

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

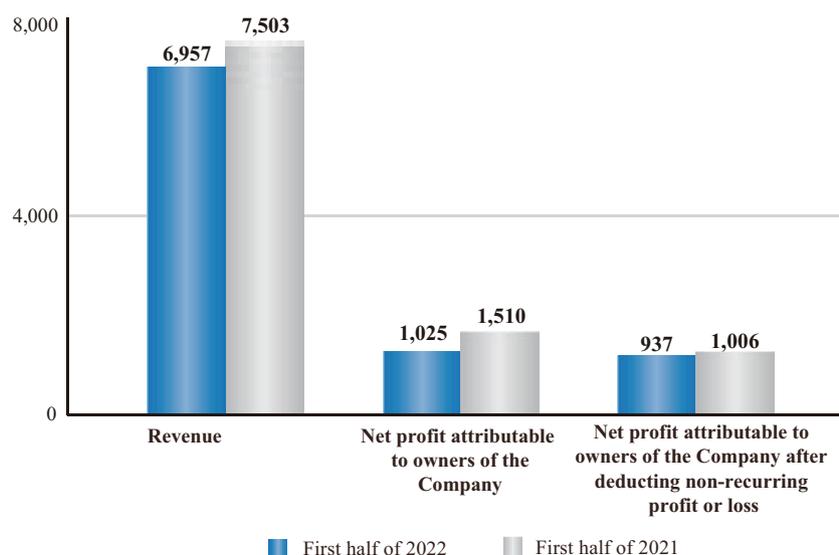
The board (the “**Board**”) of directors (the “**Directors**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**” or “**Red Star Macalline**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**” or “**we**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with comparative figures for the same period in 2021.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2022	2021
	<i>(RMB'000, except otherwise stated)</i>	
	(Unaudited)	(Unaudited)
Revenue	6,956,620	7,502,597
Gross profit	4,336,786	4,770,970
Gross profit margin	62.3%	63.6%
Net profit	975,948	1,644,912
Net profit attributable to owners of the Company	1,025,091	1,509,667
Net profit margin attributable to owners of the Company	14.7%	20.1%
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	936,699	1,006,018
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	13.5%	13.4%
Earnings per share	RMB0.24	RMB0.39

Key Financial Performance Indicators

RMB in million



OPERATIONAL HIGHLIGHTS

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

	As at 30 June 2022	As at 31 December 2021
Number of shopping malls	374	373
Operating area of shopping malls (sq.m.)	22,270,040	22,303,548
Number of cities covered	224	224
Number of Portfolio Shopping Malls	94	95
Operating area of Portfolio Shopping Malls (sq.m.)	8,384,333	8,455,486
Average occupancy rate of Portfolio Shopping Malls	92.1%	94.1%
Number of Managed Shopping Malls	280	278
Operating area of Managed Shopping Malls (sq.m.)	13,885,707	13,848,062
Average occupancy rate of Managed Shopping Malls	90.1%	91.4%

Note: (1) See definitions in the 2021 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

Six Months Ended 30 June 2022

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

		Six months ended 30 June	
	Note	2022 (Unaudited)	2021 (Unaudited)
I. Revenue	4	6,956,620,372.69	7,502,596,538.58
Less: Cost of sales		2,619,833,749.20	2,731,626,145.54
Taxes and surcharges		203,750,692.40	208,697,351.81
Distribution and selling expenses	5	598,847,159.25	828,707,485.02
General and administrative expenses	6	612,027,243.50	882,041,452.79
Research and development expenses		25,522,159.84	26,936,173.97
Financial expenses	7	1,172,602,052.43	1,219,458,001.61
Including: Interest expenses		1,251,570,099.67	1,354,578,761.38
Interest income		119,354,700.89	118,700,167.43
Add: Other income		50,580,879.56	52,812,889.76
Investment income		51,687,956.30	482,387,012.63
Including: Investment income from associates and joint ventures		36,551,415.64	12,486,427.18
Gain from fair value changes		93,006,959.96	227,017,919.24
Impairment loss of credit (losses are presented with parentheses)		(157,101,112.20)	(151,764,612.97)
Impairment loss of assets (losses are presented with parentheses)		(12,364,349.95)	(7,662,383.27)
Gain from disposal of assets		706,708.66	15,671,926.81
II. Operating profit		1,750,554,358.40	2,223,592,680.04
Add: Non-operating income		8,496,674.07	18,356,160.52
Less: Non-operating expenses		15,527,966.18	19,318,046.10
III. Total profit		1,743,523,066.29	2,222,630,794.46
Less: income tax expenses	8	767,574,710.50	577,718,777.97
IV. Net profit		975,948,355.79	1,644,912,016.49
(I) According to the classification of continuity of operation			
1. Net profit from continuing operations		975,948,355.79	1,644,912,016.49
2. Net profit from discontinued operations		–	–
(II) According to the classification of ownership			
1. Non-controlling interests (losses are presented with parentheses)		(49,143,107.26)	135,245,304.47
2. Net profit attributable to owners of the Company		1,025,091,463.05	1,509,666,712.02

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	(Unaudited)	(Unaudited)
V. Other comprehensive (loss)/income (after tax)		(334,772,946.34)	1,374,544,369.14
Other comprehensive (loss)/income (after tax)			
attributable to owners of the Company		(334,149,885.36)	1,375,089,342.59
(I) Other comprehensive (loss)/income that will not be reclassified to profit or loss		(297,781,929.66)	1,364,493,781.24
1. Changes in fair value of other equity instrument investments		(297,781,929.66)	1,364,493,781.24
(II) Other comprehensive (loss)/income that will be reclassified to profit or loss		(36,367,955.70)	10,595,561.35
1. Exchange differences arising upon translation of financial statements denominated in foreign currencies		(1,311,608.49)	(2,091,754.24)
2. Others		(35,056,347.21)	12,687,315.59
Other comprehensive (loss)/income (after tax) attributable to non-controlling interests		(623,060.98)	(544,973.45)
VI. Total comprehensive income		641,175,409.45	3,019,456,385.63
Total comprehensive income attributable to owners of the Company		690,941,577.69	2,884,756,054.61
Total comprehensive (loss)/income attributable to non-controlling interests		(49,766,168.24)	134,700,331.02
VII. Earnings per share			
(I) Basic earnings per share	<i>9</i>	0.24	0.39
(II) Diluted earnings per share		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 30 June 2022

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

		As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Current Assets			
Cash and bank balances		6,134,638,539.93	6,903,715,249.53
Financial assets held for trading		966,286,406.87	1,018,692,853.25
Derivative financial assets		22,053,071.50	–
Notes receivable		43,933,288.92	86,554,182.13
Accounts receivable	11	2,256,593,961.43	1,957,650,342.07
Receivables financing		2,000,000.00	–
Prepayments		304,558,762.97	305,043,459.08
Other receivables	12	949,396,796.53	935,666,616.98
Inventories		325,890,380.60	329,087,511.33
Contract assets		1,767,871,960.59	1,705,475,178.70
Non-current assets due within one year		143,835,202.50	140,144,400.00
Other current assets		1,920,583,390.09	2,270,860,332.29
Total current assets		14,837,641,761.93	15,652,890,125.36
Non-current assets			
Long-term receivables		481,755,470.84	433,325,229.21
Long-term equity investments		3,922,007,012.70	3,929,090,179.77
Other equity instrument investments		3,380,785,567.72	4,169,970,944.17
Other non-current financial assets		375,874,540.60	370,774,540.60
Investment properties	13	96,164,000,000.00	95,575,000,000.00
Fixed assets		2,565,779,080.33	2,655,001,955.04
Construction in progress		115,256,902.94	88,911,088.97
Right-of-use assets		3,545,070,709.34	3,899,861,973.84
Intangible assets		111,122,981.37	125,191,951.03
Development expenditure		12,117,628.76	12,238,146.01
Goodwill		97,597,047.85	97,597,047.85
Long-term prepaid expenses		449,196,061.48	504,900,607.96
Deferred tax assets		2,594,103,376.43	2,670,232,754.70
Other non-current assets	14	5,279,463,007.37	5,002,555,455.51
Total non-current assets		119,094,129,387.73	119,534,651,874.66
Total assets		133,931,771,149.66	135,187,542,000.02

		As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
	<i>Note</i>		
Current Liabilities			
Short-term loans	15	2,095,492,691.31	2,957,088,415.02
Derivative financial liabilities		–	18,167,670.06
Notes payable		84,631,799.24	9,000,000.00
Accounts payable	16	2,033,429,455.02	2,400,880,410.78
Advance from customers		903,017,356.56	1,692,678,416.28
Contract liabilities		2,020,198,252.98	1,925,076,587.06
Payroll payable		378,441,121.66	609,186,211.11
Taxes payable		1,134,146,064.87	828,853,545.05
Other payables	17	11,433,956,731.02	9,770,693,294.55
Non-current liabilities due within one year	18	9,612,094,250.32	11,699,289,233.98
Other current liabilities		254,600,429.06	220,624,831.48
Total current liabilities		29,950,008,152.04	32,131,538,615.37
Non-current liabilities			
Long-term loans	19	23,536,635,867.64	21,606,316,908.01
Bonds payable		32,533,000.00	532,619,987.37
Lease liabilities		3,729,555,100.80	3,957,786,655.49
Long-term payables		668,044,264.33	730,548,821.82
Deferred income		215,974,965.32	213,857,300.87
Deferred tax liabilities		13,590,787,115.00	13,401,316,273.63
Other non-current liabilities		4,597,105,956.05	5,082,339,292.35
Total non-current liabilities		46,370,636,269.14	45,524,785,239.54
Total liabilities		76,320,644,421.18	77,656,323,854.91
Equity			
Share capital	20	4,354,732,673.00	4,354,732,673.00
Capital reserve		6,880,844,645.27	6,880,495,088.02
Other comprehensive income		1,517,930,562.95	1,877,732,755.94
Surplus reserve		2,206,429,308.76	2,206,429,308.76
Retained earnings		39,277,680,095.07	38,662,409,591.69
Total equity attributable to owners of the Company		54,237,617,285.05	53,981,799,417.41
Non-controlling interests		3,373,509,443.43	3,549,418,727.70
Total equity		57,611,126,728.48	57,531,218,145.11
Total liabilities and equity		133,931,771,149.66	135,187,542,000.02

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2022

1. GENERAL INFORMATION

Red Star Macalline Group Corporation Ltd. (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) and Shanghai Red Star Macalline Enterprise Management Company Limited* (上海紅星美凱龍企業管理有限公司)) is a limited liability company jointly established by Red Star Macalline Holding Group Company Limited* (紅星美凱龍控股集團有限公司) (“**RSM Holding**”) and Red Star Furniture Group Co., Ltd.* (紅星傢俱集團有限公司) (the “**Red Star Furniture Group**”) on 18 June 2007 in Shanghai, the People’s Republic of China (the “**PRC**”). On 6 January 2011, the Company was converted into a foreign-invested joint stock limited company in accordance with laws and changed its name to Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司).

The Company completed the initial public offering of overseas listed foreign shares, namely H shares, and became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 26 June 2015.

As permitted in the Reply on Approval of Initial Public Offering of Shares by Red Star Macalline Group Corporation Ltd. Zheng Jian Xu Ke [2017] No. 2373 Document issued by the China Securities Regulatory Commission (the “**CSRC**”) on 22 December 2017, the Company carried out public offering of no more than 315,000,000 RMB-denominated ordinary shares (A shares) and was granted listing and trading at the Shanghai Stock Exchange. As at 17 January 2018, the Company completed the public offering of RMB-denominated ordinary shares (A shares) totaling 315,000,000 shares with a nominal value of RMB1.00 per share, and the issue price per share amounted to RMB10.23. Upon completion of the offering, the paid-in capital (share capital) of the Company amounted to RMB3,938,917,038.00, among which, the amount of RMB-denominated shares (A shares) subject to trading moratorium was 2,561,103,969 shares; the amount of RMB-denominated shares (A shares) not subject to trading moratorium was 315,000,000 shares, and the amount of overseas listed foreign shares (H shares) not subject to trading moratorium was 1,062,813,069 shares. The Company completed the industrial and commercial change registration on 20 March 2018.

As considered and approved at the 2017 Annual General Meeting, A Shareholders’ Class Meeting and H Shareholders’ Class Meeting, the Company repurchased 388,917,038 overseas-listed foreign shares (H shares) at a price of HK\$11.78 per share by way of conditional voluntary cash offer. The Company has completed the offer and cancelled such H shares in July 2018, after which the paid-in capital (share capital) of the Company amounted to RMB3,550,000,000.00. The Company completed the industrial and commercial change registration on 29 September 2018.

As considered and approved at the 2019 Annual General Meeting, A Share Shareholders’ Class Meeting and H Share Shareholders’ Class Meeting, the Company issued 0.1 bonus share per 1 share by way of conversion of capital reserve to all of its shareholders, based on the total share capital of 3,550,000,000 shares prior to the implementation of the profit distribution plan for 2019, which resulted in an increase of 355,000,000 shares in total. After the distribution, the paid-in capital (share capital) of the Company amounted to RMB3,905 million, representing an increase of RMB355 million, which decreased the capital reserve by RMB355 million. The Company completed the industrial and commercial change registration on 20 January 2021.

At the 2019 Annual General Meeting, the A Share Shareholders’ Class Meeting and H Share Shareholders’ Class Meeting held by the Company in 2020, resolutions in relation to non-public issuance including the Resolution on the Fulfilment of Conditions for the Non-public Issuance of A Shares by the Company, the Resolution on the 2020 Non-public Issuance of A Shares of the Company, and the Resolution on the 2020 Plan for the Non-public Issuance of A Shares of the Company, were considered and approved. On 19 April 2021, the Company received the Reply as to Approval for Non-Public Issuance of Shares by Red Star Macalline Group Corporation Ltd. (ZJXK [2021] No.1361) issued by the CSRC. In October 2021, the actual number of shares issued by the Company at an issue price of RMB8.23 per share was 449,732,673, and as verified by the Capital Verification Report for Red Star Macalline Group Corporation Ltd. (Ernst & Young Hua Ming (2021) YZ No.60954737_ B01) issued by Ernst & Young Hua Ming (LLP), the total subscription payment of subscribers for the non-public issuance of shares was RMB3,701,299,898.79. The net proceeds after deduction of the issuance expense (exclusive of tax) were RMB3,678,363,799.29, which increased the share capital by RMB449,732,673.00 and the capital reserve by RMB3,228,631,126.29. The Company completed the industrial and commercial change registration on 2 December 2021.

The business scope of the Company includes: providing the invested enterprises with management service, enterprise management and product information consulting; providing home furnishing business stores with design planning and management services; wholesale of furniture, building materials (steel exclusive) and decoration materials, and relevant supporting services; exhibition and display services; (products involving quota license or special management provisions shall be subject to relevant state regulations) (with license if required). The controlling shareholder of the Company is RSM Holding, a limited liability company incorporated in the PRC, and the actual controller is Mr. CHE Jianxing.

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance and the specific accounting standards, application guidelines, interpretation and other relevant provisions promulgated and revised thereafter (the “**Accounting Standards for Business Enterprises**”).

As at 30 June 2022, the Group’s current liabilities in aggregate exceeded its total current assets in an amount of RMB15,112.4 million. The management of the Group had assessed its ongoing operation for the 12 months starting from 1 July 2022, and after taking into account the unutilized bank facilities held by the Group and the Group’s expected operating cash inflows and financing arrangements as at 30 June 2022, believed that the liquidity risk of the Group is exposed to falls within the range of control due to the fact that its current assets are less than its current liabilities as at 30 June 2022, and thus it has no material effect on the ongoing operation and financial statements of the Group. Therefore, these financial statements have been prepared on an ongoing concern basis.

3. BASIS OF ACCOUNTING AND PRINCIPLES OF MEASUREMENT

The Group adopts the accrual basis as the basis of book-keeping in accounting. Except investment properties and certain financial instruments which are measured at fair value, these financial statements have been prepared on historical cost basis. In case of any impairment of any asset, the corresponding impairment provision will be made in accordance with relevant requirements.

4. REVENUE

The following is the Group’s revenue and operating results by operating segments:

	Owned/leased Portfolio Shopping Malls	Managed Shopping Malls	Construction and design	Home decoration related and sales of merchandise	Other	Unallocated items	Total
Six months ended 30 June 2022 (Unaudited)							
Segment revenue							
– external transaction revenue	<u>4,153,357,244.38</u>	<u>1,295,774,795.66</u>	<u>730,373,682.10</u>	<u>250,985,366.60</u>	<u>526,129,283.95</u>	<u>-</u>	<u>6,956,620,372.69</u>
Segment operating profit (loss)	<u>2,472,148,995.89</u>	<u>306,153,810.25</u>	<u>73,831,385.27</u>	<u>(144,634,652.81)</u>	<u>214,661,989.74</u>	<u>(1,171,607,169.94)</u>	<u>1,750,554,358.40</u>
Six months ended 30 June 2021 (Unaudited)							
Segment revenue							
– external transaction revenue	<u>3,917,677,242.14</u>	<u>1,676,074,613.59</u>	<u>763,101,229.34</u>	<u>573,725,462.84</u>	<u>572,017,990.67</u>	<u>-</u>	<u>7,502,596,538.58</u>
Segment operating profit (loss)	<u>2,053,981,767.61</u>	<u>510,250,907.09</u>	<u>182,725,397.12</u>	<u>(148,021,138.79)</u>	<u>252,587,170.39</u>	<u>(627,931,423.38)</u>	<u>2,223,592,680.04</u>

5. DISTRIBUTION AND SELLING EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Advertising and promotional expenses	300,917,189.69	463,377,820.14
Energy and maintenance expenses	187,847,967.39	218,259,014.14
Salary, bonus and benefits	55,274,083.67	84,043,214.03
After-sales service expenses	10,821,715.94	12,657,121.00
Office and administrative expenses	8,007,690.05	14,619,343.25
Depreciation and amortization	11,193,155.61	16,507,489.97
Others	24,785,356.90	19,243,482.49
Total	<u>598,847,159.25</u>	<u>828,707,485.02</u>

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Salary, bonus and benefits	361,897,300.00	489,784,657.82
Office and administrative expenses	82,103,771.37	167,338,815.30
Other professional services expenses	52,622,999.45	73,788,370.61
Depreciation and amortization	66,441,916.13	83,396,814.01
Network communications fees	20,715,605.01	35,340,379.99
Others	28,245,651.54	32,392,415.06
Total	<u>612,027,243.50</u>	<u>882,041,452.79</u>

7. FINANCIAL EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Interest expenses	1,413,919,550.71	1,553,402,452.97
Less: Capitalized interest expenses	162,349,451.04	198,823,691.59
Less: Interest income	119,354,700.89	118,700,167.43
Net interest expenses	1,132,215,398.78	1,235,878,593.95
Foreign exchange gain or loss	24,571,969.05	(44,257,319.62)
Others	15,814,684.60	27,836,727.28
Total	1,172,602,052.43	1,219,458,001.61

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Current income tax expenses	405,977,355.51	365,875,644.60
Deferred income tax expenses	361,597,354.99	211,843,133.37
Total	767,574,710.50	577,718,777.97

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (the "EIT Law") and the Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, companies within the PRC are subject to an income tax rate of 25%, except for the subsidiaries stated below:

Certain PRC subsidiaries of the Group enjoy the preferential tax rate of 15% under the Western China Development Plan in accordance with the EIT Law and relevant regulations during the Reporting Period. Certain PRC subsidiaries of the Group enjoy the preferential tax rate of 15% in Tibet Autonomous Region. Certain PRC subsidiaries of the Group enjoy the preferential tax rate of 15% for high-tech enterprises. Certain PRC subsidiaries of the Group as new enterprises in Kashi and Khorgas of Xinjiang, two Special Economic Development Zones, were approved to enjoy the preferential tax rate of 15% or temporarily exempt from income tax in accordance with the EIT Law and relevant regulations during the Reporting Period.

9. EARNINGS PER SHARE

Calculation of the basic earnings per share for the six months ended 30 June 2022 and 30 June 2021 is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Net profit attributable to owners of the Company for the period	1,025,091,463.05	1,509,666,712.02
Including: Net profit attributable to continuing operations	1,025,091,463.05	1,509,666,712.02
Net profit attributable to discontinued operations	–	–
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,354,732,673	3,905,000,000
Basic earnings per share	0.24	0.39

The Group does not have dilutive ordinary shares.

10. DIVIDENDS

During the Reporting Period, the Company has declared a final dividend of RMB0.1 per share to the owners of the Company for the year ended 31 December 2021, with the total final dividend declared amounting to approximately RMB435,473,267.30, and such dividend have been paid after the Reporting Period.

The Board does not recommend payment of dividend for the six months ended 30 June 2022.

11. ACCOUNTS RECEIVABLE

Accounts receivables are disclosed by category:

Category	As at 30 June 2022 (Unaudited)				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Proportion (%)	Amount
Accounts receivable for which bad debt allowance is provided individually	845,567,259.86	22.49	831,761,721.81	98.37	13,805,538.05
Accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics	2,914,915,802.92	77.51	672,127,379.54	23.06	2,242,788,423.38
Total	3,760,483,062.78	100.00	1,503,889,101.35	39.99	2,256,593,961.43

Category	As at 31 December 2021 (Audited)				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Proportion (%)	Amount
Accounts receivable for which bad debt allowance is provided individually	852,768,282.65	25.32	835,725,727.04	98.00	17,042,555.61
Accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics	2,514,635,068.35	74.68	574,027,281.89	22.83	1,940,607,786.46
Total	3,367,403,351.00	100.00	1,409,753,008.93	41.86	1,957,650,342.07

As at the end of the Reporting Period, the aging analysis of accounts receivable based on the contract date is as follows:

Among them, the aging analysis of accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics is as follows:

As at 30 June 2022 (Unaudited)					
Category	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Proportion (%)	Amount
Within 1 year	1,529,272,951.81	52.46	120,236,851.73	7.86	1,409,036,100.08
1 to 2 years	489,820,432.74	16.80	109,137,049.54	22.28	380,683,383.20
2 to 3 years	260,163,660.50	8.93	85,376,095.48	32.82	174,787,565.02
3 to 4 years	228,175,460.55	7.83	95,969,783.70	42.06	132,205,676.85
4 to 5 years	233,220,108.78	8.00	124,910,851.83	53.56	108,309,256.95
5 to 6 years	100,346,542.84	3.44	62,580,101.56	62.36	37,766,441.28
Over 6 years	73,916,645.70	2.54	73,916,645.70	100.00	–
Total	2,914,915,802.92	100.00	672,127,379.54	23.06	2,242,788,423.38

Accounts receivable portfolio for which bad debt allowance is provided by portfolio of credit risk characteristics:

As at 31 December 2021 (Audited)					
Accounts receivable	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Proportion (%)	Amount
Within 1 year	1,182,585,398.96	47.03	92,308,435.84	7.81	1,090,276,963.12
1 to 2 years	458,665,807.52	18.24	95,716,276.77	20.87	362,949,530.75
2 to 3 years	357,702,779.16	14.22	110,940,514.31	31.01	246,762,264.85
3 to 4 years	251,027,186.27	9.98	94,578,970.40	37.68	156,448,215.87
4 to 5 years	149,148,147.89	5.93	89,552,081.72	60.04	59,596,066.17
5 to 6 years	73,755,748.55	2.93	49,181,002.85	66.68	24,574,745.70
Over 6 years	41,750,000.00	1.66	41,750,000.00	100.00	–
Total	2,514,635,068.35	100.00	574,027,281.89	22.83	1,940,607,786.46

12. OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Interest receivable	9,439,055.31	10,680,396.48
Dividends receivable	31,000,000.00	31,000,000.00
Other receivables	<u>908,957,741.22</u>	<u>893,986,220.50</u>
Total	<u><u>949,396,796.53</u></u>	<u><u>935,666,616.98</u></u>

Other receivables categorized by nature are presented as below:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Loan and advances	426,865,794.35	408,880,022.33
Sales proceeds collected and paid on behalf of the tenants	232,484,983.93	303,122,173.95
Deposits	169,563,447.63	134,813,513.39
Others	<u>80,043,515.31</u>	<u>47,170,510.83</u>
Total	<u><u>908,957,741.22</u></u>	<u><u>893,986,220.50</u></u>

The movement of bad debt allowance for other receivables based on 12-month expected credit losses and the lifetime expected credit losses, respectively, are as follows:

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses (No credit-impaired)	Stage 3 Lifetime expected credit losses (Credit-impaired)	Total
Balance of bad debts allowance on 1 January 2022	183,353,666.09	-	187,678,471.03	371,032,137.12
Provision during the period	28,951,578.50	-	5,766,792.29	34,718,370.79
Write-off during the period	(2,598,096.25)	-	(3,000,000.00)	(5,598,096.25)
Balance of bad debt allowance on 30 June 2022	<u>209,707,148.34</u>	<u>-</u>	<u>190,445,263.32</u>	<u>400,152,411.66</u>

13. INVESTMENT PROPERTIES

	Completed properties	Properties under construction	Total
As at 31 December 2021 (Audited)	88,337,000,000.00	7,238,000,000.00	95,575,000,000.00
Additions during the period	79,106,955.29	378,496,396.93	457,603,352.22
Transfer from fixed assets to completed properties	35,755,740.47	-	35,755,740.47
Changes in fair value	352,137,304.24	(256,496,396.93)	95,640,907.31
As at 30 June 2022 (Unaudited)	<u>88,804,000,000.00</u>	<u>7,360,000,000.00</u>	<u>96,164,000,000.00</u>

14. OTHER NON-CURRENT ASSETS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Prepayments for construction and advance payments for land compensation	1,391,199,565.74	1,288,435,475.70
Earning right related to land consolidation	1,835,867,940.18	1,835,867,940.18
Prepayments for purchasing properties	372,705,127.77	372,705,127.77
Entrusted loans and borrowings	1,217,382,866.25	1,040,139,405.08
Prepayments for equity transfer	193,400,000.00	191,400,000.00
Prepayments for repurchase	247,705,000.00	247,705,000.00
Deposits	21,202,507.43	26,302,506.78
Total	<u>5,279,463,007.37</u>	<u>5,002,555,455.51</u>

15. SHORT-TERM LOANS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Mortgage loans	1,502,201,892.31	2,037,694,511.95
Pledge loans	281,627,606.36	213,041,171.15
Credit loans	250,420,055.55	568,969,591.62
Guaranteed loans	–	80,061,000.00
Mortgage and pledge loans	61,243,137.09	57,322,140.30
Total	<u>2,095,492,691.31</u>	<u>2,957,088,415.02</u>

16. ACCOUNTS PAYABLE

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Amounts payable for advertisements and purchase of goods	526,986,908.80	570,287,013.60
Amounts payable for construction	1,506,442,546.22	1,830,593,397.18
Total	<u>2,033,429,455.02</u>	<u>2,400,880,410.78</u>

As at 30 June 2022, the Group had no significant accounts payable aged over one year.

17. OTHER PAYABLES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Dividends payable	444,946,110.12	–
Other payables	<u>10,989,010,620.90</u>	<u>9,770,693,294.55</u>
Total	<u><u>11,433,956,731.02</u></u>	<u><u>9,770,693,294.55</u></u>

Other payables categorized by nature are presented as below:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Amounts due to partners	4,468,161,044.85	3,041,579,942.58
Deposits from tenants	2,638,738,518.95	2,579,297,828.41
Proceeds collected on behalf of the tenants	858,870,260.22	1,418,021,404.41
Rental deposits from tenants	639,342,566.73	500,514,879.68
Amounts payable to construction contractors	532,338,113.85	562,641,968.36
Amounts payable for property purchase	1,044,467,095.49	1,056,332,095.49
Accrued expenses	358,084,217.78	241,680,959.90
Amounts payable to equity transfer	59,097,008.91	40,067,427.31
Amounts payable to prepaid cards	62,344,686.33	35,395,541.57
Others	<u>327,567,107.79</u>	<u>295,161,246.84</u>
Total	<u><u>10,989,010,620.90</u></u>	<u><u>9,770,693,294.55</u></u>

18. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Long-term loans due within one year	4,731,536,510.94	4,174,414,497.59
Long-term loans due within one year-interest	53,960,186.29	73,399,378.88
Bonds payable due within one year	3,010,992,145.39	3,903,697,116.05
Bonds payable due within one year-interest	53,486,173.20	110,002,413.84
Financial lease payables due within one year	221,032,512.78	337,732,502.20
Commercial mortgage backed securities due within one year	579,429,602.20	2,151,307,811.16
Commercial mortgage backed securities due within one year-interest	11,616,438.38	19,944,444.45
Deferred property disposal income due within one year	73,834,691.92	74,021,164.22
Lease liabilities due within one year	876,205,989.22	854,769,905.59
Total	<u>9,612,094,250.32</u>	<u>11,699,289,233.98</u>

19. LONG-TERM LOANS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Mortgage loans	7,010,017,085.48	7,647,993,688.73
Mortgage and guaranteed loans	5,956,616,437.14	6,267,604,471.30
Mortgage and pledge loans	6,550,660,914.63	5,236,837,451.15
Mortgage and pledge and guaranteed loans	4,019,341,430.39	2,453,881,296.83
Total	<u>23,536,635,867.64</u>	<u>21,606,316,908.01</u>

20. SHARE CAPITAL

Share capital	Changes during the period				Closing amount
	Opening amount	Issue of new shares	Others	Sub-total	
For the half year ended 30 June 2022 (Unaudited):					
I. Restricted shares					
1. State-owned shares	-	-	-	-	-
2. Shares held by state-owned entities	38,882,138	-	(38,882,138)	(38,882,138)	-
3. Shares held by other domestic entities	396,269,734	-	(396,269,734)	(396,269,734)	-
Include: Shares held by domestic non-state-owned entities	384,119,066	-	(384,119,066)	(384,119,066)	-
Shares held by domestic natural persons	12,150,668	-	(12,150,668)	(12,150,668)	-
4. Foreign shareholding	14,580,801	-	(14,580,801)	(14,580,801)	-
Total restricted shares	449,732,673	-	(449,732,673)	(449,732,673)	-
II. Unrestricted shares					
1. RMB-denominated ordinary shares	3,163,714,366	-	449,732,673	449,732,673	3,613,447,039
2. Overseas listed foreign shares	741,285,634	-	-	-	741,285,634
Total unrestricted shares	3,905,000,000	-	449,732,673	449,732,673	4,354,732,673
Total number of shares	4,354,732,673	-	-	-	4,354,732,673

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

During the Reporting Period, the Group continued to focus on the strategic positioning of growing into an “omni-channel platform service provider for the pan-home improvement and furnishings industry”, and actively seized market development opportunities, aiming to enhance its delivery capabilities of home decoration design and its capabilities of online and offline traffic conversion, thereby providing customers with more personalized and high-quality home decoration services and a shopping experience closer to the needs of end consumers by using its original home furnishing shopping malls channel capabilities, strong supply chain integration capabilities and home furnishing industry operating experience accumulated over the years and leveraging its own home decoration business management platform and IMP intelligent marketing platform. Meanwhile, in terms of the business model, while maintaining the healthy growth of its Portfolio Shopping Malls, the Company continuously consolidated its core advantages, and improved its refinement of the operation and the management of platform, and made a shift from capital leveraging to management enablement.

As of the end of the Reporting Period, the Group operated 94 Portfolio Shopping Malls, 280 Managed Shopping Malls, 10 home furnishing shopping malls through strategic cooperation⁽¹⁾, and 59 franchised home improvement material projects⁽²⁾, which included a total of 475 home improvement material stores/industry streets⁽³⁾. The Portfolio Shopping Malls and Managed Shopping Malls that we operated cover 224 cities in 30 provinces, municipalities and autonomous regions, with a total shopping mall operating area of 22,270,040 sq.m. In the future, the Company will continue to pursue the long-term development goal of becoming the most advanced and professional “omni-channel platform service provider for the pan-home improvement and furnishings industry” in China.

During the Reporting Period, the Group achieved a revenue of RMB6,956.6 million, representing a decrease of 7.3% as compared with RMB7,502.6 million for the same period in 2021. Gross profit margin slightly decreased from 63.6% for the six months ended 30 June 2021 to 62.3% for the six months ended 30 June 2022. During the Reporting Period, net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB936.7 million, representing a decrease of 6.9% as compared with RMB1,006.0 million for the same period in 2021. As of the end of the Reporting Period, the Group’s cash and bank balances amounted to RMB6,134.6 million, representing a decrease of 11.1% as compared with RMB6,903.7 million as at the end of 2021. As of the end of the Reporting Period, the net gearing ratio⁽⁴⁾ of the Group decreased from 56.7% as at the end of 2021 to 54.4%.

- 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 2022, Shandong Inzone Green Home Co., Ltd. and its controlling subsidiaries operated 10 home furnishing shopping malls in total in the PRC. Shopping malls through strategic cooperation refer to the home furnishing shopping malls which, based on strategic objectives considered by the Company, were jointly invested, held and co-operated by the Group and its cooperation 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 stores/industry streets, the Group will not participate in the daily operation and management after commencement of the 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 property under operation and the types of products being sold.
- (4) Net gearing ratio is a ratio calculated by dividing the amount of interest-bearing liabilities (including short-term loans, long-term loans, bonds payable, financial lease payables and commercial mortgage backed securities payable) less cash and bank balances by the total equity at the end of each period.

2. Revenue

During the Reporting Period, the Group's revenue amounted to RMB6,956.6 million, representing a decrease of 7.3% as compared with RMB7,502.6 million for the same period in 2021. The decrease in revenue was primarily due to the delay in the progress of relevant services under the COVID-19 pandemic environment in the first half of the year. During the Reporting Period, the rental and related income of our Owned/Leased Portfolio Shopping Malls increased by 6.0%, which was mainly due to the increase in revenue of our shopping malls this year as a result of new shopping malls in the second half of 2021. During the Reporting Period, related income from our Managed Shopping Malls decreased by 22.7%, mainly due to the decrease in the number of projects for the revenue recognition of construction project and business consultation services for the year. During the Reporting Period, the Company was committed to providing one-stop and individualized high-quality home decoration services, and revenue from home decoration related and sales of merchandise decreased by 56.3% year on year. The change was mainly due to the decrease in the number of home decoration related projects and corresponding construction progress affected by the COVID-19 pandemic in the first half of the year compared with the same period of last year. The revenue from construction and design and other revenue had little change as same period of 2021.

The following table sets forth our revenue by business segments:

	Six months ended 30 June			
	2022 (Unaudited)		2021 (Unaudited)	
	Amount	%	Amount	%
Owned/Leased Portfolio Shopping Malls	4,153,357,244.38	59.7	3,917,677,242.14	52.3
Managed Shopping Malls	1,295,774,795.66	18.6	1,676,074,613.59	22.3
Construction and design	730,373,682.10	10.5	763,101,229.34	10.2
Home decoration related and sales of merchandise	250,985,366.60	3.6	573,725,462.84	7.6
Others	526,129,283.95	7.6	572,017,990.67	7.6
Total	<u>6,956,620,372.69</u>	<u>100.0</u>	<u>7,502,596,538.58</u>	<u>100.0</u>

3. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit achieved RMB4,336.8 million, representing a decrease of 9.1% as compared with RMB4,771.0 million for the same period in 2021; the comprehensive gross profit margin was 62.3%, representing a decrease of 1.3 percentage points as compared with 63.6% for the same period in 2021.

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Owned/Leased Portfolio Shopping Malls	76.5%	76.0%
Managed Shopping Malls	46.7%	57.8%
Construction and design	18.0%	36.9%
Home decoration related and sales of merchandise	16.4%	15.0%
Others	72.8%	80.3%
Total	<u>62.3%</u>	<u>63.6%</u>

4. Distribution and selling expenses and general and administrative expenses

During the Reporting Period, the Group's distribution and selling expenses amounted to RMB598.8 million (accounting for 8.6% of the revenue), representing a decrease of 27.7% as compared with RMB828.7 million (accounting for 11.0% of the revenue) for the same period in 2021, primarily due to the decrease in advertising and promotional expenses as a result of the Company's strict control of the expenses in brand promotion and other activities.

During the Reporting Period, the Group's general and administrative expenses amounted to RMB612.0 million (accounting for 8.8% of the revenue), representing a decrease of 30.6% from RMB882.0 million (accounting for 11.8% of the revenue) for the same period in 2021, primarily due to the decrease in labor and office and administrative expenses in the current period.

5. Financial expenses

During the Reporting Period, the Group's financial expenses amounted to RMB1,172.6 million, representing a decrease of 3.8% as compared with RMB1,219.5 million for the same period in 2021; among which, the total interest expense amounted to RMB1,413.9 million, representing a decrease of 9.0% as compared with RMB1,553.4 million for the same period in 2021, primarily due to the decrease in the scale of the Company's interest bearing liabilities.

6. Investment income

During the Reporting Period, the Group's investment income was RMB51.7 million, representing a decrease of 89.3% as compared with RMB482.4 million for the same period of 2021, mainly due to the relatively large investment income from the disposal of subsidiaries during the same period of last year.

7. Income tax expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB767.6 million, representing an increase of 32.9% as compared with RMB577.7 million for the same period in 2021, which was mainly due to the reversal of deferred tax assets in the current period.

8. Net profit attributable to owners of the Company, net profit attributable to owners of the Company after deducting non-recurring profit or loss and earnings per share

During the Reporting Period, net profit attributable to owners of the Company amounted to RMB1,025.1 million, representing a decrease of 32.1% as compared with RMB1,509.7 million for the same period in 2021; the net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB936.7 million, representing a decrease of 6.9% as compared with RMB1,006.0 million for the same period in 2021.

	Six months ended 30 June		Increase/decrease
	2022	2021	
	(Unaudited)	(Unaudited)	
Net profit attributable to owners of the Company	1,025,091,463.05	1,509,666,712.02	a decrease of 32.1%
Net profit margin attributable to owners of the Company	14.7%	20.1%	a decrease of 5.4 percentage points
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	936,699,183.78	1,006,018,420.19	a decrease of 6.9%
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	13.5%	13.4%	an increase of 0.1 percentage point

During the Reporting Period, the Group's earnings per share was RMB0.24, and was RMB0.39 for the same period in 2021.

9. Accounts receivable

As at the end of the Reporting Period, the book value of accounts receivable of the Group amounted to RMB2,256.6 million (including the balance of accounts receivable of RMB3,760.5 million and the bad debt allowance of RMB1,503.9 million), representing an increase of RMB298.9 million as compared with RMB1,957.7 million as at the end of 2021, mainly due to the delayed collection of rental and management fees under the impact of the COVID-19 pandemic during the Reporting Period.

10. 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 RMB96,164.0 million, representing an increase of 0.6% as compared with RMB95,575.0 million as at the end of 2021. During the Reporting Period, the Group's gains from changes in fair value of investment properties were RMB95.6 million.

11. Capital expenditure

During the Reporting Period, the Group's capital expenditure amounted to RMB762.5 million (the same period in 2021: RMB1,394.0 million), primarily including the expenditures incurred for the acquisition of land and construction expenditures related to investment properties.

12. Cash and bank balances and cash flow

As at the end of the Reporting Period, the Group's cash and bank balances amounted to RMB6,134.6 million (of which, the balance of cash and cash equivalents amounted to RMB5,594.4 million), representing a decrease of RMB769.1 million as compared with RMB6,903.7 million (of which, the balance of cash and cash equivalents amounted to RMB6,098.0 million) as at the end of 2021.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Net cash flow from operating activities	2,001,276,530.19	2,083,776,163.70
Net cash flow from investment activities	81,819,465.57	(40,555,861.09)
Net cash flow from financing activities	(2,586,611,504.24)	(3,529,408,625.40)
Impact of exchange rate changes on cash and cash equivalents	(53,158.05)	(362,631.26)
Net (decrease) in cash and cash equivalents	<u>(503,568,666.53)</u>	<u>(1,486,550,954.05)</u>

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB2,001.3 million, representing a decrease of RMB82.5 million as compared with RMB2,083.8 million for the same period in 2021, mainly due to the corresponding delay in the collection of rental and management fees in response to changes in the COVID-19 pandemic situation and support for the development of merchants in the current period.

During the Reporting Period, the Group's net cash inflow from investment activities amounted to RMB81.8 million, representing an increase of RMB122.4 million as compared with a net cash outflow of RMB40.6 million for the same period in 2021. It was primarily due to the decrease of capital expenditure in the current period as compared with the same period last year.

During the Reporting Period, the Group's net cash outflow from financing activities amounted to RMB2,586.6 million, representing a decrease of RMB942.8 million as compared with a net cash outflow of RMB3,529.4 million for the same period in 2021, mainly due to the decrease in cash outflow for repayment of debts in the current period as compared with the same period last year under the continuous optimization of the capital structure.

13. Major debt ratios

Among the total debts of the Group, the portion repayable within one year or on demand amounted to RMB10,650.7 million, the portion repayable over one year but less than two years amounted to RMB4,566.0 million, the portion repayable over two years but less than five years amounted to RMB11,171.4 million and the portion repayable over five years amounted to RMB11,080.6 million. The Group will promptly repay the above debts at the time of maturity.

The following table sets out our major debt ratios:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Asset-liability ratio ⁽¹⁾	57.0%	57.4%
Net gearing ratio	54.4%	56.7%

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

14. Pledged assets

As at the end of the Reporting Period, the Group had pledged investment properties and fixed assets with book value of RMB87,294.8 million and other equity instrument investments and restricted cash and bank balances with book balance of RMB319.5 million in order to obtain loans, and the balance of the loans obtained amounted to RMB33,439.5 million. The Group's restricted cash and bank balance of RMB143.7 million have been deposited in the Central Bank as deposit reserves or used on hedging business, etc.

15. Contingent liabilities

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

16. 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 recognized in the financial statements was RMB1,034.0 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 RMB347.2 million.

17. 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 utilized, 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.

18. Foreign exchange risk

As at the end of the Reporting Period, financial assets and liabilities denominated in currencies other than the functional currency of the Group mainly included the US\$300 million USD-denominated bonds issued on 21 September 2017 and certain deposits denominated in foreign currencies. To manage these additional risk exposures, the management of the Group has actively adopted relevant risk control measures to prepare for risk hedging, including selection of appropriate forward contracts and currency swaps and other foreign debt hedging instruments, enhancing internal control awareness and strategies, strengthening discussion with international banks, and closely monitored 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.

19. 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.

20. Human resources

As at the end of the Reporting Period, the Group employed 20,526 employees (the same period in 2021: 24,191 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 insurance and housing provident fund for the employees. During the Reporting Period, the Group paid a total of RMB1,697.9 million for salary expenditure (the same period in 2021: RMB1,797.5 million). Meanwhile, the Group also continued to invest resources in providing various education and training opportunities for the staff, aiming to standardize 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.

21. 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 Group operated 94 Portfolio Shopping Malls, 280 Managed Shopping Malls, 10 home furnishing shopping malls through strategic cooperation, and 59 franchised home improvement material projects, which includes a total of 475 home improvement material stores/industry streets. Portfolio Shopping Malls and Managed Shopping Malls of the Group cover 224 cities in 30 provinces, municipalities and autonomous regions in China, with a total operating area of 22,270,040 sq.m.

As of the end of the Reporting Period, the Group operated 94 Portfolio Shopping Malls, covering a total operating area of 8,384,333 sq.m., with an average occupancy rate of 92.1%, among which the operating area of Portfolio Shopping Malls in first-and second-tier cities accounted for more than 80%, thus building a strong moat, with the advantages of first-mover and site selection. The steady increase in the occupancy rate and rental income of the Portfolio Shopping Malls fully reflects the professional level and management ability of the Company as the leading home improvement and furnishings shopping mall operator, and plays a positive exemplary role in continuously attracting potential high-quality brand merchants, expanding and strengthening the cooperative relationship with partners of Managed Shopping Malls. During the Reporting Period, the Company opened 1 new Portfolio Shopping Mall, closed 1 Portfolio Shopping Mall, and changed a Portfolio Shopping Mall to a Managed Shopping Mall. As of the end of the Reporting Period, the Company had 19 pipeline Portfolio Shopping Malls.

As of the end of the Reporting Period, the Group operated 280 Managed Shopping Malls covering a total operating area of 13,885,707 sq.m., with an average occupancy rate of 90.1%, among which the operating area of Managed Shopping Malls in third and lower-tier cities accounted for approximately 70%. Managed Shopping Malls help the Company realize the regional coverage and rapid penetration of the third and lower-tier cities under the asset-light model. During the Reporting Period, the Group opened four new Managed Shopping Malls and closed three Managed Shopping Malls. In addition, one Portfolio Shopping Mall was converted into Managed Shopping Mall. As of the end of the Reporting Period, among the pipeline Managed Shopping Malls, the Group has obtained land use rights certificate/land parcels for 323 contracted projects. Along with steady social and economic development of the country, further progress of urbanization strategy, and stable growth in disposable income per capita, the Group will focus on increasing the rate of expansion of our Managed Shopping Malls business throughout China.

22. Robust Development in Expansionary Business: Continued Upgrade in Strategy of “One-stop Design and Home Improvement, Online and Offline Integration”

22.1 One-stop Design and Home Improvement

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

The Company has enhanced the construction of a new-generation home decoration platform system project. It has completed the development and construction of a traffic management platform (placement and aggregation, marketing website, CRM, and distribution), a business operation management platform (home decoration and public decoration), and a supply chain management platform (purchase management, bidding and tendering platform, etc.), and has established a professional digital marketing capability covering placement, acquisition and redistribution of traffic.

22.2 Online and Offline Integration

The Company has actively explored a city-wide new retail model, which has begun to show results. The effective arrangements for digital upgrading and online sources of traffic based on shopping malls start to bear fruit. During the Reporting Period, the Company’s core shopping malls were digitally upgraded. In addition to the digital upgrading of shopping malls, the Company successively upgraded and innovated online product selection, content supply, digital operation, traffic acceptance and marketing models. The Company will continuously promote the development of its digital infrastructure capability and realize the digital upgrade of merchandise and consumers, thus creating an internet operation platform integrating consumers, goods and markets.

23. The Company continuously upgraded its operation management, with a focus on user mentality, and carried out the “operation-focused” strategy

23.1 Merchant Sourcing Management

In the face of the changes in the market consumption situation and the market competition trend, the Company developed the city-wide positioning plan for multi-store shopping malls, and selected 100 Malls that represent the strategic arrangements of the Group for hierarchical and targeted management of merchandise and consumers: 32 No.1 Stores, 9 Grand Malls and 59 Benchmarking Shopping Malls. Meanwhile, the Company continuously implemented the strategy of “expansion of categories and focus on operation”, and optimized the brand structure. In the first half of the year, the Company increased the number of main categories to ten, and accelerated the construction of category theme pavilions, so as to quickly gain traction with consumers in the mid-and high-end markets.

The three major store forms and ten major theme pavilions gather platform-wide traffic. Based on the digital and comprehensive analysis of merchandise and consumers, the Company subdivides categories and brands, and redistributes consumer traffic to stores of brand merchants precisely, thus realizing the connection and linkage between public and private traffic, achieving the acceptance, repeated use and deep operation of traffic in the shopping malls.

23.2 Marketing Management

As the home furnishing industry gradually enters the era of refined operations, the “Super Category Carnival” came into being with the initial establishment of theme pavilions. It has become an extremely influential category marketing activity both inside and outside the industry. During the Reporting Period, a total of seven Super Category Carnivals activities were successfully held. Through in-depth cooperation with Top 10 brands of various categories, the Company carried out category carnivals including joint-venture sofas, doors and windows, flooring, soft decoration, fashion, customized cabinets, wooden doors, sanitary ware, etc. around theme pavilion construction, category consumption upgrade, etc. Based on the orderly completion of the ten category pavilions in China, the “Super Category Carnival” activities normalized category marketing. Intensive and deep engagement in various activities categories contributed to supplementing daily traffic operation other than promotion activities of shopping malls, and further enhanced consumers’ stickiness to the brand of Red Star Macalline. In addition, during the Reporting Period, the Company achieved a deep integration of “home decoration + home furnishings + Internet operation” for the first time, incubating the first marketing IP “Red Star Macalline 315FUN Sihai Shopping Festival (紅星美凱龍 315FUN 肆嗨購節)” in the home furnishing industry to stimulate spending and build a high-end traffic ecosystem.

23.3 Operational Management

In terms of environmental protection, Red Star Macalline, together with China Quality Certification Center, launched the “Leading Green Home Brand” certification, with a focus on four core values, namely green, environmentally friendly, low-carbon and genuine. Red Star Macalline cooperated with more than 20 national and provincial laboratories to select the “Leading Green Home Brands” that met standards higher than the national standards. During the Reporting Period, the lists of furniture and building materials of leading green home projects were released, and 118 brands were rated as “Leading Green Home Brands”.

In terms of the customer service system, during the Reporting Period, the Company promoted a service-oriented member management model and established a customer management system with “customer first and service as the core.” Under the member management system, the increase in member value is driven by services, and meanwhile, high-end member services were properly provided to induce referral by members and repeated purchases.

24. 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 2022, 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.

The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of Chairman of the Board and general manager is necessary.

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 2022.

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 2022.

INTERIM DIVIDEND

The Board does not recommend payment of dividend for the six months ended 30 June 2022.

A SHARE OFFERING 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 2022 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 amount	Balance of the	Explanation	
		utilized at			investment
		Total	amount		
		investment			
		planned	of the		
		(RMB'000)	end of		
			Reporting		
			Period		
			(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 ⁽¹⁾	Fully invested Expected to be invested by May 2023
	Changsha Jinxia Shopping Mall Project	190,000	146,238	43,762	
	Xining Expo Shopping Mall Project	110,000	110,013 ⁽²⁾	(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	111,443	288,557	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		<u>350,000</u>	<u>350,000</u>	–	Fully invested
Total		<u>3,050,008</u>	<u>2,715,351</u>	<u>334,657</u>	–

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 2022 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 (RMB'000)	Investment amount at the end of the Reporting Period	Balance of the investment amount	Remarks	
		(RMB'000)	(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	6,197.2	277,747.5	Expected to be invested by December 2024	
Construction Project for New Generation Home Improvement Platform System	350,000.0	1,529.6	348,470.4	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 2023
	Nanning Dingqiu Shopping Mall Project	560,000.0	360,348.6	199,651.4	Expected to be invested by December 2022
	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	<u>1,103,509.1</u>	<u>1,103,509.1</u>	–	Fully invested	
Total	<u><u>3,678,363.8</u></u>	<u><u>1,832,494.5</u></u>	<u><u>1,845,869.3</u></u>	–	

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

Repurchase of A Shares

On 24 April 2022, the Company convened the forty-third extraordinary meeting of the fourth session of the Board, which considered and approved the Resolution on Considering Repurchase of Shares of the Company. As of 29 July 2022, by way of centralized bidding transaction, the Company repurchased 384,800 A shares, accounting for 0.0088% of the total share capital of the Company. The maximum and minimum purchase prices were RMB5.21 per share and RMB5.20 per share respectively. The total amount paid was RMB2,004,308.00 (excluding transaction costs). All A shares repurchased will be used for the employee stock ownership plans or option incentive schemes of the Company.

Issue US bonds

On 26 August 2022, the Company issued of 5.20% credit enhanced bonds due 2025 in the aggregate principal amount of U.S.\$249,700,000. The bonds are listed on the Hong Kong Stock Exchange. For further details, please refer to the relevant announcements of the Company dated 23 August 2022, 24 August 2022 and 29 August 2022, respectively.

Exempted from part of the rent and management fees of merchants in relevant self operated malls

In order to actively assume social responsibilities, jointly respond to the epidemic, support the sustainable development of merchants and home building materials industry, relevant merchants of self operated malls that meet the conditions will be exempted from part of the rent and management fees of merchants in relevant self operated malls. For details, please refer to the announcement disclosed by the Company in the designated domestic media on 27 August 2022 and on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 26 August 2022.

REVIEW OF INTERIM RESULTS

The Board has established the audit committee (the “**Audit Committee**”), which comprises three independent non-executive Directors, namely Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao. Mr. QIAN Shizheng is the chairman of the Audit Committee.

The Audit Committee has reviewed the interim results announcement for the six months ended 30 June 2022 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

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 2022 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.
CHE Jianxing
Chairman

Shanghai, the PRC
30 August 2022

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, GUO Binghe, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are CHEN Shuhong, CHEN Zhaohui, JIANG Xiangyu, HU Xiao and YANG Guang; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao, ZHAO Chongyi and QIN Hong.