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

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

(Stock Code: 1528)

(Listed Debt Securities Code: 5454)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”), together with comparative figures for the year ended 31 December 2022. 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	
	2023	2022
	<i>(RMB'000, except otherwise stated)</i>	
Revenue	11,514,983	14,138,320
Gross profit	7,033,253	8,844,699
Gross profit margin	61.1%	62.6%
(Loss)/profit for the year	(2,570,418)	816,884
(Loss)/profit attributable to owners of the Company	(2,412,713)	678,566
Profit margin attributable to owners of the Company	-21.0%	4.8%
Core net (loss)/profit attributable to owners of the Company ⁽²⁾	(856,433)	1,672,882
Core net (loss)/profit margin attributable to owners of the Company ⁽³⁾	-7.4%	11.8%
(Loss)/earnings per share (Basic and diluted)	RMB(0.55)	RMB0.16
Dividend per share (tax inclusive)	RMB0	RMB0.034

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

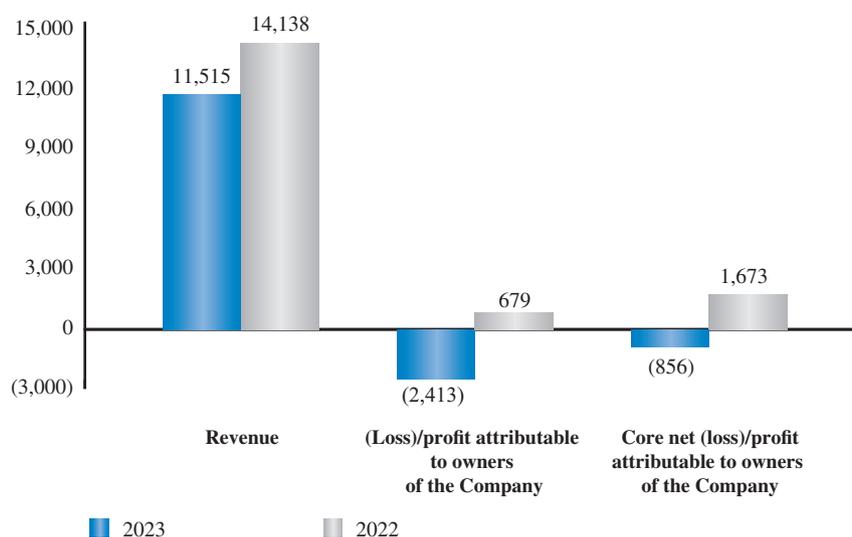
(2) Core net profit attributable to owners of the Company represents the profits attributable to owners of the Company after deducting the after-tax effects of changes in fair values of investment properties, other income, other gains and losses and other expenses etc., which are not related to daily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

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

KEY FINANCIAL PERFORMANCE INDICATORS

Key Financial Performance Indicators

RMB 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 2023	As at 31 December 2022
Number of shopping malls	362	378
Operating area of shopping malls (sq.m.)	21,724,717	22,508,291
Number of cities covered	215	223
Number of Portfolio Shopping Malls	87	94
Operating area of Portfolio Shopping Malls (sq.m.)	7,984,656	8,369,802
Average occupancy rate of Portfolio Shopping Malls	82.80%	85.20%
Number of Managed Shopping Malls	275	284
Operating area of Managed Shopping Malls (sq.m.)	13,740,061	14,138,489
Average occupancy rate of Managed Shopping Malls	85.70%	86.70%

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 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Revenue	<i>5</i>	11,514,983	14,138,320
Cost of sales and services		<u>(4,481,730)</u>	<u>(5,293,621)</u>
Gross profit		7,033,253	8,844,699
Other income	<i>6</i>	319,480	447,559
Other gains or losses, net	<i>7</i>	(1,200,524)	(590,361)
Selling and distribution expenses		(1,483,138)	(1,555,295)
Administrative expenses		(1,762,508)	(1,861,835)
Research and development expenses		(19,631)	(46,329)
Change in fair value of investment properties, net	<i>13</i>	(1,546,044)	(725,834)
Impairment losses under expected credit loss model, net of reversal		(1,303,571)	(385,205)
Share of results of associates, net		65,295	1,032
Share of results of joint ventures, net		12,409	(27,465)
Finance cost	<i>8</i>	<u>(2,654,625)</u>	<u>(2,503,313)</u>
(Loss)/profit before tax		(2,539,604)	1,597,653
Income tax expenses	<i>9</i>	<u>(30,814)</u>	<u>(780,769)</u>
(Loss) /profit for the year	<i>10</i>	<u>(2,570,418)</u>	<u>816,884</u>

	<i>Notes</i>	2023 RMB'000	2022 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		(225,987)	(661,135)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Effective part of fair value hedging		–	(86,871)
Exchange differences from translation of financial statements		750	3,102
Other comprehensive loss		<u>(225,237)</u>	<u>(744,904)</u>
Total comprehensive (loss)/income for the year		<u>(2,795,655)</u>	<u>71,980</u>
Total (loss)/profit for the year attributable to:			
Owners of the Company		(2,412,713)	678,566
Non-controlling interests		(157,705)	138,318
		<u>(2,570,418)</u>	<u>816,884</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(2,639,982)	(64,954)
Non-controlling interests		(155,673)	136,934
		<u>(2,795,655)</u>	<u>71,980</u>
(Loss)/earnings per share			
Basic and diluted (loss)/earnings (RMB per share)	12	<u>(0.55)</u>	<u>0.16</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
ASSETS			
Non-current assets			
Investment properties	<i>13</i>	98,480,200	100,022,185
Property, plant and equipment		2,978,655	3,082,253
Right-of-use assets		10,787	39,257
Intangible assets		97,830	107,285
Goodwill		97,597	97,597
Interests in associates		2,415,082	2,701,530
Interests in joint ventures		1,027,419	1,055,532
Financial instruments at fair value through profit or loss		260,025	332,275
Financial instruments at fair value through other comprehensive income		1,757,631	2,586,569
Deferred tax assets		3,145,906	3,027,514
Loan receivables		324,064	975,130
Restricted bank deposits		444,253	302,205
Deposits, prepayment and other receivables		3,163,522	4,001,743
Total non-current assets		114,202,971	118,331,075
Current assets			
Inventories		159,514	302,869
Loan receivables		2,255,791	1,405,903
Financial instruments at fair value through profit or loss		570,321	921,838
Account receivables	<i>14</i>	1,203,320	1,962,169
Note receivables		6,176	19,016
Contract assets		1,386,743	1,818,468
Deposits, prepayment and other receivables		1,871,973	2,094,857
Bank balances and cash		2,529,800	2,626,264
Total current assets		9,983,638	11,151,384
Total assets		124,186,609	129,482,459

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and other payables	15	12,194,197	12,996,449
Rental and service fee received in advance		876,845	873,855
Contract liabilities		1,137,850	1,839,930
Tax payables		378,302	1,005,648
Lease liabilities		954,445	940,871
Bank and other borrowings	16	12,976,625	7,100,362
Other current liabilities		73,277	73,648
Bonds		—	530,829
Total current liabilities		28,591,541	25,361,592
Net current liabilities		(18,607,903)	(14,210,208)
Total assets less current liabilities		95,595,068	104,120,867
Non-current liabilities			
Deferred tax liabilities		14,037,866	14,020,244
Bank and other borrowings	16	19,713,654	24,508,990
Bonds		1,758,512	1,723,400
Lease liabilities		2,822,379	3,421,588
Other payables		510,349	556,241
Deferred income		210,046	218,121
Contract liabilities		455,413	582,559
Other non-current liabilities		943,714	1,087,008
Total non-current liabilities		40,451,933	46,118,151
Net assets		55,143,135	58,002,716
Equity			
Share capital	17	4,354,733	4,354,733
Reserves		47,477,661	50,092,232
Equity attributable to owners of the Company		51,832,394	54,446,965
Non-controlling interests		3,310,741	3,555,751
Total equity		55,143,135	58,002,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 6 January 2011 as a sino-foreign joint stock limited company under the PRC laws upon the conversion of Shanghai Red Star Macalline Enterprise Management Company Limited (上海紅星美凱龍企業管理有限公司), a company with limited liability incorporated in the PRC. On 21 June 2023, Red Star Macalline Holding Group Limited (紅星美凱龍控股集團有限公司) ("**RSM Holding**", formerly known as Shanghai Red Star Macalline Investment Company Limited (上海紅星美凱龍投資有限公司)), a company with limited liability incorporated in the PRC, transferred 29.95% of its shareholding in the Company to Xiamen C&D Inc. (廈門建發股份有限公司) ("**Xiamen C&D**", a company listed on the Shanghai Stock Exchange (SH: 600153)) and its subsidiary, Lianfa (Group) Co., Ltd., and Xiamen C&D became the largest shareholder of the Company. For the details, please refer to the Company announcement dated 23 June 2023. On 15 August 2023, the proposals for electing directors of the fifth session of the Board of the Company was reviewed and passed at the general meeting of the Company, and the number of non-independent directors nominated by Xiamen C&D to the fifth session of the Board of the Company reached five. For the details, please refer to the Company announcement dated 15 August 2023. In the opinion of the directors of the Company, Xiamen C&D 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 was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on June 2015 and the A shares of the Company were listed on Shanghai Stock Exchange in January 2018.

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

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

2. BASIS OF PREPARATION

2.1 Basis of measurement

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

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

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

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

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

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

2.2 Going concern

The Group incurred loss of RMB2,570,418 thousand for the year ended 31 December 2023, and the Group had net current liabilities of RMB18,607,903 thousand as at 31 December 2023.

In view of such circumstances, the directors of the Company 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 ongoing operations of the Group for the 12 months starting from 1 January 2024, and after taking into account unutilised bank facilities granted to the Group and the Group's expected operating cash inflows and financing arrangements as of 31 December 2023, believed that the liquidity risks that the Group is exposed to due to the fact that it has net current liabilities at 31 December 2023 fall within the range of controllable risks, and thus will not have material effects on the ongoing operations and financial position of the Group.
- Continuing to negotiate with banks and financial institutions for financing matters.

The directors of the Company 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement. The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

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 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

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

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

5. SEGMENT INFORMATION AND REVENUE

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

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

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

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

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

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

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

No segment assets and liabilities, and other segment information are presented as they were not regularly 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 <i>RMB'000</i>	Managed Shopping Malls <i>RMB'000</i>	Construction and design <i>RMB'000</i>	Related home decoration and sales of merchandise <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2023						
Segment revenue from external customers	<u>6,780,669</u>	<u>2,030,714</u>	<u>1,212,210</u>	<u>313,093</u>	<u>1,178,297</u>	<u>11,514,983</u>
Segment profit	<u>3,381,871</u>	<u>190,442</u>	<u>(98,740)</u>	<u>(216,888)</u>	<u>573,686</u>	<u>3,830,371</u>
Unallocated:						
Other income						319,480
Other gains or losses, net						(1,200,524)
Administrative expense						(42,764)
Research and development expenses						(19,631)
Change in fair value of investment properties, net						(1,546,044)
Impairment losses under expected credit loss model, net of reversal						(1,303,571)
Share of results of associates, net						65,295
Share of results of joint ventures, net						12,409
Finance cost						(2,654,625)
Loss before tax						<u>(2,539,604)</u>
Other information:						
Depreciation	<u>149,281</u>	<u>14,129</u>	<u>9,087</u>	<u>21,008</u>	<u>83,779</u>	<u>277,284</u>
Amortization	<u>289</u>	<u>23,313</u>	<u>1,788</u>	<u>2,158</u>	<u>13,307</u>	<u>40,855</u>

	Owned/ Leased Portfolio Shopping Malls <i>RMB'000</i>	Managed Shopping Malls <i>RMB'000</i>	Construction and design <i>RMB'000</i>	Related home decoration and sales of merchandise <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022						
Segment revenue from external customers	<u>7,867,647</u>	<u>2,375,962</u>	<u>1,233,331</u>	<u>641,384</u>	<u>2,019,996</u>	<u>14,138,320</u>
Segment profit	<u>4,598,821</u>	<u>195,396</u>	<u>62,640</u>	<u>(214,945)</u>	<u>822,877</u>	<u>5,464,789</u>
Unallocated:						
Other income						447,559
Other gains or losses, net						(590,361)
Administrative expense						(37,220)
Research and development expenses						(46,329)
Change in fair value of investment properties, net						(725,834)
Impairment losses under expected credit loss model, net of reversal						(385,205)
Share of results of associates, net						1,032
Share of results of joint ventures, net						(27,465)
Finance cost						<u>(2,503,313)</u>
Profit before tax						<u>1,597,653</u>
Other information:						
Depreciation	<u>164,903</u>	<u>16,055</u>	<u>18,049</u>	<u>41,608</u>	<u>89,638</u>	<u>330,253</u>
Amortization	<u>289</u>	<u>18,732</u>	<u>1,324</u>	<u>4,738</u>	<u>15,097</u>	<u>40,180</u>

The revenue of sales set out as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers	4,679,789	6,193,737
Rental income from investment properties	6,835,194	7,944,583
	<u>11,514,983</u>	<u>14,138,320</u>

The following is an analysis of revenue from contracts with customers:

	Managed Shopping Malls <i>RMB '000</i>	Construction and design <i>RMB '000</i>	Related home decoration and sales of merchandise <i>RMB '000</i>	Others <i>RMB '000</i>	Total <i>RMB '000</i>
Year ended 31 December 2023					
Principal operating region					
Mainland China	2,030,714	1,212,210	313,093	1,123,772	4,679,789
Timing of revenue recognition					
A point in time					
Revenue from sales of goods	-	-	64,581	-	64,581
Other revenues	-	-	-	474,078	474,078
Over-time					
Revenue from the brand consulting and management service for the early stage	67,142	-	-	-	67,142
Revenue from annual brand consulting and management service for the project	1,937,800	-	-	-	1,937,800
Revenue from commercial consultation fees and tenant sourcing commissions	25,772	-	-	-	25,772
Revenue from construction and design service	-	1,212,210	-	-	1,212,210
Revenue from decoration	-	-	248,512	-	248,512
Other revenues	-	-	-	649,694	649,694
Total	2,030,714	1,212,210	313,093	1,123,772	4,679,789

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

6. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income on:		
– bank deposits	14,536	33,220
– other loans and receivables	152,781	197,352
Total interest income	167,317	230,572
Government grants		
– tax refund and subsidies	33,921	49,678
– special industry-supporting fund	37,153	101,962
– other policy reward support funds	40	2,327
Subsidy for land supporting expense and subsidy for gas-fired air conditioning equipment	5,850	5,849
Dividend income from financial instruments at fair value through other comprehensive income	53,682	41,243
Dividend income from financial instruments at fair value through profit or loss (“FVTPL”)	10,101	1,594
Income from default compensation	1,038	2,529
Income from project termination	10,378	11,805
	319,480	447,559

7. OTHER GAINS OR LOSSES, NET

	2023 RMB'000	2022 RMB'000
(Loss)/gain on disposal of associates and a joint venture	(94,350)	633
Gain on disposal of financial instruments at FVTPL	183	30,127
(Loss)/gain on disposal of property, plant and equipment	(11,064)	3,197
Loss on disposal of intangible assets	(19)	–
Gain/(loss) on disposal and deregistration of subsidiaries, net	16,600	(338)
(Loss)/gain on lease modification	(44,608)	53,295
Impairment loss on earning right related to land consolidation	(315,070)	(574,829)
Impairment loss on interests in associates	(131,053)	–
Impairment loss on interests in joint ventures	(34,829)	–
Loss on fair value change on financial instruments at FVTPL	(44,744)	(48,327)
Charitable donations	(57)	(5,977)
Compensation expenses	(14,575)	(6,515)
Loss on scrapping of property, plant and equipment	(6,988)	–
Loss on scrapping of intangible assets	(302)	–
Write-down of inventories	(92,139)	–
Exchange loss	(30,885)	(13,373)
Others (<i>note a</i>)	(396,624)	(28,254)
	<u>(1,200,524)</u>	<u>(590,361)</u>

Note:

- (a) Other losses include (1) individual projects for which the decision to discontinue further investment was made after evaluation by the relevant departments of the Company, the related loss arising from the discontinued projects amounted to RMB253,156 thousand; (2) The estimated loss arising from asset repurchase obligations amounted to RMB65,000 thousand; and (3) The estimated loss amounted to RMB40,000 thousand arising from failure to execute contracts in accordance with the agreements.

8. FINANCE COST

	2023 RMB'000	2022 RMB'000
Interest on bank and other borrowings	2,587,565	2,382,624
Interest on lease liabilities	188,915	224,229
Interest on bonds	96,173	248,421
	<u>2,872,653</u>	<u>2,855,274</u>
Less: amount capitalised in the cost of qualifying assets	(218,028)	(351,961)
	<u>2,654,625</u>	<u>2,503,313</u>

9. INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000
Income tax expenses comprise:		
Current tax:		
PRC enterprise income tax	181,610	684,503
Over provision in prior year	(99,543)	(26,580)
	<u>82,067</u>	<u>657,923</u>
Deferred tax – current year	(51,253)	122,846
Income tax expenses	<u>30,814</u>	<u>780,769</u>

10. (LOSS)/PROFIT FOR THE YEAR

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(Loss)/profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors emoluments)		
Salaries and other benefits	2,367,509	2,743,027
Retirement benefits scheme contributions	217,335	273,395
Total staff costs	<u>2,584,844</u>	<u>3,016,422</u>
Auditors' remuneration	6,500	6,762
Cost of inventories recognised as an expense	124,649	167,480
Depreciation of property, plant and equipment	270,504	314,221
Depreciation of right-of-use assets	6,780	16,032
Amortisation of intangible assets	40,855	40,180
Advertising and promotional expenses	890,759	847,582
Gross rental income from investment properties	(6,835,194)	(7,867,647)
Less: Direct operating expenses incurred for investment properties that generated rental income	1,490,506	1,512,648
	<u>(5,344,688)</u>	<u>(6,354,999)</u>

11. DIVIDEND

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
2022 Final Dividend (RMB0.034 per share)	148,025	–
Special Dividend (RMB0.046 per share)	200,270	–
2021 Final (RMB0.1 per share)	–	435,473
	<u>348,295</u>	<u>435,473</u>

The final dividend that relates to the year ended 31 December 2022 (the “**2022 Final Dividend**”) amounting to RMB148,025 thousand was approved at the annual general meeting on 26 June 2023 and has been paid on 25 August 2023 (The final dividend related to the year ended 31 December 2021 of RMB435,473 thousand was approved at the annual general meeting on 20 May 2022 and paid on 20 July 2022). On 28 April 2023, the Board has proposed the distribution of a special dividend of RMB0.46 per 10 shares (“**Special Dividend**”). The Special Dividend amounting to RMB200,270 thousand was approved at the annual general meeting on 26 June 2023 and has been paid on 25 August 2023.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share as of 31 December 2023 and 2022 is based on the following data:

	2023 <i>RMB</i>	2022 <i>RMB</i>
Basic and diluted (loss)/earnings per share	<u>(0.55)</u>	<u>0.16</u>

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares.

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

There was no dilutive potential ordinary shares outstanding for the year ended 31 December 2023. Accordingly, the diluted loss per share is same as basic loss per share for the year ended 31 December 2023.

As of 31 December 2023 and 2022, the calculation of basic and diluted (loss)/earnings per share is detailed as follows:

	2023	2022
(Loss)/earnings		
Net (loss)/profit for the year attributable to owner of the Company (RMB'000)	<u><u>(2,412,713)</u></u>	<u><u>678,566</u></u>
Number of the ordinary shares		
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				
As at 1 January 2022	88,337,000	7,238,000	5,198,070	100,773,070
Additions	83,364	631,029	8,141	722,534
Lease modification	-	-	(237,585)	(237,585)
Disposal of assets	(510,000)	-	-	(510,000)
Changes in fair value	<u>(1,129,364)</u>	<u>1,058,971</u>	<u>(655,441)</u>	<u>(725,834)</u>
As at 31 December 2022 and 1 January 2023	86,781,000	8,928,000	4,313,185	100,022,185
Additions	51,960	367,072	63,228	482,260
Lease modification	-	-	(135,494)	(135,494)
Disposal of assets	(44,000)	-	-	(44,000)
Transfer to property, plant and equipment	(298,707)	-	-	(298,707)
Changes in fair value	<u>(677,054)</u>	<u>(192,072)</u>	<u>(676,918)</u>	<u>(1,546,044)</u>
As at 31 December 2023	<u><u>85,813,199</u></u>	<u><u>9,103,000</u></u>	<u><u>3,564,001</u></u>	<u><u>98,480,200</u></u>

14. ACCOUNT RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Account receivables	3,169,493	3,584,087
Less: provision of expected credit loss	<u>(1,966,173)</u>	<u>(1,621,918)</u>
	<u>1,203,320</u>	<u>1,962,169</u>

An ageing 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	738,301	1,254,540
1 to 2 years	453,273	527,175
2 to 3 years	413,187	358,767
Over 3 years	1,564,732	1,443,605
Less: provision of expected credit loss	<u>(1,966,173)</u>	<u>(1,621,918)</u>
	<u>1,203,320</u>	<u>1,962,169</u>

15. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables (<i>note a</i>)	<u>2,054,926</u>	<u>2,452,582</u>

Note:

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	1,139,438	1,821,085
1 to 2 years	503,801	457,990
2 to 3 years	266,271	157,763
Over 3 years	<u>145,416</u>	<u>15,744</u>
	<u>2,054,926</u>	<u>2,452,582</u>

16. BANK AND OTHER BORROWINGS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank and other borrowings:		
Secured	26,074,003	28,269,466
Unsecured	3,431,749	50,080
Commercial mortgage-backed securities	3,184,527	3,289,806
	<u>32,690,279</u>	<u>31,609,352</u>
Less: Current portion	<u>(12,976,625)</u>	<u>(7,100,362)</u>
Non-current portion	<u>19,713,654</u>	<u>24,508,990</u>
Fixed-rate borrowings	16,269,128	11,573,044
Floating-rate borrowings	16,421,151	20,036,308
	<u>32,690,279</u>	<u>31,609,352</u>

The borrowings are repayable:

Within one year or on demand	12,976,625	7,100,362
More than one year but not exceeding two years	3,898,734	7,295,674
More than two years but not exceeding five years	9,015,530	8,305,398
More than five years	6,799,390	8,907,918
	<u>32,690,279</u>	<u>31,609,352</u>
Less: Amount due within one year shown under current liabilities	<u>(12,976,625)</u>	<u>(7,100,362)</u>
Amount due after one year	<u>19,713,654</u>	<u>24,508,990</u>

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

	2023 %	2022 %
Bank borrowings:		
Fixed rate bank borrowings	3.80-15.40	4.79-15.40
Floating rate bank borrowings	4.25-8.00	3.65-8.00

17. SHARE CAPITAL

The movements to the Company's issued share capital during the years ended 31 December 2023 and 2022 are as follows:

	Number of H shares '000	Number of A shares '000	Share capital <i>RMB'000</i>
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>741,286</u>	<u>3,613,447</u>	<u>4,354,733</u>

All shares issued are of par value RMB1.

MANAGEMENT DISCUSSION AND ANALYSIS

– Industry Overview

In 2023, faced with the complex and severe international environment and the difficult and heavy task of domestic reform, development and stabilization, under the strong leadership of the Party Central Committee, the decisions and deployment of the Party Central Committee and the State Council have been conscientiously implemented throughout the country, the general tone of seeking progress while maintaining stability has been adhered to, and intensified the efforts of macro-control adjustments, so that the economic operation continued to rebound to a better position despite the external pressure and overcame the internal difficulties.

According to relevant data from the National Bureau of Statistics of China, in 2023, China's GDP increased by 5.2% year-on-year, a growth rate 2.2 percentage points faster than that in 2022, which was higher than the estimated global growth rate of around 3% and also ranked among the world's major economies. The sustained economic recovery has ensured steady growth in the income of urban and rural residents, with per capita disposable income of all residents increasing by 6.3% in nominal terms over the same period of the previous year, and 6.1% increasing in real terms after deducting price factors impact. In 2023, the per capita consumption expenditure of all residents increased by 9.2% in nominal terms over the same period of the previous year, and 9.0% increasing in real terms after deducting price factors impact. With the continuous improvement of the economy, the effect of policies to promote consumption continuing to be manifested and the consumption potential continuing to be released, residents' consumption expenditure was accelerating recovery.

In 2023, total retail sales of social consumer goods (the “**total retail sales**”) increased by 7.2% year-on-year. Among the total retail sales, the retail sales of goods increased by 5.8% year-on-year, with furniture increased by 2.8% year-on-year, household electrical and audio-visual appliances increased by 0.5% year-on-year, and building and decoration materials fell by 7.8% year-on-year. In 2023, various parties implemented in-depth strategies to expand domestic demand and actively launched a series of policies and measures to boost consumption, which pushed the consumer market back to a positive trend and steadily expanded the market scale. In 2024, as the national economy continues to rebound and improve, the relevant policies to promote consumption continue to take effect, new consumer industries and new modes of consumption are gradually cultivated and strengthened, and the incomes of urban and rural residents continue to grow, the trend of expansion dynamics of the consumer market will be consolidated and strengthened.

In 2023, the total population decreased slightly, but China still has a population of over 1.4 billion, and the advantages of population scale and super large-scale market will exist for a long time. In 2023, the level of urbanization continued to improve, with the urban population accounting for 66.16% of the national population (urbanization rate), an increase of 0.94 percentage point compared to the end of the previous year. The spatial layout of urbanization continued to be optimized, and the quality of new urbanization steadily improved.

Real estate has an important impact on the national economy, and although it is currently in the adjustment stage of adjustment and transformation, there is a relatively good foundation for the long-term healthy development of the real estate market. First, China is still in the stage of sustained urbanization development, and there is still room for improvement in the urbanization rate in China compared to the world's developed economies; Second, the new mode of real estate development is being actively constructed, among which, the construction of subsidized housing, the construction of public infrastructure for "dual use in normal and emergency situations", and the transformation of urban villages are all being actively promoted. With the strong and orderly progress of these projects, it will be conducive to solving the urgent and difficult problems of the people in housing and living, and will also drive real estate-related investment and consumption and promote the healthy development of the real estate market.

In addition, the dividends of the existing real estate market have gradually emerged. Although the per capita housing area in China is not small, many houses are not reasonable in terms of function and structure, and many people have more urgent needs for improved housing condition, which will form an important driving force for the real estate market. According to the monitoring of 70 large and medium-sized cities by the National Bureau of Statistics of China, the demand for improved housing condition is very obvious, and the transaction volume of second-hand houses has exceeded that of new houses.

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

– **Business Review**

Under the macro-control policies on real estate, the domestic real estate market as a whole showed a trend towards a steady rebound, and the demand for partial refurbishment and renovation of old houses from the stock market demonstrated consumption vitality during the Reporting Period. In recent years, with the strategy of "expansion of categories and focusing on operation", the Company has deeply built ten major categories of theme pavilions, such as smart electrical appliances and systematic doors and windows. In March 2023, the Company launched an M+ high-end design center, which has now formed a "10+1" full-chain, three-dimensional and large-scale home furnishings ecology with the online and offline comprehensive layout, full coverage of home furnishings, home decoration and high-end electrical appliances, and brand owner and designer resources.

(I) Business Development and Layout

1.1 a mature omni-channel commercial network covering the whole country, continuously improving the refined management of rents

As of the end of the Reporting Period, the Group operated 87 Portfolio Shopping Malls, 275 Managed Shopping Malls and 8 shopping malls through strategic cooperation, 46 franchised home improvement material projects, including a total of 448 home improvement material stores/industry streets, covering 215 cities in 30 provinces, municipalities and autonomous regions in China, with a total operating area of 21,724,717 sq.m..

In terms of occupancy rates, the average occupancy rate of Portfolio Shopping Malls was 82.8% and the average occupancy rate of Managed Shopping Malls was 85.7%. In addition, among the pipeline Managed Shopping Malls, the Company has obtained land use rights/land parcels for 292 managed contractual projects.

1.2. Continuously expanding categories and integrated consumption in multiple industries

Through continuously selecting mainstream categories and brands that meet the needs of consumers, the Company optimized the structure of merchants and industry structure, and deeply built ten major theme pavilions to stabilize occupancy rates by combining electrical appliances, home decoration and design, and new energy vehicle segments. The annual area of electrical appliances increased by 45,000 sq.m., accounting for 10.8%. The area of home decoration and design increased by 110,000 sq.m., accounting for 3.3%. The area of new hot-selling brands accounted for 11.1%. The area of category A and import accounted for 49.6%. The coverage of the catering category in shopping malls across the country increased from 43% to 54%, while the catering coverage in 100 Malls increased from 78% to 100%.

To meet the demand of domestic consumers with middle and high-end consumption levels, the Company put an eye on the big automobile ecology. In July 2023, the Company entered into strategic cooperation with Shanghai Kanachi Automobile Service Co., Ltd. (上海卡乃馳汽車服務有限公司) and other parties to carry out a trial on the new “one-stop home ownership” business from home decoration to home furnishings, home appliances, automobiles, etc. By leveraging this strategic cooperation, the Company will actively expand its cooperation in the field of new energy vehicles. During the Reporting Period, the new energy vehicle stores and high-end used cars were admitted to the Company with an area of more than 10,000 sq.m.. Top brands in the new energy vehicle sector, such as Tesla, Fangchengbao series under BYD, AITO series under Huawei, SKYWORTH and Ford were admitted to the Company and started cooperation. The Company has been carrying out multi-dimensional pilot cooperation with new energy vehicle brands on brand marketing, shop opening and energy layout in Shanghai, Beijing, Shenzhen, Wuhan and other cities.

1.3 Deeply expanding the integration of home improvement and home furnishings, and building a high-quality and high-end traffic ecology

In March 2023, the Company launched the M+ high-end design center, positioned as a hyperlinker, aiming at becoming the first entrance for high-quality home improvement traffic. In the future, with the design scheme as the center, shopping malls, designers, distributors and brand factories will be bundled together deeply. We can realize value co-creation and benefit sharing from design scheme to material bundled, so as to significantly improve the conversion rate of traffic, reduce customer acquisition cost, and build a sustainable, high-quality and high-end traffic ecosystem.

1.4 Optimizing the online and offline integration ecology and operating omni-channel traffic

During the Reporting Period, 295 core shopping malls of the Company realized digital upgrades. In addition to the digital upgrades of the field domain of shopping malls, the Company has successively completed the upgrades and innovation of commodity operation, user operation and content operation. In terms of commodity operation, “Tmall Tongcheng Station” continuously conducted commodity operation to establish an online hierarchical operation system for commodities, focused on all the resources in the store, and built a pyramid top product operation system to create over 100 top commodities with DAU \geq 100. The content operation continued to build the “10,000 Top Shopping Guides Live Streaming” IP. The number of live streaming in the whole year increased by 180% year-on-year, with year-on-year traffic growth of 234%. Meanwhile, we made efforts to explore and built the second channel, Tik Tok. Relying on the local living business model of Tik Tok, we carried out an analysis and formulated a plan for Tik Tok operation. While maintaining the refined operation of stores, we attracted users with content, online promotion and offline comparison to provide users with a one-stop consumption experience.

(II) Marketing management: continuously carrying out innovative marketing activities to create the home furnishing marketing IP

Based on the core connotation of home culture, we continued to build “Loving Home Day”, the corporate culture IP during the Reporting Period. Six national unified promotions were carried out, thus the marketing IPs in the home furnishing industry were successfully created: “315FUN Sihai Shopping Festival (315FUN 肆嗨購節)” and “818FUN Sihai Shopping Festival (818FUN 肆嗨購節)”. During the Year, we carried out a number of activities to introduce key categories, including electrical appliances, customization, soft decoration, and imports. We focused on creating the category mindset of choosing Red Star Macalline to buy high-end electrical appliances. Public relations activities have planned and launched five “industry conferences”, and nearly 20 communication projects for six key promotion conferences in collaboration, the green running strategic signing ceremony, China quality conference, sleep week, import appraisal month, Dunhuang research and study on sintered stones and other related activities.

In terms of content operation, we continuously operated the official we-media matrix, including WeChat, Weibo, Tik Tok, Video Accounts, Xiaohongshu and Bilibili, the reading quantity of which reached more than 110 million. We have more than 5 million fans. The spokesperson took part in publicity campaign in Beijing. The global online publicity quantity exceeded 1 billion. October 1st Promotion received warm response.

In terms of digital tools, we made the utmost of the marketing tool, enterprise WeChat and the gift online management tool. The number of enterprise WeChat friends increased by 12,000 per day, and increased by more than 4 million throughout the Year. We continuously improved and promoted the use of the gift online system in shopping malls across the country, which covered 264 shopping malls under normal operation.

(III) Operational management: improving the management of shopping malls, optimizing service experience and promoting the green and environmental management system.

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

As at the end of the Reporting Period, the net customer recommendation value was 68.1%, the overall service satisfaction rate was 95.96%, the service satisfaction rate was 96.3%, the delivery and installation satisfaction rate was 95.1%, the goods satisfaction rate was 94.5%, and the environmental satisfaction rate was 97.4%, all of which were better than the level of the same period in the industry.

— **Financial Review**

1. Revenue

During the Reporting Period, the Group's revenue amounted to RMB11,515.0 million, representing a decrease of 18.6% from RMB14,138.3 million in 2022. During the Reporting Period, the rental and related income of our Portfolio Shopping Malls decreased by 13.8%, which was mainly due to the phased decline in the occupancy rate of the Group's Portfolio Shopping Malls affected by the fluctuations in the overall economic environment, and the increase in the Company's incentives for stabilizing and retaining tenants in order to support the continued operation of the tenants. The related income from our Managed Shopping Malls decreased by 14.5% during the Reporting Period, mainly due to the decrease in related income from our Managed Shopping Malls as a result of the decrease in the number of Managed Shopping Malls, as well as the delay in performance of contracts of managed consultancy projects and the decrease in business consultancy projects due to the fluctuations in the overall economic environment. Meanwhile, due to the overall economic fluctuations, the revenue from construction and design, sales of merchandise and home decoration and other revenue have declined by different degrees compared to 2022.

The following table sets forth our revenue by segments:

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Owned/Leased Portfolio Shopping Malls	6,780,669	59.0	7,867,647	55.6
Managed Shopping Malls	2,030,714	17.6	2,375,962	16.8
Construction and design	1,212,210	10.5	1,233,331	8.7
Related home decoration and sales of merchandise	313,093	2.7	641,384	4.5
Others	1,178,297	10.2	2,019,996	14.4
Total	<u>11,514,983</u>	<u>100</u>	<u>14,138,320</u>	<u>100</u>

2. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit was RMB7,033.3 million, representing a decrease of 20.5% from RMB8,844.7 million in 2022; the Group's integrated gross profit margin was 61.1%, representing a decrease of 1.5 percentage points from 62.6% in 2022, primarily due to the increase in the incentives for stabilizing and retaining tenants in Portfolio Shopping Malls affected by the fluctuations in the overall economic environment, as well as the decrease in the number and gross profit of construction and design and home decoration projects during the Reporting Period.

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

	For the year ended 31 December	
	2023	2022
Owned/Leased Portfolio Shopping Malls	78.1%	80.8%
Managed Shopping Malls	43.8%	40.7%
Construction and design	-0.6%	15.3%
Related home decoration and sales of merchandise	-3.3%	23.9%
Others	73.2%	58.5%
Total	61.1%	62.6%

3. Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB1,483.1 million (accounting for 12.9% of the revenue), representing a decrease of 4.6% from RMB1,555.3 million (accounting for 11.0% of the revenue) in 2022, which was primarily due to the decrease in labor expenses and energy and maintenance expenses during the Reporting Period.

4. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB1,762.5 million (accounting for 15.3% of the revenue), representing a decrease of 5.3% from RMB1,861.8 million (accounting for 13.2% of the revenue) in 2022, which was primarily due to the decrease in labor expenses during the Reporting Period.

5. Finance cost

During the Reporting Period, the Group's finance cost amounted to RMB2,654.6 million in 2023, representing an increase of 6.0% from RMB2,503.3 million in 2022, which was primarily due to the decrease in the Group's capitalized interest during the Reporting Period.

6. *Income tax expenses*

During the Reporting Period, the income tax expenses of the Group amounted to RMB30.8 million, representing a decrease of 96.1% from RMB780.8 million in 2022, which was mainly due to the loss for the year.

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

During the Reporting Period, total loss for the year attributable to owners of the Company amounted to RMB2,412.7 million, representing a decrease of 455.6% from the total profit for the year attributable to owners of the Company of RMB678.6 million in 2022; the core net loss attributable to owners of the Company amounted to RMB856.4 million, representing a decrease of 151.2% from the core net profit attributable to owners of the Company amounted to RMB1,672.9 million in 2022.

	For the year ended 31 December		Increase/ Decrease
	2023 RMB'000	2022 RMB'000	
Total (loss)/profit for the year attributable to owners of the Company	(2,412,713)	678,566	-455.6% a decrease of 25.8 percentage points
Profit margin for the year attributable to owners of the Company	-21.0%	4.8%	
Core net (loss)/profit attributable to owners of the Company	(856,433)	1,672,882	-151.2% a decrease of 19.2 percentage points
Core net (loss)/profit margin attributable to owners of the Company	-7.4%	11.8%	

During the Reporting Period, the Group's loss per share was RMB0.55, as compared to earnings per share of RMB0.16 in the same period of 2022.

8. *Accounts receivable*

As of the end of the Reporting Period, the book value of accounts receivable of the Group amounted to RMB1,203.3 million (including the balance of accounts receivable of RMB3,169.5 million and the bad debt allowance of RMB1,966.2 million), representing a decrease of RMB758.9 million from RMB1,962.2 million as at the end of 2022.

9. *Investment properties and gain on fair value changes*

As of the end of the Reporting Period, the book value of the Group's investment properties amounted to RMB98,480.2 million, representing a decrease of RMB1,542.0 million from RMB100,022.2 million as at the end of 2022. During the Reporting Period, the investment properties of the Group realized a loss on fair value changes of RMB1,546.0 million. It was mainly due to the increase in the incentives for stabilizing and retaining tenants to support the continued operation of tenants, which resulted in a phased decline in the Group's rental income and management fee income, and a corresponding downward adjustment in the valuation of investment properties.

10. Capital expenditure

During the Reporting Period, the Group's capital expenditure amounted to RMB351.3 million (2022: RMB1,049.4 million), which mainly includes purchase expenditure of investment properties and construction development expenditure. The expenditure in 2023 decreased by 66.5% as compared with 2022, mainly because the Group has deepened its business strategy of "focusing on asset-light operation, and lowering leverage", effectively controlling capital expenditures, and will further expand its asset-light business.

11. Bank Balances and Cash and Cash Flow

As of the end of the Reporting Period, the cash and bank balances of the Group amounted to RMB2,529.8 million (of which, the balance of cash and cash equivalents amounted to RMB2,506.8 million), representing a decrease of RMB96.4 million from RMB2,626.2 million (of which, the balance of cash and cash equivalents amounted to RMB2,608.2 million) as at the end of 2022 (of which, the balance of cash and cash equivalents representing a decrease of RMB101.4 million).

	2023 RMB'000	2022 RMB'000
Net cash flow from operating activities	2,363,641	3,879,003
Net cash flow from investment activities	701,361	687,695
Net cash flow to financing activities	(3,165,956)	(8,059,246)
Impact of exchange rate changes on cash and cash equivalents	(510)	2,825
Net decrease in cash and cash equivalents	<u>(101,464)</u>	<u>(3,489,723)</u>

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB2,363.6 million, representing a decrease of RMB1,515.4 million from a net cash inflow of RMB3,879.0 million in 2022, mainly due to the decrease in operating cash inflow from various business segments affected by the fluctuations in the overall economic environment, the phased decline in the occupancy rate of shopping malls, and the increase in the incentives for stabilizing and retaining tenants during the Reporting Period.

During the Reporting Period, the Group's net cash inflow from investment activities amounted to RMB701.4 million, representing an increase in inflow of RMB13.7 million from a net cash inflow of RMB687.7 million in 2022, mainly due to the control of capital expenditures during the Reporting Period.

During the Reporting Period, the Group's net cash outflow from financing activities amounted to RMB3,166.0 million, representing a decrease in outflow of RMB4,893.2 million from a net cash outflow of RMB8,059.2 million in 2022, mainly due to the decrease in net cash outflow for acquisition and repayment of debts during the Reporting Period as compared to the same period of the previous year.

12. Major debt ratios

The following table sets out our major debt ratios:

	As at 31 December 2023	As at 31 December 2022
Asset-liability ratio ⁽¹⁾	55.6%	55.2%
Net gearing ratio ⁽²⁾	64.7%	61.4%

Notes:

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

13. Collateralized and pledged assets

As of the end of the Reporting Period, the Group had collateralized investment properties and fixed assets with a total book value of RMB87,753.4 million, and other equity instrument investments, interests in joint ventures and restricted cash and bank balances with a total book balance of RMB730.4 million for obtaining loans, the balance of such loans is RMB31,680.1 million; the Group holds restricted cash and bank with a balance of RMB379.4 million for deposit reserve placed with the central bank, etc.

14. Contingent liabilities

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

15. Financial resources

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

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

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

17. Capital commitment

As of the end of the Reporting Period, the amount of capital expenditure in respect of the acquisition and development of investment properties which the Group has contracted for but not recognized in the financial statements was RMB1,151.4 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contributing funds for development of investment properties jointly with the partners amounted to RMB353.7 million.

18. Foreign exchange risk

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

19. Significant investment

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

20. Human resources

As of the end of the Reporting Period, the Group had 14,461 employees (As at 31 December 2022: 18,101 employees). The Group signs labor contracts with employees according to the Labor Law of the People's Republic of China and the relevant provisions of the employee's locality. The Group will determine the employees' basic wage and bonus level according to the employees' performance, work experience and the market wage standard, and shall pay social insurance and housing provident fund for the employees. In 2023, the Group paid a total of RMB2,584.8 million for salary expenditure (2022: RMB3,016.4 million). Meanwhile, the Group also kept investing resources to provide various education and training opportunities for its employees, aiming to standardize the management work and improve the operation performance, and continuously improved the knowledge and technical competence as well as professional practice competence of the employees.

OUTLOOK

The Group constantly shoulders the responsibility of “building cozy and harmonious homes and improving quality of shopping and home life”. In 2024 and going forward, the Group will continue to follow the operational management mode of “market-oriented operation and shopping mall-based management” to provide customers with better and more professional services, so as to consolidate our leading position in the market as well as the professional status of “Red Star Macalline” as an expert of home life in our customers’ minds, to pursue our enterprise development goal of growing into China’s most advanced and professional “omni-channel platform service provider for the pan-home improvement and furnishings industry”.

The Group’s future development plans are as follows:

1. The Group will continue to transform into “asset-light and operation-heavy”, and further strengthen the market leadership;
2. The Group will carry out home decoration track, and build up consumers’ image;
3. The Group will promote the development of new retail and empower shopping mall operations;
4. The Group will adhere to the leverage reduction strategy to achieve high-quality development;
5. The Group will continue to improve corporate governance of the Company, standardize our operation and implement social responsibilities.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2023.

SUBSEQUENT EVENTS

Subsistence and separation of shareholders

Due to the existence and division of Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) (“**Alibaba Network**”), all 248,219,904 shares of Red Star Macalline Group Corporation Ltd. (the “**Company**”) held by Alibaba Network will be succeeded by Hangzhou Haoyue Enterprise Management Co., Ltd. (杭州灝月企業管理有限公司) (“**Hangzhou Haoyue**”), the newly established company after the separation. 248,219,904 A shares of the Company held by Alibaba Network have been transferred to Hangzhou Haoyue. After the completion of this transfer registration, Alibaba Network will no longer hold any shares in the Company and Hangzhou Haoyue will hold 248,219,904 A shares of the Company, representing approximately 5.70% of the total share capital of the Company. Alibaba Network and Hangzhou Haoyue are concerted actors, and the merged shareholder equity has not changed.

For details, please refer to the announcements of the Company dated 2 December 2023 and 12 January 2024 which were disclosure on the designated media in China and the announcements of the Company dated 1 December 2023 and 11 January 2024 which were disclosure on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>), respectively.

Matters related to shares of Red Star Holdings subject to judicial freezing, subordinated freezing order and marked

On 19 January 2024, the Company received the notice that some of its shares were subject to judicial freezing, and understood that some of the shares held by Red Star Holdings were subject to a subordinated freezing order. After further enquiries made by the Company with China Securities Depository and Clearing Corporation Limited Shanghai Branch, it understood that the shares of the Company held by Red Star Holdings and its concerted actors were subject to judicial freezing, subordinated freezing order and marked.

As of 12 January 2024, Red Star Holdings directly held 997,595,667 shares of the Company, representing 22.91% of the total share capital of 4,354,732,673 shares. The cumulative number of shares subject to freezing, subordinated freezing order and marked is 1,046,096,735, representing 104.86% of the total number of shares held by it.

The Company's receipt of the Notification on Administrative Penalty Matters from the Ministry of Finance 《財政部行政處罰事項告知書》

The Company received the Notification on Administrative Penalty Matters from the Ministry of Finance of the People's Republic of China (the "**Ministry of Finance**"), in which the Ministry of Finance informed the following issues found and administrative penalties to be imposed: the certificate of title of the property located at No. 701 Gudun Road, Hangzhou under the name of the Company's subsidiary, Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司), has not been obtained because of the policy on collective land. According to the relevant agreement, the property cannot be sold separately and should not be accounted for as investment property. The property located at No. 1 Courtyard, North Beach, Chaoyang District, Beijing under the name of the Company's subsidiary, Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited (紅星美凱龍環球(北京)家具建材廣場有限公司), is a land for scientific research purposes and cannot be sold separately and should not be accounted for as investment property.

The Ministry of Finance intends to impose an administrative penalty of RMB50,000 on the Company. The Company is currently applying for reconsideration of the above matters and will fulfill its information disclosure obligations in a timely manner if there is any progress. The above matters have no impact on financial reporting under International Financial Reporting Standards. The Company's annual financial statements for the year of 2019, 2020 and 2021 published on the Hong Kong Stock Exchange were prepared and disclosed based on Chinese Accounting Standards pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong 《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》. Accordingly, the company makes accounting errors modification adjustment to such financial statement. Since the year of 2022, the annual financial statements of the Company published on the website of the Hong Kong Stock Exchange are prepared and published in accordance with International Accounting Standards, and the annual financial statements of the Company published on the website of the Shanghai Stock Exchange are prepared and published in accordance with Chinese Accounting Standard, therefore the annual financial statement of the Company for the year of 2022 published on the website of the Hong Kong Stock Exchange are not subject to relevant adjustment according to the International Accounting Standards.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of H shares of the Company will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024, both days inclusive, in order to determine the identity of the H Shareholders who are entitled to attend the annual general meeting on Thursday, 23 May 2024. All share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged for registration with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 17 May 2024.

The Shareholders whose names appear on the register of members of the Company on Monday, 20 May 2024 after close of business are entitled to attend and vote at the annual general meeting.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Other than disclosed in this announcement and deviation from Code Provision C.2.1, the Company has complied with the principle and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Reporting Period.

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

During the period from 1 January 2023 to 15 August 2023, Mr. CHE Jianxing ("**Mr. CHE**") is the chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in our Group and that Mr. CHE has assumed the role of chief executive officer and the general manager of our Company since June 2007, the Board considers it beneficial to the business prospect and operational efficiency of our Group that Mr. CHE, in addition to acting as the chairman of the Board, continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) any decision to be made by our Board requires approval by at least a majority of our directors and that our Board has 5 independent non-executive directors out of the then 14 directors, which is in compliance with the Listing Rules requirement of one-third of the Board, and we believe that there is sufficient checks and balances in the Board; (ii) Mr. CHE and the other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require, among other things, that he acts for the benefit and in the best interests of our Group and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels.

Reference is made to the announcement of the Company dated 15 August 2023, in relation to the election of Mr. ZHENG Yongda as the Chairman of the fifth session of the Board and Mr. CHE remains his role as the chief executive officer of the Company. After such adjustment, the role of Chairman and chief executive director were separated. Accordingly, the Company has complied with Code Provision C.2.1 of the Corporate Governance Code since 15 August 2023.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. Specific enquiries were made to all directors and supervisors who had confirmed that they had complied with all the provisions and standards as set out in the Model Code during the year ended 31 December 2023 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2023.

PUBLIC ISSUANCE OF A SHARE AND USE OF PROCEEDS

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

Analysis of the use of proceeds from issuance of A share as of 31 December 2023 is as follows:

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

Proposed investment projects		Total investment planned (RMB'000)	Total utilized investment as of the end of Reporting Period (RMB'000)	Balance of the investment amount as of the end of Reporting Period (RMB'000)	Remarks
Home furnishing shopping 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 ⁽¹⁾	669,084	666,733	2,351 ⁽¹⁾	Fully invested
	Changsha Jinxia Shopping Mall Project	190,000	146,238	43,762	Proposed completion
	Xining Expo Shopping Mall Project	110,000	110,013 ⁽²⁾	(13)	Fully invested
	Sub-total	<u>1,750,000</u>	<u>1,703,900⁽¹⁾</u>	46,100	–
New intelligent home furnishing shopping mall project ⁽³⁾	400,000	117,064	282,936	Proposed termination	
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><u>3,050,008</u></u>	<u><u>2,720,972</u></u>	329,049	–	

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.
- (3) In January 2023, RMB5,000,000 was used for such project but was then fully returned to the special account for such project by batches.

NON-PUBLIC ISSUANCE OF A SHARES AND USE OF PROCEEDS

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

An analysis of the use of the proceeds from the non-public issuance of A shares as of 31 December 2023 is set out below:

Unit: RMB'000

Total Proceeds	3,701,299.9
Issuance expenses	22,936.1
Net proceeds	<u>3,678,363.8</u>

		Total utilized investment as of the end of Reporting Period (RMB'000)	Balance of the investment amount as of the end of Reporting Period (RMB'000)	
Proposed investment projects	Total investment planned (RMB'000)	Total utilized investment as of the end of Reporting Period (RMB'000)	Balance of the investment amount as of the end of Reporting Period (RMB'000)	Remarks
Tmall "Home Decoration Tongcheng Station" Project	220,000.0	–	220,000.0	Proposed termination
3D Shejiyun Platform Construction Project	283,944.7	6,996.1	276,948.6	Proposed termination
Construction Project for New Generation Home Improvement Platform System	350,000.0	1,581.6	348,418.4	Proposed termination
Home Furnishing Mall Construction Project				
Foshan Lecong Shopping Mall Project	1,000,000.0	200,000.0	800,000.0	Proposed suspension
Nanning Dingqiu Shopping Mall Project	560,000.0	360,348.6	199,651.4	Proposed postponement
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>	999,651.4	–
Repayment of Interest-bearing Debts of the Company	1,103,509.1	1,103,509.1	–	Fully invested
Total	<u>3,678,363.8</u>	<u>1,833,345.4</u>	1,845,018.4	–

On 28 March 2024, the Board considered and approved the “Proposal on the Completion, Postponement, Suspension, and Termination of Certain Fundraising Projects for A-shares”, which includes postponement, suspension, completion and termination of certain fundraising projects. This proposal is still subject to considering and approving by the shareholders’ meeting.

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 is the chairman of the Audit Committee.

The audit committee of the Company has reviewed the annual results announcement and the audited consolidated annual financial statements for the year ended 31 December 2023.

WORK OF CL PARTNERS 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 2023 as set out in the preliminary results announcement have been compared by the Group’s auditor, CL Partners 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 CL Partners CPA Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor on this preliminary result announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

This announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaredstar.com. The Company’s 2023 annual report containing all the information as required by the Listing Rules will be dispatched to Shareholders who require hard copies and published on the website of the Hong Kong Stock Exchange and on the website of the Company in due course.

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

Shanghai, the PRC
28 March 2024

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