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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

The board (the “**Board**”) of directors (the “**Director(s)**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**” or “**Red Star Macalline**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**” or “**we**”) for the year ended 31 December 2025 (the “**Reporting Period**”), together with comparative figures for the year ended 31 December 2024. Such financial results in this announcement had been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

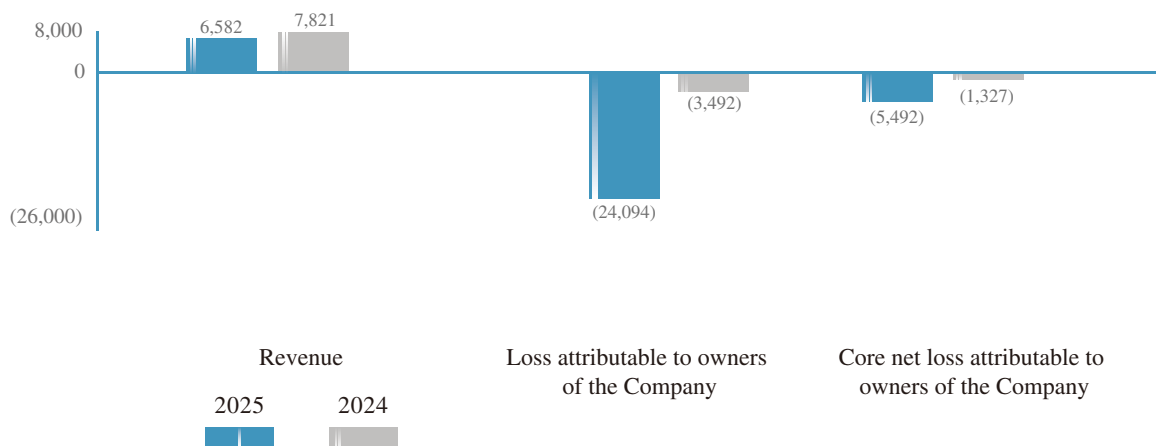
FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2025	2024
	(RMB'000, except otherwise stated)	
Revenue	6,581,941	7,821,266
Gross profit	4,229,676	4,987,001
Gross profit margin	64.3%	63.8%
Loss for the year	(25,866,680)	(3,727,843)
Loss attributable to owners of the Company	(24,093,718)	(3,492,042)
Loss margin attributable to owners of the Company	-366.1%	-44.6%
Core net loss attributable to owners of the Company ⁽²⁾	(5,492,208)	(1,327,428)
Core net loss margin attributable to owners of the Company ⁽³⁾	-83.4%	-17.0%
Loss per share (Basic and diluted)	RMB(5.53)	RMB(0.80)
Dividend per share (tax inclusive)	RMB0	RMB0

- 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 loss attributable to owners of the Company represents the loss attributable to owners of the Company after deducting the after-tax effects of changes in fair values of investment properties, other income, other gains and losses and other expenses etc., which are not related to daily operating activities.
 - (3) Core net loss margin attributable to owners of the Company represents the ratio of core net loss attributable to owners of the Company divided by revenue.

KEY FINANCIAL PERFORMANCE INDICATORS

RMB in million



OPERATIONAL HIGHLIGHTS

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

	As at 31 December 2025	As at 31 December 2024
Number of shopping malls	292	334
Operating area of shopping malls (sq.m.)	18,332,035	20,325,659
Number of cities covered	181	202
Number of Portfolio Shopping Malls	74	77
Operating area of Portfolio Shopping Malls (sq.m.)	7,321,708	7,512,689
Average occupancy rate of Portfolio Shopping Malls	85.0%	83.0%
Number of Managed Shopping Malls	218	257
Operating area of Managed Shopping Malls (sq.m.)	11,010,327	12,812,969
Average occupancy rate of Managed Shopping Malls	82.9%	82.5%

Note:

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	5	6,581,941	7,821,266
Cost of sales and services		<u>(2,352,265)</u>	<u>(2,834,265)</u>
Gross profit		4,229,676	4,987,001
Other revenues	6	116,490	220,064
Other gains or losses, net	7	(2,651,527)	(526,280)
Selling and distribution expenses		(837,156)	(1,028,348)
Administrative expenses		(1,296,882)	(1,451,715)
Research and development expenses		(4,756)	(13,366)
Changes in fair value of investment properties, net	13	(24,215,334)	(2,879,022)
Impairment losses under expected credit loss model, net of reversal		(1,175,121)	(1,104,858)
Impairment losses on goodwill		(97,597)	–
Impairment losses on property, plant and equipment		(148,013)	–
Share of results of associates, net		(79,769)	36,839
Share of results of joint ventures, net		(212,491)	(28,711)
Finance cost	8	<u>(2,160,297)</u>	<u>(2,531,193)</u>
Loss before tax		(28,532,777)	(4,319,589)
Income tax credit	9	<u>2,666,097</u>	<u>591,746</u>
Loss for the year	10	<u>(25,866,680)</u>	<u>(3,727,843)</u>

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Other comprehensive (loss)/income			
<i>Item that will not be reclassified to profit or loss:</i>			
Changes in fair value of other equity instrument investments		(244,913)	(128,670)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income of associates		–	4,407
Exchange differences from translation of financial statements		(1,011)	671
Other comprehensive loss		<u>(245,924)</u>	<u>(123,592)</u>
Total comprehensive loss for the year		<u>(26,112,604)</u>	<u>(3,851,435)</u>
Loss for the year attributable to:			
Owners of the Company		(24,093,718)	(3,492,042)
Non-controlling interests		(1,772,962)	(235,801)
		<u>(25,866,680)</u>	<u>(3,727,843)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(24,335,370)	(3,614,409)
Non-controlling interests		(1,777,234)	(237,026)
		<u>(26,112,604)</u>	<u>(3,851,435)</u>
Loss per share			
Basic and diluted loss (RMB per share)	12	<u>(5.53)</u>	<u>(0.80)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
ASSETS			
Non-current assets			
Investment properties	<i>13</i>	74,119,800	95,104,200
Property, plant and equipment		1,973,368	2,673,532
Right-of-use assets		1,775	4,792
Intangible assets		42,716	64,171
Goodwill		–	97,597
Interests in associates		1,584,049	2,334,650
Interests in joint ventures		782,066	994,557
Financial instruments at fair value through profit or loss (“FVTPL”)		93,400	160,879
Financial instruments at fair value through other comprehensive income (“FVTOCI”)		508,784	1,230,892
Deferred tax assets		2,534,914	3,909,149
Loan receivables		216,940	243,921
Restricted bank deposits		412,930	640,670
Deposits, prepayments and other receivables		832,461	2,841,274
Total non-current assets		83,103,203	110,300,284
Current assets			
Inventories		25,927	53,065
Loan receivables		1,100,792	1,818,274
Financial instruments at FVTPL		112	144,634
Account receivables	<i>14</i>	449,348	585,204
Notes receivable		278	14,126
Contract assets		411,207	1,008,634
Deposits, prepayments and other receivables		1,227,754	1,557,162
Bank balances and cash		2,808,460	3,153,986
Total current assets		6,023,878	8,335,085
Total assets		89,127,081	118,635,369

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current liabilities			
Trade and other payables	15	17,811,179	18,791,802
Rental and service fee received in advance		624,055	730,600
Contract liabilities		575,123	749,289
Tax payables		183,321	178,161
Lease liabilities		555,163	601,377
Bank and other borrowings	16	9,676,448	6,016,153
Other current liabilities		72,541	72,908
Bonds		–	1,790,841
Total current liabilities		<u>29,497,830</u>	<u>28,931,131</u>
Net current liabilities		<u>(23,473,952)</u>	<u>(20,596,046)</u>
Total assets less current liabilities		<u>59,629,251</u>	<u>89,704,238</u>
Non-current liabilities			
Deferred tax liabilities		9,428,323	13,774,518
Bank and other borrowings	16	21,716,059	21,247,400
Lease liabilities		1,614,677	1,624,283
Other payables		440,966	472,937
Deferred income		154,688	160,612
Contract liabilities		341,504	414,245
Other non-current liabilities		633,152	705,692
Total non-current liabilities		<u>34,329,369</u>	<u>38,399,687</u>
Net assets		<u>25,299,882</u>	<u>51,304,551</u>
Equity			
Share capital	17	4,354,733	4,354,733
Reserves		19,507,600	43,843,517
Equity attributable to owners of the Company		<u>23,862,333</u>	<u>48,198,250</u>
Non-controlling interests		1,437,549	3,106,301
Total equity		<u>25,299,882</u>	<u>51,304,551</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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 company with limited liability 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), a company with limited liability incorporated in the PRC. In the opinion of the directors (the “**Director(s)**”) of the Company, Xiamen C&D Inc. (“**Xiamen C&D**”, a company listed on the Shanghai Stock Exchange (A Share Stock Code: 600153)) exercises control over the Company and is the parent company of the Company. State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government (廈門市人民政府國有資產監督管理委員會) is the ultimate controlling shareholder of the Company.

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

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

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Group.

2. BASIS OF PREPARATION

2.1 Basis of measurement

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

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

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

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

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

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

2.2 Going concern

The Group incurred a loss of RMB25,866,680 thousand for the year ended 31 December 2025, and the Group had net current liabilities of RMB23,473,952 thousand as at 31 December 2025.

In view of such circumstances, the Directors continue to implement a series of plans and measures to improve the Group's liquidity and financial position, which include but not limited to the following:

- The management had assessed the going concern of the Group for the 12 months starting from 1 January 2026, and after taking into account unutilized bank facilities granted to the Group and the Group's expected operating cash inflows and financing arrangements as of 31 December 2025, believed that the liquidity risk to which the Group is exposed due to its net current liabilities as at 31 December 2025 was manageable, and accordingly would not have a material impact on the going concern and financial position of the Group.
- Continuing to negotiate with banks and financial institutions for financing.

The Directors are therefore of the opinion that it is appropriate to prepare the audited consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the audited consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21	Lack of Exchangeability
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The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature – Dependent Electricity ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³

¹ Effective for annual reporting periods beginning on or after a date to be determined.

² Effective for annual reporting periods beginning on or after 1 January 2026.

³ Effective for annual reporting periods beginning on or after 1 January 2027.

Except for the new IFRS Accounting Standards described below, the Group anticipates that the application of all the new and amendments to IFRS Accounting Standards will have no material impact on the Group's consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements contains requirements for the presentation and disclosure in financial statements, and will replace IAS 1 Presentation of Financial Statements. The new IFRS Accounting Standard, while carrying over many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; to disclose management-defined performance measures (MPMs) in the notes to the financial statements; and to improve the aggregation and disaggregation of information disclosed in the financial statements. In addition, certain paragraphs of IAS 1 have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (which will be retitled “Basis for Preparation of Financial Statements” when IFRS 18 becomes effective) and to IFRS 7. Minor amendments are also made to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share.

IFRS 18 and the amendments to other standards will be effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have a material impact on the recognition and measurement of the Group’s financial position and financial performance. The Directors are in the process of assessing the specific impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5. SEGMENT INFORMATION AND REVENUE

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

Owned/leased Portfolio Shopping Malls: this segment derives revenue from leasing floor areas to the merchants 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 to develop and manage the shopping malls under the Group’s own brand.

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

Others: this segment derives revenue from providing other comprehensive services to the customers, including joint marketing, strategy consultation, retail sales of goods, cleaning services, internet services, etc.

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/(loss) represents the loss incurred by each segment without allocation of other income, other gains or losses, research and development expenses, changes in fair value of investment properties, impairment losses under expected credit loss model, impairment losses on goodwill, impairment losses on property, plant and equipment, share of results of associates, share of results of joint ventures, finance cost, central administrative expenses and income tax credit. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment. No operating segments have been aggregated in arriving at to reportable segment of the Group.

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 Portfolio Shopping Malls RMB'000	Managed Shopping Malls RMB'000	Construction and decoration services RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2025					
Segment revenue from external customers	<u>4,881,281</u>	<u>1,191,310</u>	<u>107,808</u>	<u>401,542</u>	<u>6,581,941</u>
Segment profit/(loss)	<u>2,122,157</u>	<u>92,561</u>	<u>(110,058)</u>	<u>18,698</u>	<u>2,123,358</u>
Unallocated:					
Other revenues					116,490
Other gains or losses, net					(2,651,527)
Central administrative expenses					(27,720)
Research and development expenses					(4,756)
Changes in fair value of investment properties, net					(24,215,334)
Impairment losses under expected credit loss model, net of reversal					(1,175,121)
Impairment losses on goodwill					(97,597)
Impairment losses on property, plant and equipment					(148,013)
Share of results of associates, net					(79,769)
Share of results of joint ventures, net					(212,491)
Finance cost					<u>(2,160,297)</u>
Loss before tax					<u>(28,532,777)</u>
Other information:					
Depreciation	<u>73,450</u>	<u>9,995</u>	<u>1,670</u>	<u>69,472</u>	<u>154,587</u>
Amortization	<u>289</u>	<u>17,446</u>	<u>46</u>	<u>8,887</u>	<u>26,668</u>

	Owned/ leased Portfolio Shopping Malls <i>RMB'000</i>	Managed Shopping Malls <i>RMB'000</i>	Construction and decoration services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2024					
Segment revenue from external customers	<u>5,360,019</u>	<u>1,460,146</u>	<u>332,128</u>	<u>668,973</u>	<u>7,821,266</u>
Segment profit/(loss)	<u>2,461,295</u>	<u>(44,989)</u>	<u>(66,085)</u>	<u>191,319</u>	<u>2,541,540</u>
Unallocated:					
Other revenues					220,064
Other gains or losses, net					(526,280)
Central administrative expense					(34,602)
Research and development expenses					(13,366)
Changes in fair value of investment properties, net					(2,879,022)
Impairment losses under expected credit loss model, net of reversal					(1,104,858)
Share of results of associates, net					36,839
Share of results of joint ventures, net					(28,711)
Finance cost					(2,531,193)
Loss before tax					<u>(4,319,589)</u>
Other information:					
Depreciation	<u>97,966</u>	<u>11,125</u>	<u>2,371</u>	<u>91,665</u>	<u>203,127</u>
Amortization	<u>289</u>	<u>25,234</u>	<u>975</u>	<u>11,123</u>	<u>37,621</u>
The revenue of sales set out as follows:					
				2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue from contracts with customers				1,647,455	2,426,913
Rental and related revenue				4,934,486	5,394,353
				<u>6,581,941</u>	<u>7,821,266</u>

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

	Managed Shopping Malls <i>RMB'000</i>	Construction and decoration services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2025				
Primary geographical markets				
Chinese Mainland	1,191,310	107,808	348,337	1,647,455
Timing of revenue recognition				
Revenue recognized at a point in time				
Revenue from sales of goods	–	5,221	12,356	17,577
Other revenues	–	19,257	45,613	64,870
Revenue recognized over-time				
Revenue from operation and management services	1,191,310	–	–	1,191,310
Revenue from decoration, construction and design services	–	83,330	–	83,330
Other revenues	–	–	290,368	290,368
Total	1,191,310	107,808	348,337	1,647,455
	Managed Shopping Malls <i>RMB'000</i>	Construction and decoration services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2024				
Primary geographical markets				
Chinese Mainland	1,460,146	332,128	634,639	2,426,913
Timing of revenue recognition				
Revenue recognized at a point in time				
Revenue from sales of goods	–	1,988	35,881	37,869
Other revenues	–	–	171,053	171,053
Revenue recognized over-time				
Revenue from operation and management services	1,460,146	–	–	1,460,146
Revenue from decoration, construction and design services	–	330,140	–	330,140
Other revenues	–	–	427,705	427,705
Total	1,460,146	332,128	634,639	2,426,913

Geographical information

All the revenue and operating results of the Group are derived from the PRC based on location of the operations.

Information about the Group's non-current assets is presented based on the geographical location of the assets as follows.

	Non-current assets	
	2025	2024
	RMB'000	RMB'000
The PRC	79,211,604	103,512,056
The Cayman Islands	35,467	91,804
	<u>79,247,071</u>	<u>103,603,860</u>

Note:

Non-current assets excluded financial instruments and deferred tax assets.

6. OTHER INCOME

	2025	2024
	RMB'000	RMB'000
Interest income on		
– bank deposits	9,723	16,854
– other loans and receivables	27,445	93,828
	<u>37,168</u>	<u>110,682</u>
Total interest income		
Government grants		
– Tax refunds and various subsidies	23,793	33,882
– Special industrial support funds	20,305	21,878
– Other policy incentive support funds	–	71
Subsidy for land supporting expense and subsidy for gas-fired air conditioning equipment	5,924	5,886
Dividend Income from financial instruments at FVTOCI	6,023	14,431
Dividend income from financial instruments at FVTPL	9,301	1,852
Income from default compensation	2,927	3,623
Income from project termination	11,049	27,759
	<u>116,490</u>	<u>220,064</u>

7. OTHER GAINS OR LOSSES, NET

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Gain on disposal of associates	16,068	13,964
Gain on disposal of financial instruments at FVTPL	7,595	2,215
Loss on disposal of property, plant and equipment	(4,330)	(7,043)
Loss on disposal of intangible assets	(392)	(974)
Loss on disposal and deregistration of subsidiaries, net	(12,289)	–
Gain/(loss) on lease modification	18,709	(36,379)
Impairment losses on right to proceeds from land consolidation	(1,873,425)	–
Impairment losses on interests in associates	(607,340)	–
Change in fair value of financial instruments at FVTPL	(72,399)	(96,496)
Compensation expenses	(92,763)	(37,289)
Write-down of inventories	(2,399)	(71,857)
Exchange loss	(6,463)	(32,677)
Others (<i>note a</i>)	(22,099)	(259,744)
	<u>(2,651,527)</u>	<u>(526,280)</u>

Note:

- (a) Other losses for the year ended 31 December 2024 mainly included relevant losses of RMB139,564 thousand arising from the termination of individual projects for which the decision to cease further investment was made after assessment by the relevant departments of the Company.

8. FINANCE COST

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest on bank and other borrowings	2,018,621	2,293,629
Interest on lease liabilities	78,107	137,843
Interest on bonds	63,569	100,324
	<u>2,160,297</u>	<u>2,531,796</u>
Less: amount capitalised in the cost of qualifying assets	–	(603)
	<u>2,160,297</u>	<u>2,531,193</u>

9. INCOME TAX

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Income tax expenses comprise:		
Current tax:		
PRC enterprise income tax	181,429	264,145
Under provision in prior year	13,608	74,968
	<u>195,037</u>	<u>339,113</u>
Deferred tax – current year	(2,861,134)	(930,859)
	<u>(2,666,097)</u>	<u>(591,746)</u>

10. LOSS FOR THE YEAR

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Loss for the year has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments)		
Salaries and other benefits	1,608,925	1,988,877
Retirement benefits scheme contributions	152,624	188,343
	<u>1,761,549</u>	<u>2,177,220</u>
Total staff costs	<u>1,761,549</u>	<u>2,177,220</u>
Auditor's remuneration	6,500	6,500
Cost of inventories recognised as an expense	12,833	43,033
Depreciation of property, plant and equipment	147,985	199,585
Depreciation of right-of-use assets	6,602	3,542
Amortisation of intangible assets	26,668	37,621
Advertising and promotional expenses	489,917	613,267
	<u>(4,934,486)</u>	<u>(5,394,353)</u>
Gross rental income from investment properties	(4,934,486)	(5,394,353)
Less: Direct operating expenses incurred for investment properties	1,278,271	1,377,783
	<u>(3,656,215)</u>	<u>(4,016,570)</u>

11. DIVIDENDS

The Board resolved not to declare a final dividend for the year ended 31 December 2025 (2024: Nil).

12. LOSS PER SHARE

As of 31 December 2025 and 2024, the calculation of basic and diluted loss per share is based on the following data:

	2025	2024
	RMB	RMB
Basic and diluted loss per share	<u><u>(5.53)</u></u>	<u><u>(0.80)</u></u>

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares.

For the years ended 31 December 2025 and 2024, the Group had no potentially dilutive ordinary shares in issue. Therefore, for the years ended 31 December 2025 and 2024, the diluted loss per share is the same as the basic loss per share.

As of 31 December 2025 and 2024, the calculation of basic and diluted loss per share is detailed as follows:

	2025	2024
<i>Loss</i>		
Net loss for the year attributable to owners of the Company (RMB'000)	<u><u>(24,093,718)</u></u>	<u><u>(3,492,042)</u></u>
<i>Number of the ordinary shares</i>		
Weighted average number of the ordinary shares of the Company ('000)	<u><u>4,354,733</u></u>	<u><u>4,354,733</u></u>

13. INVESTMENT PROPERTIES

	Completed investment properties <i>RMB'000</i>	Properties under construction <i>RMB'000</i>	Leased properties <i>RMB'000</i>	Total <i>RMB'000</i>
Fair value				
At 1 January 2024	85,813,199	9,103,000	3,564,001	98,480,200
Additions	543,293	33,853	44,783	621,929
Lease modification	–	–	(1,178,058)	(1,178,058)
Transfer from properties under construction	495,000	(495,000)	–	–
Transfer from property, plant and equipment and inventories	59,151	–	–	59,151
Changes in fair value	(1,760,443)	(342,853)	(775,726)	(2,879,022)
At 31 December 2024 and 1 January 2025	85,150,200	8,299,000	1,655,000	95,104,200
Additions	132,756	5,564	490,328	628,648
Acquisition of subsidiaries	2,364,672	–	–	2,364,672
Lease modification	–	–	(236,644)	(236,644)
Disposal of assets	(22,831)	–	–	(22,831)
Transfer from/(to) property, plant and equipment and properties under construction	1,175,089	(678,000)	–	497,089
Changes in fair value	(22,563,087)	(1,285,564)	(366,683)	(24,215,334)
As at 31 December 2025	<u>66,236,799</u>	<u>6,341,000</u>	<u>1,542,001</u>	<u>74,119,800</u>

14. ACCOUNT RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Account receivables	1,980,193	2,150,467
Less: Provision of expected credit loss	(1,530,845)	(1,565,263)
	<u>449,348</u>	<u>585,204</u>

An aging analysis of the account receivables as at the end of the reporting period, based on the invoice date and net of expected credit loss, is as follows:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	415,138	479,448
1 to 2 years	150,151	292,672
2 to 3 years	248,301	207,154
Over 3 years	1,166,603	1,171,193
Less: Provision of expected credit loss	(1,530,845)	(1,565,263)
	<u>449,348</u>	<u>585,204</u>

15. TRADE AND OTHER PAYABLES

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>note a</i>)	<u>962,350</u>	<u>1,402,974</u>

Note:

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	409,207	437,320
1 to 2 years	129,997	492,452
2 to 3 years	213,529	236,228
Over 3 years	209,617	236,974
	<u>962,350</u>	<u>1,402,974</u>

16. BANK AND OTHER BORROWINGS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Bank and other borrowings:		
Secured	23,737,426	23,594,412
Unsecured	10,012	67,185
Commercial mortgage-backed securities	7,645,069	3,601,956
	<u>31,392,507</u>	<u>27,263,553</u>
Less: Current portion	<u>(9,676,448)</u>	<u>(6,016,153)</u>
Non-current portion	<u>21,716,059</u>	<u>21,247,400</u>
Fixed-rate borrowings	14,435,932	13,680,480
Floating-rate borrowings	16,956,575	13,583,073
	<u>31,392,507</u>	<u>27,263,553</u>
The borrowings are repayable:		
Within one year or on demand	9,676,448	6,016,153
More than one year but not exceeding two years	5,234,551	6,705,318
More than two years but not exceeding five years	11,986,536	9,181,876
More than five years	4,494,972	5,360,206
	<u>31,392,507</u>	<u>27,263,553</u>
Less: Amount due within one year shown under current liabilities	<u>(9,676,448)</u>	<u>(6,016,153)</u>
Amount due after one year	<u>21,716,059</u>	<u>21,247,400</u>
The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:		
	2025 %	2024 %
Bank and other borrowings:		
Fixed rate bank and other borrowings	3.00-7.00	3.10-10.00
Floating rate bank and other borrowings	<u>3.10-6.35</u>	<u>3.55-6.80</u>

The floating rate is based on the Loan Prime Rate (LPR) published by the People's Bank of China.

The Group's bank and other borrowings are denominated in RMB.

17. SHARE CAPITAL

Changes in the Company's issued share capital during the years ended 31 December 2025 and 2024 are as follows:

	Number of H shares '000	Number of A shares '000	Share capital RMB'000
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>741,286</u>	<u>3,613,447</u>	<u>4,354,733</u>

The par value of each share issued is RMB1.00.

18. ACQUISITION OF SUBSIDIARIES

(1) Yantai Red Star International Home Management Co., Ltd. (“Yantai Red Star”) and its subsidiaries

On 7 May 2025, the Group acquired 100% equity interest in Yantai Red Star at a cash consideration of RMB980,000 thousand. Yantai Red Star and its subsidiaries are mainly engaged in the operation and management of two Red Star Macalline home improvement shopping malls located in Tianjin.

(2) Tangshan Fengnan Property Project

On 16 April 2025, the Group acquired a 54.62% equity interest in the Tangshan Fengnan Property Project (the companies under the Tangshan Fengnan Property Project include Tangshan Feikai Commercial Management Co., Ltd., Baoding Feining Network Technology Co., Ltd., Baoding Feijun Network Technology Co., Ltd., Baoding Feimin Environmental Protection Technology Co., Ltd. and Baoding Feibin Environmental Protection Technology Co., Ltd. (collectively the “**Tangshan Fengnan Property Project Companies**”)), which hold investment properties in the PRC, in exchange for receivables with a fair value of RMB30,000 thousand. Prior to this transaction, the Group held a 45.38% equity interest in the Tangshan Fengnan Property Project which was classified as a financial instrument at fair value through profit or loss with a fair value of RMB4,592 thousand. Upon completion of the exchange in May 2025, the Group's shareholding in Tangshan Fengnan Property Project Companies became 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

– Industry Review

In 2025, under the leadership of the Party Central Committee and the State Council, China significantly intensified its counter-cyclical adjustments in macroeconomic policy. Through the implementation of a package of incremental policies and a large-scale consumer goods trade-in campaign, effectively boosting social expectations and confidence.

(I) Stable Macroeconomic Performance and Continuous Release of Consumption Potential

According to data from the National Bureau of Statistics, China's Gross Domestic Product (GDP) reached RMB140.2 trillion for the full year of 2025, representing a year-on-year increase of 5.0%, with the total economic output steadily reaching a new level. With the implementation of employment-first policies and tax and fee reduction measures, the national per capita disposable income of residents grew by approximately 5.0% nominally year-on-year, which was basically in line with economic growth after deducting price factors. The structure of residents' consumption continued to optimize, with the consumption pattern gradually shifting from "subsistence consumption", which primarily focuses on meeting basic living needs, to "development-oriented consumption", which pursues quality, experience and self-fulfilment.

(II) Industry Retail Data Performance: Trade-in Policies Unleash Strong Momentum

In 2025, the state intensified its support for the trade-in of consumer goods, with the policy effects rapidly permeating from "home appliances" to "home decoration, kitchen and bath" and "home renewal." For the full year of 2025, the total retail sales of social consumer goods (the "**total retail sales**") reached RMB50.12 trillion, representing a year-on-year increase of 3.7%. In sub-sectors, home appliances and audio-visual equipment, directly driven by subsidy policies, saw their annual retail sales exceed RMB1 trillion, representing a year-on-year increase of 11.0%, a growth rate at a five-year high; the furniture category, driven by both the demand for existing home renovations and trade-in subsidies, showed strong resilience, with annual retail sales achieving a year-on-year growth of 14.6%, a significant acceleration from 2024; the building and decoration materials category, affected by the transition period in the real estate market, saw its annual retail sales decrease by approximately 2.7% year-on-year, but the decline narrowed significantly compared to the previous year, strengthening the case for a market bottom. The state's special support for partial renovation of home decoration, kitchens, and bathrooms effectively boosted the activity of the entire home furnishing industry chain, becoming an important driver for the growth of total retail sales.

(III) Demographic Structure and Urbanization Process: Existing Market Becomes the Main Engine

As of the end of 2025, China's urbanization rate further increased to 67.89%, an increase of 0.89 percentage point from the end of the previous year. Although the total population has declined, the improvement in the quality of urbanization and the resilience of the ultra-large-scale market remain unchanged. In particular, the continuously increasing proportion of second-hand housing transactions in core cities has driven large-scale demand for "secondary renovations" and "partial refurbishments," marking the home furnishing industry's official entry into a new stage where competition in the existing market and quality upgrades are equally important.

(IV) Real Estate Market: Signs of Stabilization Emerge, New Models Accelerate

In 2025, real estate policies focused on "halting decline and stabilizing" and "destocking and optimizing new supply." With the deep implementation of a combination of financial and fiscal policies, confidence in the real estate market has gradually been boosted, second-hand housing transactions in core cities have remained active, and rigid and improvement-driven housing demand has been effectively released. At the same time, the promotion of the "good housing" standard in the construction industry and the in-depth advancement of old residential community renovations have provided a stable market space for mid-to-high-end home furnishing circulation platforms.

(V) Industry Competitive Landscape and Company Position

As consumer preference for one-stop home solutions and green, intelligent products grows, the home decoration and furniture industry is accelerating its transformation towards branding, integration, and digitalization. As an industry leader, the Company actively responded to the national call for the trade-in policy, and by penetrating lower-tier markets and expanding product categories, it has maintained a leading position in new growth areas such as existing home renovation and partial kitchen and bathroom renovation. Industry concentration has continued to increase amidst market consolidation, with resources rapidly concentrating towards leading platforms with comprehensive full-chain service capabilities. As an industry benchmark, the Company has significantly benefited from this trend.

– Business Review

In 2025, affected by the continued downturn in the real estate industry and declining demand in the home improvement materials industry, demand in the home retail market weakened. The Company has continuously implemented rent and management fee reductions to retain tenants and stabilize business operations. At the same time, the Company has proactively adjusted its strategy and category layout, attracting high-quality business formats and brands with favourable commercial conditions, and offering rent and management fee concessions during the initial expansion phase. As a result, rental and management income has been significantly impacted, and the rental level has shown a significant decline compared to previous years. As market expectations for future rents have shifted and the estimate for a short-term recovery in rental prices needs to be adjusted, the Company has accordingly adjusted its expectations for future rental income, resulting in a significant decrease in the value of investment properties. In alignment with the national “15th Five-Year Plan” and the new market environment, the Company will proactively adjust and upgrade its strategic positioning to a “new commercial operator for home living and a service provider for the home furnishing industry ecosystem”, focusing on upgrading its core home furnishing business, while expanding home furnishing industry ecosystem services, building a second growth curve, and achieving enhancement in both scale and value.

As of 31 December 2025, the Company operated 74 Portfolio Shopping Malls with an average occupancy rate of 85.0%, 218 Managed Shopping Malls with varying degrees of management depth with an average occupancy rate of 82.9%, and 7 home furnishing malls through strategic cooperation. In addition, the Company authorized 19 franchised home improvement material projects by way of franchising, which included a total of 345 home improvement material stores/industry streets. They covered 181 cities in 30 provinces, municipalities and autonomous regions across the country, with a total operating area of 19,134,800 sq.m.

(I) *Focusing on the Core Home Furnishing Business to Enhance Market Competitiveness*

During the Reporting Period, the Company made steady progress in category development, business planning, occupancy rate improvement, resource integration, rent management, and leasing management, and continued to make breakthroughs and innovations in category expansion.

1. *In-depth Operation of Core Categories with Remarkable Results from Pilot Projects*

Full-speed advancement of the High-end Electrical Appliances (MEGA-E) strategy: During the Reporting Period, the operating area of electrical appliance pavilions reached 1,405,000 sq.m., with the proportion of leasable area increasing to 10.1%.

Sudden rise of new retail furniture: The Company seized the dividend of being the preferred channel for online brands to establish an offline presence. The area for the new retail furniture category increased by 51.5% year-on-year to 184,000 sq.m., becoming the fastest-growing secondary category.

M+ High-End Home Improvement Design Center for front-end customer acquisition: The Company drives associated sales with design as the engine. As of the end of the Reporting Period, the total area of the design centers reached 708,000 sq.m. Empowered digitally through the official mini-program matrix, it brought together over 6,300 professional designers and held more than 500 IP events throughout the year to enhance customer stickiness, ultimately leveraging referred sales of over RMB150 million and effectively realizing a closed loop of “design-driven traffic + in-mall conversion”.

2. *Cross-industry Integration of “People-Vehicle-Home” Ecosystem with Various Emerging Business Formats Flourishing*

Rapid growth of the automotive business format: The Company deepened the “brand cluster + scenario linkage” model. As of the end of the Reporting Period, the operating area of the automotive business format doubled from 160,000 sq.m. to 320,000 sq.m., covering 46 cities nationwide.

Comprehensive coverage of supporting catering format: The Company is committed to enhancing the lifestyle functions of its shopping malls. The nationwide area for catering formats reached 92,000 sq.m., and the catering coverage rate in Portfolio Shopping Malls increased to 96%.

Forward-looking layout of innovative categories: The Company actively explored market gaps and successfully created the Shanghai “Hill – Red Star Macalline Aesthetics of Life Pavilion for the Silver-Haired”, seizing a new opportunity in the wellness and elderly care home furnishing sector. Meanwhile, niche vertical categories such as custom metal works have achieved steady expansion nationwide.

(III) Strengthening Merchant and User Operation Management, and Achieving Synergy through Digital Intelligence and Service Ecosystem

During the Reporting Period, the Company’s operational management system was closely driven by the dual cores of “enhancing user value” and “empowering merchant operations”. Through the iteration of digital tools, deep alignment with national policies, and the construction of a full-chain service system, the quality and efficiency of on-site operations were comprehensively improved.

1. Leapfrog Growth in Digital Membership Operations

The Company completed a comprehensive restructuring of its official mini-program’s functions, integrating features such as online customer service, intelligent customer service, and a designer portal, which significantly enhanced user reach and conversion capabilities. As of the end of the Reporting Period, the mini-program covered 225 shopping malls, with platform PV (page views) reaching 23.66 million, a significant year-on-year increase of 161%, and UV (unique visitors) increasing by 94% to 2.8 million. Digital operations directly empowered performance growth, with the number of spending registered members accounting for 39.8% of the total number of customers in the unified cashier system; consumption contributed by members reached RMB10.0 billion, accounting for 47.7% of the total amount in the unified cashier system, with the proportion increasing by 84% year-on-year.

2. Precisely Aligning with the National “Trade-in” Policy to Unleash Consumption Momentum

The Company took the lead in responding to national policies, creating industry-leading “trade-in” publicity through dual government-enterprise subsidies, company-wide live streaming, and nationwide coordinated efforts. In 2025, shopping malls nationwide cumulatively achieved 1,029,000 sales orders under the national subsidy program, with a cumulative sales amount of RMB9.91 billion, of which the government subsidy investment amounted to RMB1.60 billion.

3. *Building a Full-Lifecycle Service Ecosystem to Reshape Brand Reputation*

The Company adheres to a “customer first” orientation, enhancing its differentiated competitiveness by improving the service chain and expanding value-added services such as extended warranties for home appliances, maintenance, recycling, and 3C product repairs. During the Reporting Period, the service center model was implemented. The nation’s first Red Star Macalline Service Center was officially launched at the Shanghai Global Home Furnishings Store No. 1, featuring functional zones for repairs and cleaning, cashier commitments, and beverage and leisure, marking a transformation from a simple shopping space to a quality lifestyle service platform. During the Reporting Period, the Company achieved full-process service quality control, with an overall order positive rating of 98.90% and a comprehensive service satisfaction rate of 95.81%.

4. *Continued Strengthening of Operational Professionalism and Risk Control Systems*

In terms of talent quality improvement, the Company adopted the “All-Round User Operations Class” and the Dragon E-learning “Operations Bible” to achieve precise talent inventory and professional skill empowerment along operational lines. In terms of risk control and quality standards, it organized risk assessments for over 30,000 operating brands nationwide. It adhered to regular environmental protection and quality spot checks, achieving zero major green and environmental quality incidents for the year, with an overall pass rate of 98.9% in environmental quality inspections.

(IV) *Strengthening Brand Momentum, Deepening Omni-channel Traffic and Digital Marketing*

During the Reporting Period, the Company’s marketing and branding efforts focused on “brand upward, traffic downward”. By leveraging major event marketing to enhance public awareness and deeply empowering the front line with digital tools, it achieved synergistic growth in both brand publicity and sales conversion.

Leveraging top-tier sporting events, it was the title sponsor of the 2025 Wanda Diamond League Red Star Macalline Xiamen Meeting, achieving a media communication value of RMB1.417 billion through linkage with the international event. It held multiple events with top-tier celebrity endorsers, achieving over 2 billion topic reads across the internet, securing 31 trending topic spots at zero cost, and successfully boosting both the reputation and sales of the shopping malls in the two locations.

The Company achieved a strategic transformation from a single channel to a multi-platform matrix, with its online traffic acquisition capabilities continuously strengthening. Building a multi-platform traffic matrix, it integrated multiple platforms such as Douyin Local Life (TikTok), Tmall Tongcheng Station, Amap, Meituan-Dianping, and WeChat Mini Programs, acquiring 630 million online traffic views throughout 2025.

During the Reporting Period, the Company deepened its resource integration with its controlling shareholder, Xiamen C&D Inc., and conducted brand promotion in conjunction with events such as the Diamond League and the Xiamen Marathon. Relying on the property resources of C&D/Lianfa, it achieved in-depth cooperation on 76 properties in 20 cities, acquiring over 14,000 customers and generating a conversion amount of approximately RMB150 million. It implemented dedicated communication campaigns for “Smart Electrical Appliances 2.0” and “M+ High-End Home Improvement Design Center”, collaborating with key opinion leaders such as WU Sheng and QIN Shuo, achieving online exposure of over 160 million and 236 million, respectively.

During the Reporting Period, cost control efficiency improved significantly. While enhancing brand publicity, the Company, by optimizing authorization and process control, achieved a 30.8% year-on-year decrease in the basic planning budget for Portfolio Shopping Malls. Against the backdrop of rising customer acquisition costs, the average transaction value per customer increased by 37% year-on-year.

(V) *Accelerating Digital and Intelligent Transformation to Build a New Ecosystem for Smart Home Furnishing Retail*

During the Reporting Period, with “business empowerment, process efficiency improvement, model-driven approaches, and intelligent applications” as its core, the Company fully launched its new five-year digital and intelligent strategic plan. By implementing key digital applications, deepening data governance, and exploring artificial intelligence scenarios, it provided high-quality technological support for the Company’s strategic execution and stable operations.

– Financial Review

1. *Revenue*

During the Reporting Period, the Group’s revenue amounted to RMB6,581.9 million, representing a decrease of 15.8% from RMB7,821.3 million in 2024. During the Reporting Period, rental and related income from Portfolio Shopping Malls decreased by 8.9%, which was mainly due to the impact of fluctuations in the development of related industries, the operating conditions of both shopping malls and tenants were affected, resulting in a phased decline in the occupancy rates and rents of the shopping malls. Meanwhile, to support tenants, the Company increased incentives for tenant retention. During the Reporting Period, the related income of Managed Shopping Malls decreased by 18.4%, mainly due to the decrease in the number of Managed Shopping Malls. In addition, the revenue from construction and decoration services and other revenue also decreased to varying degrees as compared with 2024.

The following table sets forth our revenue by segments:

	For the year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Owned/Leased Portfolio				
Shopping Malls	4,881,281	74.2	5,360,019	68.5
Managed Shopping Mall	1,191,310	18.1	1,460,146	18.7
Construction and decoration services	107,808	1.6	332,128	4.2
Others	401,542	6.1	668,973	8.6
Total	<u>6,581,941</u>	<u>100.0</u>	<u>7,821,266</u>	<u>100.0</u>

2. *Gross profit and gross profit margin*

During the Reporting Period, the Group recorded a gross profit of RMB4,229.7 million, representing a decrease of 15.2% from RMB4,987.0 million in 2024. The consolidated gross profit margin was 64.3%, representing an increase of 0.5 percentage points from 63.8% in 2024, which was mainly due to the increase of gross profit from managed shopping malls compared to the same period last year.

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

	For the year ended 31 December	
	2025	2024
Owned/Leased Portfolio Shopping Malls	73.3%	73.7%
Managed Shopping Mall	40.0%	38.4%
Construction and decoration services	-43.6%	14.8%
Others	55.6%	63.6%
Total	<u>64.3%</u>	<u>63.8%</u>

3. *Selling and distribution expenses*

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB837.2 million (accounting for 12.7% of the operating revenue), representing a decrease of 18.6% from RMB1,028.3 million (accounting for 13.1% of the operating revenue) in 2024, which was primarily due to the decrease in expenses such as advertising and promotion expenses during the Reporting Period.

4. *Administrative expenses*

During the Reporting Period, the Group's administrative expenses amounted to RMB1,296.9 million (accounting for 19.7% of the operating revenue), representing a decrease of 10.7% from RMB1,451.7 million (accounting for 18.6% of the operating revenue) in 2024, which was primarily due to the decrease in staff costs during the Reporting Period.

5. *Finance cost*

During the Reporting Period, the Group's finance cost decreased from RMB2,531.2 million in 2024 to RMB2,160.3 million in 2025, representing a decrease of 14.7%, which was primarily due to the decrease in related finance costs of the Group during the Reporting Period.

6. *Income tax credit*

During the Reporting Period, the income tax credit of the Group amounted to RMB2,666.1 million, representing an increase of 350.6% from the income tax credit of RMB591.7 million in 2024, which was mainly due to an expanded scope of the loss for the year.

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

During the Reporting Period, the total loss for the year attributable to owners of the Company was RMB24,093.7 million, representing an increase of 590.0% from the total loss for the year attributable to owners of the Company of RMB3,492.0 million in 2024; the core net loss attributable to owners of the Company was RMB5,492.2 million, representing an increase of 313.8% from the core net loss attributable to owners of the Company of RMB1,327.4 million in 2024.

	For the year ended 31 December		Increase/ decrease
	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>	
Total loss for the year attributable to owners of the Company	(24,093,718)	(3,492,042)	590.0%
Loss margin for the year attributable to owners of the Company	-366.1%	-44.6%	an increase of 321.5 percentage points
Core net loss attributable to owners of the Company	(5,492,208)	(1,327,428)	313.7%
Core net loss margin attributable to owners of the Company	-83.4%	-17.0%	an increase of 66.4 percentage points

During the Reporting Period, the loss per share of the Group was RMB5.53, as compared with the loss per share of RMB0.80 for the same period in 2024.

8. ***Accounts receivable***

As of the end of the Reporting Period, the carrying value of the Group's accounts receivable was RMB449.3 million (of which, the balance of accounts receivable was RMB1,980.1 million and the provision for bad debts was RMB1,530.8 million), representing a decrease of RMB135.9 million as compared to RMB585.2 million as of the end of 2024.

9. *Investment properties and gain from change in fair value*

As of the end of the Reporting Period, the book value of investment properties of the Group was RMB74,119.8 million, representing a decrease of RMB20,984.4 million as compared to RMB95,104.2 million as of the end of 2024. During the Reporting Period, the Group's investment properties recorded a loss from change in fair value of RMB24,215.3 million. This was mainly to support the going concern of merchants, as increased incentives for tenant retention led to a phased decline in the Group's rental income and management fee income, and the valuation of investment properties was adjusted downwards accordingly.

10. *Capital expenditure*

During the Reporting Period, the capital expenditure of the Group was RMB266.8 million (2024: RMB370.3 million), which mainly included the expenditure for the purchase of investment properties and the expenditure for construction and development. The expenditure in 2025 decreased by 28.0% as compared to 2024, mainly due to the decreased purchase expenditure of portfolio shopping malls during this Reporting Period.

11. *Bank balances and cash and cash flows*

As of the end of the Reporting Period, the Group held monetary funds of RMB2,808.5 million (including cash and cash equivalents balance of RMB2,788.6 million), representing a decrease of RMB345.5 million (including a decrease in cash and cash equivalents of RMB323.2 million) as compared to RMB3,154.0 million (including cash and cash equivalents balance of RMB3,111.8 million) as of the end of 2024.

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flow generated from operating activities	816,466	216,374
Net cash flow (used in)/generated from investment activities	(616,695)	631,159
Net cash flow used in financing activities	(522,819)	(242,637)
Impact of exchange rate changes on cash and cash equivalents	(219)	137
	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	<u>(323,267)</u>	<u>605,033</u>

During the Reporting Period, the net cash inflow from operating activities of the Group was RMB816.5 million, representing an increase of RMB600.1 million as compared to the net cash inflow of RMB216.4 million in 2024, which was mainly due to the decrease in operating cash outflow during the Reporting Period.

During the Reporting Period, the net cash outflow from investing activities of the Group was RMB616.7 million, representing an increase in outflow of RMB1,247.9 million as compared to the net cash inflow of RMB631.2 million in 2024. It was primarily due to an increased payment for acquisition of subsidiaries during the Reporting Period as compared with the same period of the previous year.

During the Reporting Period, the net cash outflow from financing activities of the Group was RMB522.8 million, representing an increase in outflow of RMB280.2 million as compared to the net cash outflow of RMB242.6 million in 2024, which was mainly due to the decrease in net cash inflow from obtaining and repayment of debts during the Reporting Period as compared with the same period of the previous year.

12. Major debt ratios

	As at 31 December 2025	As at 31 December 2024
Asset-liability ratio ⁽¹⁾	71.6%	56.8%
Net gearing ratio ⁽²⁾	121.6%	54.8%

Notes:

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

13. *Pledge and mortgage of assets*

As of the end of the Reporting Period, the Group had collateralized/pledged investment properties and fixed assets with a total book value of RMB63,262.9 million, and other equity instrument investments, interests in joint ventures and restricted cash with a total book balance of RMB201.7 million, for obtaining loans, etc.; the balance of the loans obtained was RMB31,632.4 million; the Group holds restricted monetary funds with a balance of RMB389.0 million for deposit reserve placed with the central bank, etc.

14. *Contingent liabilities*

There were no contingent liabilities as of the end of the Reporting Period.

15. *Financial resources*

The Group's future sources of funds are mainly from cash generated from operating activities, bank borrowings, issuance of bonds and capital contributions provided by shareholders. In order to ensure that the Group's funds are used effectively, the Group will continue to monitor liquidity requirements on a regular basis, comply with borrowing covenants, and ensure that sufficient cash reserves and appropriate credit facilities are maintained to meet liquidity requirements.

16. *Material acquisitions and disposals of subsidiaries, associates and joint ventures*

The Company had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

17. *Capital commitments*

As at the end of the Reporting Period, the Group's capital expenditure in respect of the acquisition and development of investment properties which had been contracted for but not provided for in the financial statements amounted to RMB714.3 million; in addition, the Group had entered into agreements with its partners and committed to invest an amount of RMB69.2 million in investment properties jointly developed with its partners.

18. *Foreign exchange risk*

At the end of the reporting period, financial assets and financial liabilities denominated in currencies other than the functional currency of each entity of the Group mainly included a small amount of foreign currency deposits. In the face of newly added foreign exchange risk exposure, the Group's management actively and proactively carried out relevant risk control measures: including reasonable selection of foreign debt hedging tools such as forward and currency swaps, strengthening internal control concepts and strategies, strengthening discussions with international banks, continuously focusing on predicting exchange market trends, and being ready to hedge risks at any time. We believe that the foreign exchange risk arising from the assets and liabilities of these foreign currency balances will not have a significant impact on the Group's operating results.

19. *Significant investments*

The Group had no significant investment during the reporting period. As at the date of this announcement, the Group did not have any plan for significant investments.

20. *Human resources*

As at the end of the Reporting Period, the Group had a total of 9,012 employees (as at 31 December 2024: 11,553 employees). The Group enters into labor contracts with its employees in accordance with the Labor Law of the PRC and relevant local regulations, determines the basic salary and bonus levels of employees based on their performance, work experience and market salary levels, and pays social insurance and housing provident funds for employees. In 2025, the total remuneration expenses of the Group amounted to RMB1,761.5 million (2024: RMB2,177.2 million). Meanwhile, the Group also continuously invested resources to provide various types of education and training opportunities for employees, aiming to standardize management and improve business performance, and to continuously enhance the knowledge, technical skills and professional capabilities of its employees.

OUTLOOK

Our Group's future strategic positioning is clearly defined as a "new commercial operator for home living and a service provider for the home furnishing industry ecosystem". "New commercial operator for home living": Focusing on the home furnishing industry to provide users with a better life by enhancing commercial content, improving commercial operations, creating a closed-loop business model, and increasing spatial value. "Service provider for the home furnishing industry ecosystem": Resonating with the home furnishing business, building a second growth curve to balance the overall business scale, undertaking a service-oriented role, expanding the scope of services to the upstream of the industrial chain such as brand factories, and improving the overall operational efficiency of the entire industrial chain.

In the next five years, our Group will, based on the overall "15th Five-Year" strategy, move beyond the traditional framework of piecemeal strategic adjustments. We will establish a clear path for strategic restructuring, advance our systematic evolution in stages, achieve a comprehensive upgrade, and solidify our position as an industry leader.

1. Focusing on business model construction, promoting the separation of light and heavy assets, spinning off two specialized entities to achieve dual growth engines of heavy asset management and light asset operation, solving the dilemma of heavy assets, consolidating the core capabilities of "people-goods-mall", and laying a solid foundation for transformation.
2. Strengthening the supply of commercial content, achieving content breakthroughs through packaging, scenarization, and home living department store-ization, reshaping the attractiveness of stores, optimizing merchant operations and conversion efficiency, and connecting the "content-traffic-monetization" chain.
3. Deeply cultivating the existing stock to accurately capture improvement needs, deploying pre-emptive touchpoints to weave a dense customer acquisition network, focusing on traffic interception, digging deep into existing pain points, iterating products and services, and consolidating the existing market share and the stability of the closed-loop business model.
4. Expanding the second growth curve, relying on accumulated advantages to develop the home furnishing supply chain business, exploring ecosystem element-based businesses, broadening revenue sources, enhancing risk resilience, and achieving a leap in full-ecosystem services.

FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2025.

EVENTS AFTER THE REPORTING PERIOD

1. Cancellation of Repurchased A Shares and Reduction of Registered Capital and Amendments to the Articles of Association

As the Company has not implemented any employee stock ownership plan or equity incentive during the period when the repurchased A shares were held, and the three-year period is about to expire, in order to actively reward investors and enhance investor confidence, the Company intends to cancel the 1,044,800 A shares held in the special securities account for repurchased shares, and accordingly reduce the registered capital of the Company and amend the Articles of Association of the Company. The above matters have been considered and approved at the fiftieth extraordinary meeting of the fifth session of the Board and the 2026 first extraordinary general meeting, and creditors have been notified. As of the date of this announcement, the cancellation of such repurchased A shares has not yet been implemented.

For details, please refer to the announcements disclosed by the Company on the designated domestic media dated 20 December 2025 and 17 January 2026 and on the website of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (<http://www.hkexnews.hk>) dated 19 December 2025 and 16 January 2026.

2. Appointment of Secretary of the Board and Joint Company Secretary

The Company convened the fifty-third extraordinary meeting of the fifth session of the Board on 29 January 2026, at which the “Proposal on the Appointment of the Secretary of the Board (Joint Company Secretary) and the Authorised Representative of the Company” was considered and approved. Upon review and approval by the nomination committee of the Board, it was agreed to appoint Mr. CAO Shu (“**Mr. CAO**”) as the secretary of the Board (joint company secretary) of the Company, with a term consistent with that of the fifth session of the Board; it was agreed to appoint Mr. CAO to serve as the authorised person for the e-Submission System (ESS) of the Hong Kong Stock Exchange and the authorised representative of the Company under Rule 3.05 of the Listing Rules (as defined below), with effect from 29 January 2026.

For details, please refer to the announcements disclosed by the Company on the designated domestic media dated 30 January 2026 and on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) dated 29 January 2026.

CLOSURE OF REGISTER OF MEMBERS

As the date of the 2025 annual general meeting of the Company has not yet been determined, the period for determining eligibility to attend and vote at the 2025 annual general meeting and for the suspension of share transfers will be set out in the notice of the 2025 annual general meeting to be issued after such information is confirmed, which is expected to be sent to shareholders in late April or May 2026.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders. The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”).

During the Reporting Period, the Company has complied with the principles and code provisions of the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct for securities transactions by Directors and the supervisors of the Company (the “**Supervisors**”). The Company has made specific enquiry to all Directors and Supervisors, and all Directors confirmed that they have complied with the provisions and required standards set out in the Model Code during the period for the year ended 31 December 2025 and up to the date of this announcement; and all supervisors confirmed that they have complied with the provisions and required standards set out in the Model Code for the period from 1 January 2025 to 15 August 2025 (being the date on which the Company adopted the resolution to cancel the supervisory committee).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2025, the Group did not purchase, sell or redeem any of the Company’s listed securities (including the sale of any treasury shares). As at 31 December 2025, the Company held 1,044,800 A share treasury shares (the “**A Share Treasury Shares**”). The A Share Treasury Shares have been considered and approved for cancellation by the Company’s general meeting. As of the date of this announcement, the cancellation of such A Share Treasury Shares has not yet been implemented.

PUBLIC ISSUANCE OF A SHARES 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, 7 September 2018 and 1 April 2024 and the circular of the Company dated 29 April 2024, the Company has utilized the net proceeds in accordance with the purposes as disclosed.

An analysis of the use of proceeds from the issuance of A Shares as of 31 December 2025 is set out below:

Unit: RMB'000

Total Proceeds	3,222,450
Issuance expenses	172,442
Net proceeds	<u>3,050,008</u>

Proposed investment projects	Total planned investment (RMB'000)	Total adjusted investment amount (RMB'000)	Balance of the investment amount as at the beginning of the Reporting Period (RMB'000)	Investment amount utilized during the Reporting Period (RMB'000)	Total investment amount utilized as at the end of the Reporting Period (RMB'000)	Balance of the investment amount as at the end of the Reporting Period (RMB'000)	Remarks
Home furnishing shopping mall construction project							
Tianjin Beichen Shopping Mall Project	245,137	245,137	-	-	245,137	-	Fully invested
Hohhot Yuquan Shopping Mall Project	76,825	76,825	-	-	76,825	-	Fully invested
Dongguan Wanjiang Shopping Mall Project	164,145	164,145	-	-	164,145	-	Fully invested
Harbin Songbei Shopping Mall Project	294,809	294,809	-	-	294,809	-	Fully invested
Urumqi Convention and Exhibition Mall Project ⁽²⁾⁽³⁾	669,084	666,733	-	-	666,733	-	Fully invested
Changsha Jinxia Shopping Mall Project ⁽²⁾⁽³⁾	190,000	163,181	16,943	-	146,238	16,943	Concluded. In accordance with the requirements of the Listing Rules, the Company expects to fully utilize the proceeds by 31 December 2026.
Xining Expo Shopping Mall Project	110,000	110,000	-	-	110,013 ⁽¹⁾	-	Fully invested

Proposed investment projects	Total planned investment (RMB'000)	Total adjusted investment amount (RMB'000)	Balance of	Investment	Total investment	Balance of	Remarks
			the investment amount as at the beginning of the Reporting Period (RMB'000)	amount utilized during the Reporting Period (RMB'000)	amount utilized as at the end of the Reporting Period (RMB'000)	the investment amount as at the end of the Reporting Period (RMB'000)	
New Intelligent Home Furnishing Shopping Mall Project ⁽²⁾⁽³⁾	400,000	117,276	124	-	117,152	124	Terminated. In accordance with the requirements of the Listing Rules, the Company expects to fully utilize the proceeds by 31 December 2026.
Repayment of bank loans	400,000	400,000	-	-	400,000	-	Fully invested
Supplement of liquidity	150,008	150,008	-	-	150,008	-	Fully invested
Repayment of interest-bearing debts	350,000	350,000	-	-	350,000	-	Fully invested
Permanent working capital replenishment ⁽³⁾	-	311,893	271,893	271,893	311,893	-	Fully invested
Total	3,050,008	3,050,008	288,960	271,893	3,032,953	17,067	

Notes:

- (1) Including the interest generated from the proceeds account and used for the project.
- (2) References are made to the announcements of the Company dated 1 April 2024, 23 May 2024 and the circular of the Company dated 29 April 2024. The resolution concerning the conclusion, extension, suspension and termination of investment projects with partial proceeds of the Company's A shares (the "**Resolution**") was considered and approved at the third meeting of the fifth session of the Board, the third meeting of the fifth session of the Supervisory Committee and the 2023 annual general meeting of the Company. Pursuant to the Resolution, Changsha Jinxia Shopping Mall Project had been concluded after the approval of the shareholders at the 2023 annual general meeting and the New Intelligent Home Furnishing Shopping Mall Project had been terminated after the approval of the shareholders at the 2023 annual general meeting, and the remaining proceeds from the aforesaid projects are used as general working capital (the actual amount is subject to the balance of the raised fund account on the day the funds are transferred out), the subsequent difference between interest income and handling fees generated by this part of the funds will also be used to as general working capital. As the construction of the Urumqi Convention and Exhibition Mall Project had been completed and opened for business operation, the remaining proceeds from the project are used as general working capital (the actual amount is subject to the balance of the raised fund account on the day the funds are transferred out), the subsequent difference between interest income and handling fees generated by this part of the funds will also be used to as general working capital.

- (3) As of 31 December 2025, the permanent working capital raised from the Company's initial public offering of A shares has been fully utilized. In addition, the outstanding payments for the Changsha Jinxia Shopping Mall Project are approximately RMB16,943 thousand, and the outstanding payments for the New Intelligence Home Furnishing Shopping Mall Project are approximately RMB124 thousand.
- (4) The difference between the totals in the above table is due to rounding.
- (5) The expected timetable for use of the balance of the investment amount is based on the Board's best estimate of the market conditions of business and is subject to change in the light of market conditions. The Company will publicly disclose changes in the timetable, if any, as and when appropriate in accordance with the requirements of the relevant rules in order 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, 21 October 2021 and 1 April 2024 and the circulars of the Company dated 3 June 2020, 26 April 2021 and 29 April 2024, the Company has utilized the net proceeds in accordance with the purposes as disclosed.

An analysis of the use of proceeds from the non-public issuance of A shares as of 31 December 2025 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>

Notes:

- (1) References are made to the announcements of the Company dated 1 April 2024, 23 May 2024 and the circular of the Company dated 29 April 2024. The resolution concerning the conclusion, extension, suspension and termination of investment projects with partial proceeds of the Company's A shares (the "**Resolution**") was considered and approved at the third meeting of the fifth session of the Board, the third meeting of the fifth session of the Supervisory Committee and the 2023 annual general meeting of the Company. Pursuant to the Resolution, Tmall "Home Decoration Tongcheng Station" Project, 3D Shejiyun Platform Construction Project and Construction Project for New Generation Home Improvement Platform System had been terminated after the approval of the shareholders at the 2023 annual general meeting, and the remaining proceeds from the aforesaid project are used as general working capital (the actual amount is subject to the balance of the raised fund account on the day the funds are transferred out), and the subsequent difference between interest income and handling fees generated by this part of the funds will also be used to as general working capital.
- (2) In accordance with the requirements of the Listing Rules, the management of the Company currently expects that the investment of the remaining proceeds will be completed by the end of 2030. The foregoing expected time assumes the Company has obtained the necessary approval for the Company's redevelopment of the overall planning proposal by the Board and the shareholders at a general meeting of the Company in accordance with the requirements of the Procedures for the Administration of Proceeds.
- (3) The difference between the totals in the above table is due to rounding.
- (4) As at 31 December 2025, the proceeds from the 2020 non-public issuance of approximately RMB845.4 million shall be used for permanent working capital replenishment.
- (5) The expected timetable for use of the balance of the investment amount is based on the Board's best estimate of the market conditions of business and is subject to change in the light of market conditions. The Company will publicly disclose changes in the timetable, if any, as and when appropriate in accordance with the requirements of the relevant rules in order to update its Shareholders and potential investors.

AUDIT COMMITTEE

As at the date of this announcement, the Board has established the audit committee (the "**Audit Committee**"), which comprises 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 serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results announcement and the audited consolidated annual financial statements for the year ended 31 December 2025.

WORK OF RONGCHENG (HONG KONG) CPA LIMITED ON THE PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary results announcement have been agreed by the Group's auditor, Rongcheng (Hong Kong) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Rongcheng (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no opinion or assurance conclusion has been expressed by the auditor on this preliminary result announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2025 ANNUAL REPORT

This announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaredstar.com. The 2025 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company who need a paper version and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

By Order of the Board
Red Star Macalline Group Corporation Ltd.
LI Yupeng
Chairman

Shanghai, the PRC
30 March 2026

As at the date of this announcement, the executive Directors of the Company are LI Yupeng, SHI Yaofeng and YANG Yingwu; the non-executive Directors are YE Yanliu, ZOU Shaorong, CHE Jianxing and XU Guofeng; the independent non-executive Directors are XUE Wei, HUANG Jianzhong, CHEN Shanang, WONG Chi Wai and CAI Qinghui; and the employee Director is ZHENG Jianjie.