,814                  | 157,789        |
| Depreciation of right-of-use assets                                   | 8,988                    | 10,379         |
| Amortisation of intangible assets                                     | 20,420                   | 19,905         |
| Advertising and promotional expenses                                  | 330,516                  | 301,780        |
| Gross rental income from investment properties                        | (3,376,869)              | (4,153,357)    |
| Direct operating expenses incurred for investment properties          | 689,868                  | 676,771        |
|   | <hr/> <hr/>              | <hr/> <hr/>    |

## 10. DIVIDEND

The final dividend that relates to the year ended 31 December 2022 (the “**2022 final dividend**”) amounting to RMB148,025 thousand was approved at the annual general meeting on 26 June 2023 and has been paid on 25 August 2023 (Final dividend related to the year ended 31 December 2021 of RMB435,473 thousand was approved at the annual general meeting on 20 May 2022 and paid on 20 July 2022). The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). On 28 April 2023, the Board has proposed the distribution of a special dividend of RMB0.46 per 10 shares (“**Special Dividend**”). The Special Dividend was approved at the annual general meeting on 26 June 2023 and has been paid on 25 August 2023.

## 11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share as of 30 June 2023 and 2022 is based on the following data:

|                                      | <b>Six months ended 30 June</b> |                    |
|--------------------------------------|---------------------------------|--------------------|
|                                      | <b>2023</b>                     | <b>2022</b>        |
|                                      | <b>RMB</b>                      | <b>RMB</b>         |
|                                      | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Basic and diluted earnings per share | <b>0.03</b>                     | <b>0.23</b>        |

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 six months period of 30 June 2022 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 2022. The Group did not have any dilutive potential ordinary shares in issue during the six months period 30 June 2023.

As of 30 June 2023 and 2022, the calculation of basic and diluted earnings per share is detailed as follows:

|   | <b>Six months ended 30 June</b> |                    |
|---|---------------------------------|--------------------|
|   | <b>2023</b>                     | <b>2022</b>        |
|   | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <i>Earnings</i>   |                                 |                    |
| Profit for the period attributable to owner of the Company<br>(RMB’000) | <b>128,196</b>                  | <b>982,069</b>     |
|   | <b>Six months ended 30 June</b> |                    |
|   | <b>2023</b>                     | <b>2022</b>        |
|   | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <i>Number of the ordinary Shares</i>                                    |                                 |                    |
| Weighted average number of the ordinary shares of<br>the Company (’000) | <b>4,354,733</b>                | <b>4,354,733</b>   |

## 12. INVESTMENT PROPERTIES

|  | <b>Completed<br/>properties<br/>RMB'000</b> | <b>Properties<br/>under<br/>construction<br/>RMB'000</b> | <b>Leased<br/>properties<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|--|---|--|--|--------------------------|
| <b>Fair value</b>  |   |  |  |                          |
| As at 1 January 2022 (Audited)                                 | 88,337,000                                  | 7,238,000  | 5,198,070                                | 100,773,070              |
| Additions  | 83,364                                      | 631,029  | 8,141                                    | 722,534                  |
| Lease modification   | –   | –  | (237,585)                                | (237,585)                |
| Disposal of assets   | (510,000)                                   | –  | –  | (510,000)                |
| Changes in fair value  | (1,129,364)                                 | 1,058,971  | (655,441)                                | (725,834)                |
| <b>As at 31 December 2022 and<br/>1 January 2023 (Audited)</b> | <b>86,781,000</b>                           | <b>8,928,000</b>   | <b>4,313,185</b>                         | <b>100,022,185</b>       |
| Additions  | 29,030                                      | 282,251  | 144,049                                  | 455,330                  |
| Lease modification   | –   | –  | (122,267)                                | (122,267)                |
| Changes in fair value  | 18,970                                      | (124,251)  | (190,967)                                | (296,248)                |
| <b>As at 30 June 2023 (Unaudited)</b>                          | <b>86,829,000</b>                           | <b>9,086,000</b>   | <b>4,144,000</b>                         | <b>100,059,000</b>       |

## 13. ACCOUNT RECEIVABLES

|   | <b>As at<br/>30 June 2023<br/>RMB'000<br/>(Unaudited)</b> | <b>As at<br/>31 December 2022<br/>RMB'000<br/>(Audited)</b> |
|---|---|---|
| Account receivables                     | 3,264,819   | 3,584,087   |
| Less: provision of expected credit loss | (1,609,871)   | (1,621,918)   |
|   | <b>1,654,948</b>  | <b>1,962,169</b>  |

An aging 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:

|   | <b>As at<br/>30 June 2023<br/>RMB'000<br/>(Unaudited)</b> | <b>As at<br/>31 December 2022<br/>RMB'000<br/>(Audited)</b> |
|---|---|---|
| Within 1 year                           | 959,651   | 1,254,540   |
| 1 to 2 years                            | 595,330   | 527,175   |
| 2 to 3 years                            | 399,510   | 358,767   |
| Over 3 years                            | 1,310,328   | 1,443,605   |
| Less: provision of expected credit loss | (1,609,871)   | (1,621,918)   |
|   | <b>1,654,948</b>  | <b>1,962,169</b>  |

#### 14. TRADE AND OTHER PAYABLES

|   | As at<br><b>30 June 2023</b><br><i>RMB'000</i><br>(Unaudited) | As at<br>31 December 2022<br><i>RMB'000</i><br>(Audited) |
|---|---|--|
| Trade payables ( <i>Note</i> )              | 2,074,516   | 2,452,582  |
| Bills payables                              | 193,551   | 44,412   |
| Advance from tenants                        | 567,199   | 588,213  |
| Deposit received                            | 3,405,623   | 3,209,664  |
| Amounts due to partners                     | 3,824,897   | 4,179,790  |
| Amounts payable for property purchase       | 192,910   | 197,510  |
| Amounts payable to construction contractors | 355,293   | 412,769  |
| Payroll payable                             | 488,579   | 480,929  |
| Other tax payable                           | 551,096   | 546,810  |
| Others                                      | 1,495,007   | 1,440,011  |
|   | <u>13,148,671</u>   | <u>13,552,690</u>  |
| Less: Current portion                       | <u>(12,614,753)</u>   | <u>(12,996,449)</u>                                      |
| Non-current portion                         | <u><u>533,918</u></u>   | <u><u>556,241</u></u>                                    |

*Note:*

An aging analysis of the trade payables as at the end of the Reporting Period is as follow:

|               | As at<br><b>30 June 2023</b><br><i>RMB'000</i><br>(Unaudited) | As at<br>31 December 2022<br><i>RMB'000</i><br>(Audited) |
|---------------|---|--|
| Within 1 year | <u><u>2,074,516</u></u>                                       | <u><u>2,452,582</u></u>                                  |

## 15. BANK AND OTHER BORROWINGS

|  | As at<br>30 June 2023<br><i>RMB'000</i><br>(Unaudited) | As at<br>31 December 2022<br><i>RMB'000</i><br>(Audited) |
|--|--|--|
| Bank and other borrowings:                                       |  |  |
| Secured  | 28,132,014   | 28,269,466   |
| Unsecured  | 141,825  | 50,080   |
| Commercial mortgage-backed securities                            | 3,252,535  | 3,289,806  |
|  | <u>31,526,374</u>                                      | <u>31,609,352</u>  |
| Less: Current portion  | (7,340,181)  | (7,100,362)  |
| Non-current portion  | <u><u>24,186,193</u></u>                               | <u><u>24,508,990</u></u>                                 |
|  |  |  |
|  | As at<br>30 June 2023<br><i>RMB'000</i><br>(Unaudited) | As at<br>31 December 2022<br><i>RMB'000</i><br>(Audited) |
| Fixed-rate borrowings  | 10,441,319   | 11,573,044   |
| Floating-rate borrowings   | 21,085,055   | 20,036,308   |
|  | <u>31,526,374</u>                                      | <u>31,609,352</u>  |
|  |  |  |
|  | As at<br>30 June 2023<br><i>RMB'000</i><br>(Unaudited) | As at<br>31 December 2022<br><i>RMB'000</i><br>(Audited) |
| The borrowings are repayable:                                    |  |  |
| Within one year or on demand                                     | 7,340,181  | 7,100,362  |
| More than one year but not exceeding two years                   | 6,990,547  | 7,295,674  |
| More than two years but not exceeding five years                 | 8,668,157  | 8,305,398  |
| More than five years   | 8,527,489  | 8,907,918  |
|  | <u>31,526,374</u>                                      | <u>31,609,352</u>  |
| Less: Amount due within one year shown under current liabilities | (7,340,181)  | (7,100,362)  |
| Amount due after one year  | <u><u>24,186,193</u></u>                               | <u><u>24,508,990</u></u>                                 |

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

|                            | As at<br><b>30 June 2023</b><br>% | As at<br>31 December 2022<br>% |
|----------------------------|-----------------------------------|--------------------------------|
|                            | <b>(Unaudited)</b>                | (Audited)                      |
| Bank and other borrowings: |                                   |                                |
| Fixed rate borrowings      | <b>4.20-15.40</b>                 | 4.79-15.40                     |
| Floating rate borrowings   | <b>3.65-8.00</b>                  | 3.65-8.00                      |

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.

## 16. SHARE CAPITAL

|   | H Shares<br>Number of shares<br>'000 | A Shares<br>Number of shares<br>'000 | Share capital<br>RMB'000 |
|---|--------------------------------------|--------------------------------------|--------------------------|
| As at 31 December 2022,<br>1 January 2023 (Audited)<br>and 30 June 2023 (Unaudited) | <u>741,286</u>                       | <u>3,613,447</u>                     | <u>4,354,733</u>         |

All shares issued are at par value RMB1.

## 17. COMMITMENTS

|   | As at<br><b>30 June 2023</b><br>RMB'000<br>(Unaudited) | As at<br>31 December 2022<br>RMB'000<br>(Audited) |
|---|--|---|
| Contracted but not provided for in the condensed consolidated financial statements:     |  |   |
| Capital expenditure in respect of acquisition and construction of investment properties | <b>1,189,520</b>                                       | 1,412,969   |
| Investment commitments  | <b>354,338</b>   | 217,036   |
|   | <b><u>1,543,858</u></b>                                | <u>1,630,005</u>                                  |

## MANAGEMENT DISCUSSION AND ANALYSIS

### – FINANCIAL REVIEW

#### 1. Revenue

The Group's revenue for the 1H 2023 decreased by 18.6% to RMB5,659.9 million (1H2022: RMB6,956.6 million). Rental and related revenue from Owned/Leased Portfolio Shopping Malls fell from RMB4,153.4 million in 1H 2022 to RMB3,376.9 million in 1H 2023 due to a phased decrease in occupancy rate and the implementation of the rent-free policy by the Company. The revenue from Managed Shopping Malls decreased by 16.9%. The decline was mainly due to the delay in the contract performance and the decline in revenue from the opening of Managed Shopping Malls, which were affected by overarching economic fluctuation. Meanwhile, the number of construction and design projects has decreased and construction progress has slowed down compared to 1H 2022, resulting in a decrease in the related revenue from RMB730.4 million in 1H 2022 to RMB531.5 million in 1H 2023.

The following table sets forth our revenue by business segments:

|  | Six months ended 30 June |                     |                         |                     |
|--|--------------------------|---------------------|-------------------------|---------------------|
|  | 2023 (Unaudited)         |                     | 2022 (Unaudited)        |                     |
|  | <i>RMB'000</i>           | <i>%</i>            | <i>RMB'000</i>          | <i>%</i>            |
| Owned/Leased Portfolio Shopping Malls            | <b>3,376,869</b>         | <b>59.7</b>         | 4,153,357               | 59.7                |
| Managed Shopping Malls                           | <b>1,076,901</b>         | <b>19.0</b>         | 1,295,775               | 18.6                |
| Construction and design                          | <b>531,535</b>           | <b>9.4</b>          | 730,374                 | 10.5                |
| Home decoration related and sales of merchandise | <b>220,719</b>           | <b>3.9</b>          | 250,985                 | 3.6                 |
| Others   | <b>453,902</b>           | <b>8.0</b>          | 526,129                 | 7.6                 |
| Total  | <b><u>5,659,926</u></b>  | <b><u>100.0</u></b> | <b><u>6,956,620</u></b> | <b><u>100.0</u></b> |



## 2. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit achieved RMB3,622.3 million, representing a decrease of 21.9% as compared with RMB4,637.3 million for the same period in 2022. Moreover, the comprehensive gross profit margin was 64.0%, representing a decrease of 2.7 percentage points as compared with 66.7% for the same period in 2022.

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

|  | Six months ended 30 June |                     |
|--|--------------------------|---------------------|
|  | 2023<br>(Unaudited)      | 2022<br>(Unaudited) |
| Owned/Leased Portfolio Shopping Malls            | 79.6%                    | 83.7%               |
| Managed Shopping Malls                           | 45.8%                    | 46.7%               |
| Construction and design                          | 16.2%                    | 18.0%               |
| Home decoration related and sales of merchandise | 13.4%                    | 16.4%               |
| Others   | 71.8%                    | 72.8%               |
| Total  | <u>64.0%</u>             | <u>66.7%</u>        |

## 3. Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB606.2 million (accounting for 10.7% of the revenue), representing an increase of 1.2% as compared with RMB598.8 million (accounting for 8.6% of the revenue) for the same period in 2022, primarily due to the increase in brand promotion activities during the Reporting Period.

## 4. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB905.8 million (accounting for 16.0% of the revenue), representing an increase of 8.9% from RMB831.6 million (accounting for 12.0% of the revenue) for the same period in 2022, primarily attributable to an increase in office and administrative expenses.

## 5. Finance cost

During the Reporting Period, the Group's finance cost amounted to RMB1,258.0 million, representing only a minor variance compared to the previous period. Notably, the interest expenses accounted for RMB1,426.6 million, demonstrating a minimal change when juxtaposed with the preceding amount of RMB1,413.9 million.

## 6. Income tax expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB174.8 million, representing a decrease of 77.1% as compared with RMB762.2 million for the same period in 2022, which was mainly owing to decreased profit before tax in line with decline in revenue.

## 7. Total profit for the period 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 attributable to owners of the Company amounted to RMB128.2 million, representing a decrease of 86.9% compared with RMB982.1 million for the same period in 2022; the core net profit attributable to owners of the Company amounted to RMB251.3 million, representing a decrease of 78.0% as compared with RMB1,143.1 million for the comparable period.

|  | Six months ended 30 June |                     | Increase/Decrease                    |
|--|--------------------------|---------------------|--------------------------------------|
|  | 2023<br>(Unaudited)      | 2022<br>(Unaudited) |                                      |
| Total profit for the period attributable to owners of the Company  | 128,196                  | 982,069             | -86.9%                               |
| Profit margin for the period attributable to owners of the Company | 2.3%                     | 14.1%               | a decrease of 11.8 percentage points |
| Core net profit attributable to owners of the Company              | 251,260                  | 1,143,076           | -78.0%                               |
| Core net profit margin attributable to owners of the Company       | 4.4%                     | 16.4%               | a decrease of 12.0 percentage points |

During the Reporting Period, the Group's earnings per share was RMB0.03, as compared to RMB0.23 in the same period of 2022.

## 8. Accounts receivable

As at the end of the Reporting Period, the book value of accounts receivable of the Group amounted to RMB1,654.9 million (including the balance of accounts receivable of RMB3,264.8 million and the provision of expected credit loss of RMB1,609.9 million), representing a decrease of RMB307.3 million as compared with RMB1,962.2 million as at the end of 2022, mainly owing to the fell in revenue.

## 9. Investment properties and gain from fair value changes

As at the end of the Reporting Period, the book value of the Group's investment properties amounted to RMB100,059.0 million, indicating a marginal growth of 0.04% as compared with RMB100,022.2 million at the end of 2022. During the Reporting Period, the operating conditions of most of the shopping malls were relatively stable compared to the end of last year, whilst the gradual shortening of the useful life of the land use rights generated some depreciation in value.

## 10. Capital expenditure

During the Reporting Period, the Group's capital expenditure amounted to RMB255.8 million (the same period in 2022: RMB762.5 million), primarily including the expenditures related to the purchase and construction of houses and buildings.

## 11. Cash and bank balances and cash flows

As at the end of the Reporting Period, the Group's cash and bank balances amounted to RMB2,517.4 million (of which, the balance of cash and cash equivalents amounted to RMB2,498.4 million), representing a decrease of RMB108.9 million as compared with RMB2,626.3 million (of which, the balance of cash and cash equivalents amounted to RMB2,608.3 million) as at the end of 2022.

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>RMB'000 |
| Net cash generated from operating activities                 | 2,068,238                      | 2,001,277                      |
| Net cash generated from investment activities                | 734,465                        | 81,819                         |
| Net cash used in financing activities                        | (2,913,174)                    | (2,586,612)                    |
| Impact of exchange rate changes on cash and cash equivalents | 627                            | (53)                           |
| Net (decrease) in cash and cash equivalents                  | <u>(109,844)</u>               | <u>(503,569)</u>               |

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB2,068.2 million, representing an increase of RMB66.9 million as compared with RMB2,001.3 million for the same period in 2022, mainly attributed to the net outflow of the Group's proceeds collected and paid on behalf of the tenants as compared with the same period last year and the decrease in operating cash inflow as a result of the impact of overarching economic fluctuation.

During the Reporting Period, the Group's net cash inflow from investment activities amounted to RMB734.5 million, representing an increase of RMB652.7 million as compared with RMB81.8 million for the same period in 2022. It was primarily due to the decrease of capital expenditure in the current period compared to the same period last year.

During the Reporting Period, the Group's net cash outflow used in financing activities amounted to RMB2,913.2 million, representing an increase of RMB326.6 million as compared with RMB2,586.6 million for the same period in 2022, mainly due to the increase in net cash outflow for acquisition and repayment of debts in the current period as compared with the same period last year under the continuous optimization of the capital structure.

## 12. Major debt ratios

Among the total debts of the Group, the portion repayable within one year or on demand amounted to RMB7,537.0 million, the portion repayable over one year but less than two years amounted to RMB7,054.1 million, the portion repayable over two years but less than five years amounted to RMB10,507.0 million and the portion repayable over five years amounted to RMB8,850.8 million. The Group will promptly repay the above debts at the time of maturity.

The following table sets out our major debt ratios:

|                                      | <b>As at<br/>30 June<br/>2023<br/>(Unaudited)</b> | As at<br>31 December<br>2022<br>(Audited) |
|--------------------------------------|---|---|
| Asset-liability ratio <sup>(1)</sup> | <b>54.8%</b>                                      | 55.2%                                     |
| Net gearing ratio <sup>(2)</sup>     | <b>53.9%</b>                                      | 61.4%                                     |

*Note:*

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

## 13. Pledged and mortgaged assets

As at the end of the Reporting Period, the Group had pledged investment properties and fixed assets with book value of RMB90,337.5 million, interests in associates with book value of RMB157.4 million and other equity instrument investments and restricted cash and bank balances with book balance of RMB627.6 million in order to obtain loans, bonds, finance leases and commercial mortgage-backed securities totalling RMB34,149.4 million. The Group's restricted cash and bank balance of RMB164.7 million have been deposited in the Central Bank as deposit reserves, etc.

## 14. Contingent liabilities

As at the end of the Reporting Period, the Group had no contingent liability.

## 15. Capital commitments

As at 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 recognised in the financial statements was RMB1,189.5 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contribute funds for development of investment properties jointly with the partners amounted to RMB354.3 million.

## **16. 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 the shareholders. To ensure the capital of the Group is effectively utilised, the Group will continue to regularly monitor liquidity needs, comply with financing agreements and maintain sufficient cash reserves and appropriate credit limits so as to meet liquidity needs.

## **17. 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 the certain deposits denominated in foreign currencies and USD-denominated bonds. To manage these additional risk exposures, the management of the Group has actively adopted relevant risk control measures to prepare for risk hedging, including enhancing internal control awareness and strategies, strengthening discussion with international banks, and closely monitoring and anticipating on trends of foreign exchange market. We believe that foreign exchange risks related to such assets and liabilities denominated in other currencies will not have material impacts on the operating results of the Group.

## **18. Significant investment held**

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

## **19. Human resources**

As at the end of the Reporting Period, the Group employed 15,977 employees (the same period in 2022: 20,526 employees) in total. The Group enters into labor contracts with employees according to the Labor Law of the PRC and the relevant provisions of the employee's locality. The Group determines the employee's basic wage and bonus level according to the employee's performance, work experience and the market wage standard, and pays social benefits and housing fund for the employees. During the Reporting Period, the Group paid a total of RMB1,354.4 million for salary expenditure (the same period in 2022: RMB1,697.9 million). Meanwhile, the Group also continued to invest resources in providing various education and training opportunities for the staff, aiming to standardise the management work and improve the operation performance, and continuously improve the knowledge and technology level as well as business practice competence of the employees.

## **20. Business development and deployment: steady development of shopping malls and strategic deployment with a nationwide coverage**

As of the end of the Reporting Period, the Company operated 91 Portfolio Shopping Malls, 281 Managed Shopping Malls and 8 home furnishing shopping malls through strategic cooperation<sup>(1)</sup>, 54 franchised home improvement material projects, including a total of 465 home improvement material stores/industry streets<sup>(3)</sup>. The Portfolio Shopping Malls and Management Shopping Malls, the Group operated covered 219 cities in 30 provinces, municipalities and autonomous regions in China, with a total operating area of 22,203,217 sq.m.

In terms of occupancy rate, the average occupancy rate of Portfolio Shopping Malls was 85.7% and the average occupancy rate of Managed Shopping Malls was 87.7%. In addition, among the pipeline Managed Shopping Malls, the Company has obtained land use rights/land parcels for 306 contractual projects.

*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 30 June 2023, 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 partially 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.

## **21. Continuous category extension, full chain marketing layout, and building a new digital ecosystem**

### ***21.1 Continuously expanding categories and integrated consumption in multiple industries***

Through exploring and introducing high-quality resources in the industry, the Company continued to select mainstream categories and brands that meet the needs of consumers, thereby optimizing the structure of merchants and industry structure, maintaining the advantages of all categories and differentiation, and promoting experiential immersion consumption.

The Company has actively introduced the catering category 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, Luckin Coffee and Nayuki. As of 30 June 2023, the coverage of catering category in shopping malls across the country increased to 44%, while the catering coverage in 100 Malls increased to 85%.

## ***21.2 Continuously conducting offline marketing activities and incubating the home furnishing marketing IP***

During the Reporting Period, relying on the category hierarchy operation strategy and categories' market characteristics, we focused on planning China's high-end electrical appliance ecological conference, China Sleep Week launched by Red Star Macalline, Summit Dialogues in the Customized Industry hosted by Red Star Macalline, Sanitary Ware Category Festival and other category activities. The Company continued to deepen the personalized positioning and perception of the categories, with the aim of creating a trend in the category industry. Through the planning of category IP activities and on-site promotion, the Company has deeply linked to brands and cooperated with the brands to build up industry influence, and stabilized cooperation adhesion of the brand factories and dealers, and trust granted by the platform.

In the 1H 2023, with the support of active consumer promotion initiatives and industrial policies, home furnishing consumption has become an important part of stabilizing growth. In this context, based on the whole industry, Red Star Macalline connected with upstream and downstream brands to bring together, create together and develop together. It continued to invest heavily in creating three big promotional activities, namely "315FUN Sihai Shopping Festival (315FUN 肆嗨購節)", "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)", so that more brands and distributors shared the benefits of consumption recovery.

### ***21.3 Digitalizations promoting business growth***

The effective layouts on for digital upgrades and online sources of traffic based on the Company's shopping malls start to bear fruit. During the Reporting Period, the Company's core shopping malls realized digital upgrades. In addition to the digital upgrades of the field domain of shopping malls, the Company has successively completed the upgrades and innovation of commodity operation, user operation and content operation.

In terms of commodity operation, "Tmall Tongcheng Station" continued to focus on commodity operation, and established an online hierarchical operation system for commodities. Exploiting all the resources in the store, "Tmall Tongcheng Station" focused on the operation of 30 brands, so as to create 70 top products in China with DAU $\geq$ 1,000, which empowered the operation of shopping malls in terms of traffic, customer resources and sales, and improved the overall efficiency of operation.

In terms of content operation, since the launch of the "10,000 Top Shopping Guides Live Streaming" scheme, relevant people in the industry such as store shopping guides, designers and top home furnishing streamers have been strongly attracted to participating in the scheme, with an accumulative total of approximately 11.0 thousand accounts participating in the 10,000 people live streaming period. The number of live streaming in the whole year increased by 1.8 times year on year, with traffic growth of 400%+. In the future, the Company will continue to incubate and cultivate the organizations' live streaming capabilities, empower home furnishing industry practitioners with live streaming operation abilities, and promote the implementation of the "10,000 Top Shopping Guides Live Streaming 2.0", i.e. superstar streamer scheme.

### ***21.4 Improving the management of shopping malls, and optimizing service experience***

The Group continuously promoted the upgrading of operation management with on-site management, risk management, commodity management, merchant management, service improvement and talent construction as the core, and advanced the green and environment-protection commercialization. Meanwhile, it continued to carry out customer evaluations, pay close attention to the feedback on customer experience, and improved customers' home furnishing consumption experience and satisfaction in an all-round way.

The Group has established a service-centered membership system. We increase customer stickiness, enhance service reputation, stimulate regular customers' consumptive power and improve service experience mainly through ways as member registration, consumption points and points exchange. Furthermore, the shopping malls improve member stickiness, service quality and reputation through return visits, organizing high-end member activities and sending exclusive greetings on holidays. In the first half of 2023, a total of nearly 500 member activities were organized, with approximately 980,000 new members, a member activation rate of 61% and a member repurchase rate of 18%.



The Group has improved home-based services, and boosted the operation of theme pavilions through combining with the promotion and category activities. During the Reporting Period, the Group has successively launched four home-based service activities, including “315 Service Month”, “April Refresh Service Month”, “618 Cool Summer Home Care Service Season”, and “818 Household Appliances Cleaning Season”, which were deeply combined with the promotion activities to boost the operation of categories and theme pavilions. During the Reporting Period, more than 276 shopping malls nationwide have served a total of approximately 170 thousand households, with more than 50 service items and a customer satisfaction rate of 98%.

## **22. Outlook and prospects**

The Group constantly shoulders the responsibility of “building cozy and harmonious homes and improving quality of consumption and home life” to provide consumers with better and more professional services. The Group will consolidate our leading position in the market as well as the professional status of “Red Star Macalline” as an expert of home life in our consumers’ minds, to pursue our enterprise development goal of growing into China’s most advanced and professional “omni-channel platform service provider for home decoration and furnishing industry”.

Our future development plans are as follows:

1. We will continue to implement the business model of “asset-light and operation-heavy”, and consolidate the market leadership through strategic expansion of our shopping mall network and brand portfolio;
2. We will strengthen the brand image of “omni-channel service provider for the pan-home improvement and furnishing industry” by deeply promoting the business transformation and making a breakthrough in full-cycle services of home furnishing consumption;
3. We will build comprehensive service system and strive to become the new retail benchmark in the home decoration and furnishing industry;
4. We will enhance the long-term competitiveness of the Company through digital strategies;
5. We will be proactive in innovation and attach importance to the application of capital markets and financial instruments; and
6. We will continue to improve corporate governance, standardize our operation and implement social responsibilities.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

The Company is a sino-foreign joint stock company incorporated in the PRC with limited liability under the Company Law of the PRC on 6 January 2011. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 26 June 2015. The Company's A shares were listed on the Shanghai Stock Exchange on 17 January 2018.

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

During the six months ended 30 June 2023, other than deviation from code provision C.2.1 of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Company has complied with all applicable code provisions of the Corporate Governance Code, which set 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. The 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 (as defined under the Listing Rules) and/or Directors to protect the interests of the minority shareholders.

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

Mr. CHE Jianxing ("**Mr. CHE**") is the Chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in the Group as mentioned above and the fact that Mr. CHE has assumed the role of chief executive officer and the general manager of the Company since June 2007, the Board considers it beneficial to the business prospect 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) decisions to be made by the Board require approval by at least a majority of our Directors and that the Board comprises five independent non-executive Directors out of the 14 Directors as of the date of this announcement, which is in compliance with the Listing Rules requirement that one-third of the Board shall be independent non-executive Directors, and the Company believes 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 they shall act 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 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 by the Board and the senior management after their thorough discussion.

Reference is made to the announcement of the Company dated 15 August 2023, Mr. ZHENG Yongda has been elected as the chairman of the fifth session of the Board. Mr. CHE remains the chief executive officer of the Company. Therefore, the Company has complied with the code provision C.2.1 of the Corporate Governance Code since 15 August 2023.

## COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company (the “**Supervisors**”) on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company has conducted specific enquiries to the Directors and Supervisors, and all Directors and Supervisors have confirmed that they had complied with all the provisions and standards set out in the Model Code during the six months ended 30 June 2023.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2023.

## INTERIM DIVIDEND

The Board does not recommend payment of dividend for the six months ended 30 June 2023.

## PUBLIC ISSUANCE OF A SHARE AND USE OF PROCEEDS

A shares of the Company were listed and traded on the Shanghai Stock Exchange on 17 January 2018 (Stock Code: 601828) at the issue price of RMB10.23 per share with an issuance size of 315,000,000 shares. The total proceeds raised from this offering was RMB3,222,450,000.00, and the net proceeds raised (after deducting the issuing expenses of A shares of RMB172,442,150.37) was RMB3,050,007,849.63. 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, and as of the end of the Reporting Period, the Group has utilized approximately 89% of the net proceeds for fundraising investment projects and replenishing working capital as required.

Analysis of the use of proceeds from issuance of A shares as of 30 June 2023 is as follows:

|                              |                         |
|------------------------------|-------------------------|
|                              | <i>Unit: RMB'000</i>    |
| Total amount of funds raised | 3,222,450               |
| Issuance expense             | 172,442                 |
| Net funds raised             | <u><u>3,050,008</u></u> |

| Proposed investment projects                       |   | Total investment planned       | Total amount utilized at the end of Reporting Period | Balance of the investment amount         | Explanation                              |
|--|---|--------------------------------|--|--|--|
|  |   | (RMB'000)                      | (RMB'000)  | (RMB'000)                                |  |
| 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 <sup>(2)</sup>                               | (13)                                     | Fully invested                           |
|  | Sub-total                                     | <u>1,750,000</u>               | <u>1,703,900</u>                                     | <u>46,100</u>                            | –  |
| New intelligent home furnishing shopping mall      | 400,000                                       | 120,204                        | 279,796  | 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                           |  |
| <b>Total</b>                                       | <b><u><u>3,050,008</u></u></b>                | <b><u><u>2,724,111</u></u></b> | <b><u><u>325,896</u></u></b>                         | <b><u><u>–</u></u></b>                   |  |

*Notes:*

- (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.

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.

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

In September 2021, the Company issued 449,732,673 A 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, the Company has utilized the net proceeds in accordance with the purposes as disclosed, and as of the end of the Reporting Period, the Group invested into the agreed proceeds-funded projects, a total of approximately 50% of the proceeds from the non-public issuance of A shares in 2021.

An analysis of the use of the proceeds from the non-public issuance of A shares as of 30 June 2023 is set out below:

|                   |                      |
|-------------------|----------------------|
|                   | <i>Unit: RMB'000</i> |
| Total Proceeds    | 3,701,299.9          |
| Issuance expenses | 22,936.1             |
| Net proceeds      | <u>3,678,363.8</u>   |

| Proposed Investment Project  | Total investment planned<br>(RMB'000)            | Investment amount at the end         | Balance of the investment amount<br>(RMB'000) | Remarks                                  |  |
|--|--|--------------------------------------|---|--|--|
|  |  | of the Reporting Period<br>(RMB'000) |   |  |  |
| 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  | <u>1,720,910.0</u>                   | <u>721,258.6</u>                              | <u>999,651.4</u>                         | –  |
| Repayment of Interest-bearing Debts of the Company                       | 1,103,509.1                                      | 1,103,509.1                          | –   | Fully invested                           |  |
| <b>Total</b>   | <b><u>3,678,363.8</u></b>                        | <b><u>1,833,295.4</u></b>            | <b><u>1,845,068.4</u></b>                     | <b><u>–</u></b>                          |  |

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.

## EVENTS AFTER THE REPORTING PERIOD

### The completion of the election of new session of the Board

The Company held the 69th extraordinary meeting of the 4th session of the Board on 26 July 2023, and approved proposals such as the Proposal on Nominating Candidates for Directors of the 5th session of the Board and the Proposal on Nominating Candidates for Independent Non-executive Directors of the 5th session of the Board; And on the same day, the 19th extraordinary meeting of the 4th session of the supervisory committee (the “**Supervisory Committee**”) of the Company was held, and the Proposal on Nominating Candidates for Independent Supervisors of the 5th session of the Supervisory Committee of the Company was considered and approved. The third extraordinary general meeting of shareholders for 2023 was held on 15 August 2023, and the proposals for electing Directors of the fifth session of the Board, independent non-executive Directors of the fifth session of the Board, and independent Supervisors of the fifth session of the Supervisory Committee were reviewed and passed.

After completing the election of the Board and Supervisory Committee, the Company held the first temporary meeting of the fifth session of the Board and the first temporary meeting of the fifth session of the Supervisory Committee on the same day, and considered and approved matters related to the election of the chairman of the fifth session of the Board, the chairman of the fifth session of the Supervisory Committee, members of specialized committees of the Board, and the appointment of senior management personnel, securities affairs representatives, etc. Members of the 5th Board of Directors: Mr. Zheng Yongda (Chairman), Mr. Wang Wenhui, Mr. Zou Shaorong, Mr. Che Jianxing, Mr. Li Jianhong, Mr. Shi Yaofeng, Mr. Yang Yingwu, Ms. Xu Di, Mr. Song Guangbin, Mr. Xue Wei (independent non-executive Director), Mr. Huang Jianzhong (independent non-executive Director), Mr. Chen Shanang (independent non-executive Director), Mr. Wong Chi Wai (independent non-executive Director), and Mr. Cai Qinghui (independent non-executive Director).

For details, please refer to the announcements disclosed on the Company’s designated domestic media on 27 July and 16 August 2023, and the website (<http://www.hkexnews.hk>) on the Hong Kong Stock Exchange on 26 July and 15 August, respectively.

### REVIEW OF INTERIM RESULTS

The Board has established the audit committee (the “**Audit Committee**”), which comprises two independent non-executive Directors, namely Mr. XUE Wei and Mr. HUANG Jianzhong and one non-executive Director, namely Mr. ZOU Shaorong. Mr. XUE Wei is the chairman of the Audit Committee.

The Audit Committee has reviewed the interim results announcement for the six months ended 30 June 2023 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.chinaredstar.com). The Company's 2023 interim report containing the information as required by the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Hong Kong Stock Exchange and on the website of the Company in due course.

By Order of the Board  
**Red Star Macalline Group Corporation Ltd.**  
**ZHENG Yongda**  
*Chairman*

Shanghai, the PRC  
30 August 2023

*As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, SHI Yaofeng, LI Jianhong and YANG Yingwu; the non-executive Directors are ZHENG Yongda, WANG Wenhui, ZOU Shaorong, SONG Guangbin and XU Di; and the independent non-executive Directors are XUE Wei, HUANG Jianzhong, CHEN Shanang, WONG Chi Wai and CAI Qinghui.*