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

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

(Stock Code: 1528)

(Listed Debt Securities Code: 5454)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024 (the “**Reporting Period**” or “**1H 2024**”), together with comparative figures for the six months ended 30 June 2023 (the “**1H 2023**”).

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	<i>(RMB'000, except otherwise stated)</i>	
	(Unaudited)	(Unaudited)
Revenue	4,224,862	5,659,926
Gross profit	2,797,379	3,622,346
Gross profit margin	66.2%	64.0%
(Loss)/profit for the period	(1,423,256)	113,449
(Loss)/profit attributable to owners of the Company	(1,336,774)	128,196
(Loss)/profits margin attributable to owners of the Company	-31.6%	2.3%
Core net (loss)/profit attributable to owners of the Company ⁽²⁾	(383,784)	251,260
Core net (loss)/profit margin attributable to owners of the Company ⁽³⁾	-9.1%	4.4%
(Loss)/earnings per share (Basic and diluted)	RMB(0.31)	RMB0.03

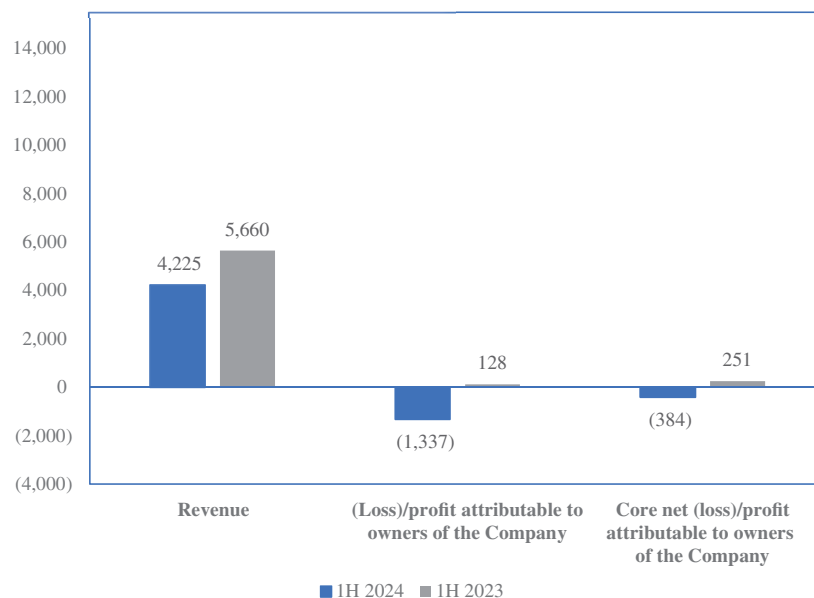
Notes: (1) In the event of any inconsistency between the Chinese version and the English version of this Announcement, the Chinese version shall prevail.

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

KEY FINANCIAL PERFORMANCE INDICATORS

Key Financial Performance Indicators
RMB in million



OPERATIONAL HIGHLIGHTS

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

	As at 30 June 2024	As at 31 December 2023
Number of shopping malls	352	362
Operating area of shopping malls (sq.m.)	21,201,448	21,724,717
Number of cities covered	210	215
Number of Portfolio Shopping Malls	85	87
Operating area of Portfolio Shopping Malls (sq.m.)	7,885,050	7,984,656
Average occupancy rate of Portfolio Shopping Malls	81.6%	82.8%
Number of Managed Shopping Malls	267	275
Operating area of Managed Shopping Malls (sq.m.)	13,316,398	13,740,061
Average occupancy rate of Managed Shopping Malls	82.8%	85.7%

Note:

(1) See definitions in the 2023 annual report of the Company.

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

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	<i>4</i>	4,224,862	5,659,926
Cost of sales and services		<u>(1,427,483)</u>	<u>(2,037,580)</u>
Gross profit		2,797,379	3,622,346
Other income	<i>5</i>	99,943	146,906
Other gains or losses, net	<i>6</i>	(273,992)	(241,926)
Selling and distribution expenses		(463,150)	(606,239)
Administrative expenses		(700,373)	(905,791)
Research and development expenses		(7,339)	(9,367)
Change in fair value of investment properties, net	<i>12</i>	(1,177,523)	(296,248)
Impairment losses under expected credit loss model, net of reversal		(474,770)	(252,246)
Share of results of associates, net		1,515	70,193
Share of results of joint ventures, net		(37,689)	18,574
Finance cost	<i>7</i>	<u>(1,300,450)</u>	<u>(1,258,002)</u>
(Loss)/profit before tax		(1,536,449)	288,200
Income tax credit/(expenses)	<i>8</i>	<u>113,193</u>	<u>(174,751)</u>
(Loss)/profit for the period	<i>9</i>	<u><u>(1,423,256)</u></u>	<u><u>113,449</u></u>

Six months ended 30 June

		2024	2023
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
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		(82,110)	(29,105)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences from translation of financial statements		<u>280</u>	<u>1,659</u>
Other comprehensive loss, net of tax		<u>(81,830)</u>	<u>(27,446)</u>
Total comprehensive (loss)/income for the period		<u>(1,505,086)</u>	<u>86,003</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		<u>(1,336,774)</u>	128,196
Non-controlling interests		<u>(86,482)</u>	<u>(14,747)</u>
		<u>(1,423,256)</u>	<u>113,449</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		<u>(1,416,133)</u>	100,008
Non-controlling interests		<u>(88,953)</u>	<u>(14,005)</u>
		<u>(1,505,086)</u>	<u>86,003</u>
(Loss)/earnings per share			
Basic and diluted (loss)/earnings (RMB per share)	<i>11</i>	<u>(0.31)</u>	<u>0.03</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Investment properties	12	97,305,200	98,480,200
Property, plant and equipment		2,827,012	2,978,655
Right-of-use assets		7,882	10,787
Intangible assets		81,618	97,830
Goodwill		97,597	97,597
Interests in associates		2,390,848	2,415,082
Interests in joint ventures		989,730	1,027,419
Financial instruments at fair value through profit or loss		163,605	260,025
Financial instruments at fair value through other comprehensive income		1,494,771	1,757,631
Deferred tax assets		3,530,404	3,145,906
Loan receivables		295,681	324,064
Restricted bank deposits		550,130	444,253
Deposits, prepayment and other receivables		2,909,014	3,163,522
Total non-current assets		112,643,492	114,202,971
Current assets			
Inventories		67,671	159,514
Loan receivables		2,008,677	2,255,791
Financial instruments at fair value through profit or loss		134,966	570,321
Account receivables	13	1,138,503	1,203,320
Note receivables		3,140	6,176
Contract assets		1,199,334	1,386,743
Deposits, prepayment and other receivables		1,688,992	1,871,973
Bank balances and cash		2,380,325	2,529,800
Total current assets		8,621,608	9,983,638
Total assets		121,265,100	124,186,609

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Current liabilities			
Trade and other payables	14	15,643,925	12,194,197
Rental and service fee received in advance		584,804	876,845
Contract liabilities		924,516	1,137,850
Tax payables		209,321	378,302
Lease liabilities		616,805	954,445
Bank and other borrowings	15	9,782,460	12,976,625
Other current liabilities		73,093	73,277
Total current liabilities		27,834,924	28,591,541
Net current liabilities		(19,213,316)	(18,607,903)
Total assets less current liabilities		93,430,176	95,595,068
Non-current liabilities			
Deferred tax liabilities		14,018,739	14,037,866
Bank and other borrowings		19,791,497	19,713,654
Bonds		1,772,438	1,758,512
Lease liabilities		2,246,992	2,822,379
Other payables		494,350	510,349
Deferred income		163,574	210,046
Contract liabilities		432,012	455,413
Other non-current liabilities		881,189	943,714
Total non-current liabilities		39,800,791	40,451,933
Net assets		53,629,385	55,143,135
Equity			
Share capital	16	4,354,733	4,354,733
Reserves		46,060,698	47,477,661
Equity attributable to owners of the Company		50,415,431	51,832,394
Non-controlling interests		3,213,954	3,310,741
Total equity		53,629,385	55,143,135

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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. In the opinion of the directors of the Company, 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 (A Share Stock Code: 600153)) exercises control over the Company and is the parent company of the Company. State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government (廈門市人民政府國有資產監督管理委員會) is the ultimate controlling shareholder of the Company.

The H shares of the Company 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 principal activities of the Company and its subsidiaries (collectively the "Group") are operating and managing home furnishing shopping malls. The Group is also involved in pan home furnishings consumption, including internet home decoration, internet retail etc..

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

2. BASIS OF PREPARATION

2.1 Basis of measurement

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

2.2 Going concern

The Group incurred loss of RMB1,423,256 thousand for the period ended 30 June 2024, and the Group had net current liabilities of RMB19,213,316 thousand as at 30 June 2024.

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 July 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 30 June 2024, believed that the liquidity risks that the Group is exposed to due to the fact that it has net current liabilities at 30 June 2024 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.

The directors of the Company are therefore of the opinion that it is appropriate to prepare the condensed 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 condensed 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. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/change in accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

Amendments to IFRSs that are mandatorily effective for the current period

In the current interim period, the Group has applied the following 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 2024 for the preparation of the Group's condensed consolidated financial statements:

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

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

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 IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

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

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

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

⁴ Effective date not yet determined

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the condensed consolidated financial statements in the foreseeable future.

4. SEGMENT INFORMATION AND REVENUE

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

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

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

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

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

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 operating segments have been aggregated in arriving at reportable segment of the Group.

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>
Six months ended 30 June 2024						
(Unaudited)						
Segment revenue from external customers	2,903,166	827,466	167,414	61,152	265,664	4,224,862
Segment profit/(loss)	1,572,817	66,409	(21,384)	(15,733)	53,404	1,655,513
Unallocated:						
Other income						99,943
Other gains or losses, net						(273,992)
Central administrative expense						(21,657)
Research and development expenses						(7,339)
Change in fair value of investment properties, net						(1,177,523)
Impairment losses under expected credit loss model, net of reversal						(474,770)
Share of results of associates, net						1,515
Share of results of joint ventures, net						(37,689)
Finance cost, net						(1,300,450)
Loss before tax						<u>(1,536,449)</u>

	Owned/ Leased 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>
Six months ended 30 June 2023 (Unaudited)						
Segment revenue from external customers	3,376,869	1,076,901	531,535	220,719	453,902	5,659,926
Segment profit/(loss)	1,828,896	161,589	41,065	(74,872)	180,859	2,137,537
Unallocated:						
Other income						146,906
Other gains or losses, net						(241,926)
Central administrative expense						(27,221)
Research and development expenses						(9,367)
Change in fair value of investment properties, net						(296,248)
Impairment losses under expected credit loss model, net of reversal						(252,246)
Share of results of associates, net						70,193
Share of results of joint ventures, net						18,574
Finance cost, net						(1,258,002)
Profit before tax						<u>288,200</u>

The revenue of sales set out as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	1,310,547	2,252,496
Rental and related revenue	2,914,315	3,407,430
	<u>4,224,862</u>	<u>5,659,926</u>

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

	Managed Shopping Malls RMB'000	Construction and design RMB'000	Related home decoration and sales of merchandise RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2024					
(Unaudited)					
Principal operating region					
Mainland China	<u>827,466</u>	<u>167,414</u>	<u>61,152</u>	<u>254,515</u>	<u>1,310,547</u>
Timing of revenue recognition					
A point in time					
Revenue from sales of goods	–	–	15,929	–	15,929
Other revenues	–	–	–	136,375	136,375
Over-time					
Revenue from operation and management services	827,466	–	–	–	827,466
Revenue from construction and design service	–	167,414	–	–	167,414
Revenue from decoration	–	–	45,223	–	45,223
Other revenues	–	–	–	118,140	118,140
Total	<u><u>827,466</u></u>	<u><u>167,414</u></u>	<u><u>61,152</u></u>	<u><u>254,515</u></u>	<u><u>1,310,547</u></u>

	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>
Six months ended 30 June 2023 (Unaudited)					
Principal operating region					
Mainland China	<u>1,076,901</u>	<u>531,535</u>	<u>220,719</u>	<u>423,341</u>	<u>2,252,496</u>
Timing of revenue recognition					
A point in time					
Revenue from sales of goods	–	–	38,231	–	38,231
Other revenues	–	–	–	130,677	130,677
Over-time					
Revenue from operation and management services	1,076,901	–	–	–	1,076,901
Revenue from construction and design service	–	531,535	–	–	531,535
Revenue from decoration	–	–	182,488	–	182,488
Other revenues	–	–	–	292,664	292,664
Total	<u><u>1,076,901</u></u>	<u><u>531,535</u></u>	<u><u>220,719</u></u>	<u><u>423,341</u></u>	<u><u>2,252,496</u></u>

Geographic information

All the revenue and operating results of the Group are derived from the PRC based on location of the operations. All the Group's non-current assets are located in PRC based on geographical location of the assets.

5. OTHER INCOME

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Interest income on		
– bank deposits	8,116	7,221
– other loans and receivables	<u>59,773</u>	<u>72,352</u>
Total interest income	67,889	79,573
Government grants	14,366	29,476
Subsidy for land supporting expense and subsidy for gas-fired air conditioning equipment	2,924	2,924
Dividend income from financial instruments at fair value through other comprehensive income	6,798	34,541
Dividend income from financial instruments at fair value through profit or loss (“FVTPL”)	800	–
Income from default compensation	468	392
Income from project termination	6,698	–
	<u><u>99,943</u></u>	<u><u>146,906</u></u>

6. OTHER GAINS OR LOSSES, NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Gain/(loss) on disposal of associates and joint ventures	12,994	(40,586)
Loss on disposal of financial instruments at FVTPL	(2,450)	(21,820)
Gain/(loss) on disposal of property, plant and equipment	591	(15,249)
Gain on disposal and deregistration of subsidiaries, net	–	4,689
Gain/(loss) on lease modification	24,257	(48,410)
Fair value change on financial instruments at FVTPL	(85,531)	(4,960)
Charitable donations	(30)	(17)
Compensation expenses	(13,191)	(55,741)
Written off of property, plant and equipment	(5,025)	–
Written off of intangible assets	(771)	–
Write-down of inventories	(71,857)	–
Exchange loss	(15,182)	(65,218)
Others (<i>note</i>)	(117,797)	5,386
	<u>(273,992)</u>	<u>(241,926)</u>

Note:

Other losses mainly included losses incurred by the Group due to the termination of projects and other matters.

7. FINANCE COST

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on bank and other borrowings	1,172,710	1,270,473
Interest on lease liabilities	77,426	94,470
Interest on bonds	50,916	61,632
	<u>1,301,052</u>	<u>1,426,575</u>
Less: amount capitalised in the cost of qualifying assets	<u>(602)</u>	<u>(168,573)</u>
	<u>1,300,450</u>	<u>1,258,002</u>

8. INCOME TAX (CREDIT)/EXPENSES

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Income tax expenses comprise:		
Current tax:		
PRC enterprise income tax	<u>235,624</u>	<u>89,328</u>
Deferred tax – current period	<u>(348,817)</u>	<u>85,423</u>
Income tax (credit)/expenses	<u><u>(113,193)</u></u>	<u><u>174,751</u></u>

9. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(Loss)/profit for the period has been arrived at after charging/(crediting):		
Staff costs (including directors emoluments)		
Salaries and other benefits	<u>961,922</u>	<u>1,238,202</u>
Retirement benefits scheme contributions	<u>95,508</u>	<u>117,868</u>
Total staff costs	<u><u>1,057,430</u></u>	<u><u>1,356,070</u></u>
Cost of inventories recognised as an expense	<u>21,879</u>	<u>81,305</u>
Depreciation of property, plant and equipment	<u>103,729</u>	<u>143,814</u>
Depreciation of right-of-use assets	<u>2,905</u>	<u>8,988</u>
Amortisation of intangible assets	<u>19,530</u>	<u>20,420</u>
Advertising and promotional expenses	<u>271,788</u>	<u>330,516</u>
Gross rental income from investment properties	<u>(2,914,315)</u>	<u>(3,376,869)</u>
Less: Direct operating expenses incurred for investment properties	<u>641,727</u>	<u>689,868</u>
	<u><u>(2,272,588)</u></u>	<u><u>(2,687,001)</u></u>

10 DIVIDEND

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
2022 Final Dividend (RMB0.034 per share)	–	148,025
Special Dividend (RMB0.046 per share)	–	200,270
	<u>–</u>	<u>200,270</u>
	<u>–</u>	<u>348,295</u>

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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. 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.

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share as of 30 June 2024 and 2023 is based on the following data:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic and diluted (loss)/earnings per share	<u>(0.31)</u>	<u>0.03</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.

There was no dilutive potential ordinary shares outstanding for the six months ended 30 June 2024 (Six months ended 30 June 2023: nil). Accordingly, the diluted loss (Six months ended 30 June 2023: profit) per share is same as basic loss (Six months ended 30 June 2023: profit) per share for the six months ended 30 June 2024.

As of 30 June 2024 and 2023, the calculation of basic and diluted (loss)/earnings per share is detailed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>(Loss)/earnings</i>		
Net (loss)/profit for the period attributable to owner of the Company (RMB'000)	<u>(1,336,774)</u>	<u>128,196</u>
<i>Number of the ordinary shares</i>		
Weighted average number of the ordinary shares of the Company ('000)	<u>4,354,733</u>	<u>4,354,733</u>

12. 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 2023 (Audited)	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	(677,054)	(192,072)	(676,918)	(1,546,044)
As at 31 December 2023 and 1 January 2024 (Audited)	85,813,199	9,103,000	3,564,001	98,480,200
Additions	411,900	15,147	44,722	471,769
Lease modification	–	–	(469,246)	(469,246)
Completion of properties under construction	495,000	(495,000)	–	–
Changes in fair value	(677,899)	(162,147)	(337,477)	(1,177,523)
As at 30 June 2024 (Unaudited)	<u>86,042,200</u>	<u>8,461,000</u>	<u>2,802,000</u>	<u>97,305,200</u>

13. ACCOUNT RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Account receivables	2,626,423	3,169,493
Less: provision of expected credit loss	(1,487,920)	(1,966,173)
	<u>1,138,503</u>	<u>1,203,320</u>

An ageing analysis of the account receivables as at the end of the reporting period, based on the invoice date and net of ECL, is as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 1 year	810,523	738,301
1 to 2 years	362,405	453,273
2 to 3 years	433,771	413,187
Over 3 years	1,019,724	1,564,732
Less: provision of expected credit loss	(1,487,920)	(1,966,173)
	<u>1,138,503</u>	<u>1,203,320</u>

14. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Trade payables (<i>note a</i>)	<u>1,511,060</u>	<u>2,054,926</u>

Note:

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 1 year	839,268	1,139,438
1 to 2 years	295,491	503,801
2 to 3 years	231,066	266,271
Over 3 years	<u>145,235</u>	<u>145,416</u>
	<u>1,511,060</u>	<u>2,054,926</u>

15. BANK AND OTHER BORROWINGS

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Bank and other borrowings:		
Secured	23,078,870	26,074,003
Unsecured	1,067,031	3,431,749
Commercial mortgage-backed securities	<u>5,428,056</u>	<u>3,184,527</u>
	29,573,957	32,690,279
Less: Current portion	<u>(9,782,460)</u>	<u>(12,976,625)</u>
Non-current portion	<u>19,791,497</u>	<u>19,713,654</u>
Fixed-rate borrowings	15,498,175	16,269,128
Floating-rate borrowings	<u>14,075,782</u>	<u>16,421,151</u>
	<u>29,573,957</u>	<u>32,690,279</u>

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
The borrowings are repayable:		
Within one year or on demand	9,782,460	12,976,625
More than one year but not exceeding two years	2,737,898	3,898,734
More than two years but not exceeding five years	11,927,484	9,015,530
More than five years	<u>5,126,115</u>	<u>6,799,390</u>
	29,573,957	32,690,279
Less: Amount due within one year shown under current liabilities	<u>(9,782,460)</u>	<u>(12,976,625)</u>
Amount due after one year	<u>19,791,497</u>	<u>19,713,654</u>

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

	As at 30 June 2024 %	As at 31 December 2023 %
	(Unaudited)	(Audited)
Bank borrowings:		
Fixed rate bank borrowings	3.00-15.40	3.80-15.40
Floating rate bank borrowings	<u>3.88-8.00</u>	<u>4.25-8.00</u>

The floating rate bank borrowings are arranged at the interest rate based on benchmark interest rates of the People's Bank of China.

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

16. SHARE CAPITAL

The movements to the Company's issued share capital during the period ended 30 June 2024 is as follows:

	H Shares Number of shares '000	A Shares Number of shares '000	Share capital RMB'000
As at 1 January 2024 (audited),			
30 June 2024 (unaudited)	<u>741,286</u>	<u>3,613,447</u>	<u>4,354,733</u>

All shares issued are of par value RMB1.

17. COMMITMENTS

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Contracted but not provided for in the condensed consolidated financial statements:		
Capital expenditure in respect of acquisition and construction of investment properties contracted for but not provided in the condensed consolidated financial statements	738,846	1,151,337
Investment commitments	308,688	353,688
	1,047,534	1,505,025

MANAGEMENT DISCUSSION AND ANALYSIS

– FINANCIAL REVIEW

1. Revenue

During the Reporting Period, the Group's revenue amounted to RMB4,224.9 million, representing a decrease of 25.4% from RMB5,659.9 million in the same period in 2023. During the Reporting Period, the rental and related income of our Portfolio Shopping Malls decreased by 14.0%, which was mainly due to (i) the periodic decline in the occupancy rate of the Group's Portfolio Shopping Malls affected by the fluctuations in the overall economic environment; and (ii) the increase in the number of the preferential treatments provided by the Company for stabilizing and retaining tenants in order to support the continued operation of the tenants. The revenue from our Managed Shopping Malls decreased by 23.2% during the Reporting Period, mainly due to the decrease in the number of Managed Shopping Malls and the slowdown in the progress of managed projects. 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 as compared to the same period in 2023.

The following table sets forth our revenue by segments:

	For the six months ended 30 June			
	2024 (Unaudited)		2023 (Unaudited)	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Owned/Leased Portfolio				
Shopping Malls	2,903,166	68.7	3,376,869	59.7
Managed Shopping Malls	827,466	19.6	1,076,901	19.0
Construction and design	167,414	4.0	531,535	9.4
Related home decoration and sales of merchandise	61,152	1.4	220,719	3.9
Others	265,664	6.3	453,902	8.0
Total	<u>4,224,862</u>	<u>100.0</u>	<u>5,659,926</u>	<u>100.0</u>

2. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit was RMB2,797.4 million, representing a decrease of 22.8% from RMB3,622.3 million in the same period in 2023; the Group's integrated gross profit margin was 66.2%, representing an increase of 2.2 percentage points from 64.0% in the same period in 2023, primarily due to the increase in the gross profit of related home decoration and sales of merchandise during the Reporting Period.

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

	For the six months ended	
	30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Owned/Leased Portfolio Shopping Malls	77.9%	79.6%
Managed Shopping Malls	40.5%	45.8%
Construction and design	10.1%	16.2%
Related home decoration and sales of merchandise	39.3%	13.4%
Others	60.1%	71.8%
	<hr/>	<hr/>
Total	66.2%	64.0%
	<hr/> <hr/>	<hr/> <hr/>

3. Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB463.2 million (accounting for 11.0% of the revenue), representing a decrease of 23.6% from RMB606.2 million (accounting for 10.7% of the revenue) for the same period in 2023, which was primarily due to the decrease in advertising and promotional expenses, energy and maintenance expenses and staff cost in the 1H 2024.

4. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB700.4 million (accounting for 16.6% of the revenue), representing a decrease of 22.7% from RMB905.8 million (accounting for 16.0% of the revenue) in the same period in 2023, which was primarily due to the decrease in staff cost and office expenses in the 1H 2024.

5. Finance cost

During the Reporting Period, the Group's finance cost amounted to RMB1,300.5 million, representing an increase of 3.4% from RMB1,258.0 million in the same period in 2023. The finance cost for the current period was basically the same as the corresponding period in 2023.

6. Income tax credit/(expenses)

During the Reporting Period, the income tax credit of the Group amounted to RMB113.2 million, representing a decrease of 164.8% from income tax expenses RMB174.8 million in the same period in 2023, which was mainly due to losses incurred during the Reporting Period.

7. Total (loss)/profit for the period 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 period attributable to owners of the Company amounted to RMB1,336.8 million, representing a decrease of 1,142.8% from the total profit for the period attributable to owners of the Company of RMB128.1 million in the same period in 2023; the core net loss attributable to owners of the Company amounted to RMB383.8 million, representing a decrease of 252.7% from the core net profit attributable to owners of the Company amounted to RMB251.3 million in the same period in 2023.

	For the six months ended 30 June		Increase/Decrease
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	
Total (loss)/profit for the period attributable to owners of the Company	(1,336,774)	128,196	-1,142.8%
(Loss)/profit margin for the period attributable to owners of the Company	-31.6%	2.3%	a decrease of 33.9 percentage points
Core net (loss)/profit attributable to owners of the Company	(383,784)	251,260	-252.7%
Core net (loss)/profit margin attributable to owners of the Company	-9.1%	4.4%	a decrease of 13.5 percentage points

During the Reporting Period, the Group's loss per share was RMB0.31, as compared to earnings per share of RMB0.03 in the same period of 2023.

8. Accounts receivable

As of the end of the Reporting Period, the book value of accounts receivable of the Group amounted to RMB1,138.5 million (including the balance of accounts receivable of RMB2,626.4 million and the bad debt allowance of RMB1,487.9 million), representing a decrease of RMB64.8 million from RMB1,203.3 million as at the end of 2023.

9. Investment properties and loss on fair value changes

As of the end of the Reporting Period, the book value of the Group's investment properties amounted to RMB97,305.2 million, representing a decrease of RMB1,175.0 million from RMB98,480.2 million as at the end of 2023. During the Reporting Period, the investment properties of the Group realized a loss on fair value changes of RMB1,177.5 million. This was mainly due to the increase in the Group's business stabilisation and retention incentives against the backdrop fluctuating general economic environment.

10. Capital expenditure

During the Reporting Period, the Group's capital expenditure amounted to RMB194.9 million (the same period in 2023: RMB255.8 million), which mainly includes purchase expenditure of investment properties and construction development expenditure. The expenditure in 2024 decreased by 23.8% as compared with the same periodic in 2023, mainly because the Group has deepened its business strategy of "focusing on asset-light, heavy operation, and lowering leverage", effectively controlling capital expenditures.

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 RMB2,380.3 million (of which, the balance of cash and cash equivalents amounted to RMB2,353.2 million), representing a decrease of RMB149.5 million from RMB2,529.8 million (of which, the balance of cash and cash equivalents amounted to RMB2,506.8 million) as at the end of 2023 (of which, the balance of cash and cash equivalents representing a decrease of RMB153.6 million).

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Net cash flow (used in)/generated from operating activities	(821,266)	2,068,238
Net cash flow (used in)/generated from investment activities	(113,067)	734,465
Net cash flow generated from/(used in) financing activities	780,991	(2,913,174)
Impact of exchange rate changes on cash and cash equivalents	(218)	627
Net decrease in cash and cash equivalents	<u>(153,560)</u>	<u>(109,844)</u>

During the Reporting Period, the Group's net cash outflow from operating activities amounted to RMB821.3 million, representing a decrease in net inflow of RMB2,889.5 million from a net cash inflow of RMB2,068.2 million in the same period of 2023, mainly due to the decrease in operating cash inflow in all business segments influenced the impact of fluctuations in the general economic environment, the periodic decline in shopping mall occupancy rates and the increase in business stabilisation and retention incentives during the Reporting Period.

During the Reporting Period, the Group's net cash outflow from investment activities amounted to RMB113.1 million, representing a decrease in net inflow of RMB847.6 million from a net cash inflow of RMB734.5 million in the same period of 2023. It was primarily due to the decrease in cash received from investments in the current period as compared with the same period of the previous year, and the redemption of financial products in the same period of the previous year.

During the Reporting Period, the Group's net cash inflow from financing activities amounted to RMB781.0 million, representing an increase in net inflow of RMB3,694.2 million from a net cash outflow of RMB2,913.2 million in the same period of 2023, mainly due to the increase in net cash inflow for acquisition and repayment of debts during the Reporting Period as compared to the same period of the previous year.

12. Major debt ratios

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Asset-liability ratio ⁽¹⁾	55.8%	55.6%
Net gearing ratio ⁽²⁾	59.4%	64.7%

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/pledged investment properties, fixed assets with a total book value of RMB85,292.4 million, and other equity instrument investments, interests in joint ventures and restricted cash and bank balances with a total book balance of RMB723.9 million for obtaining loans, the balance of such loans is RMB30,963.9 million; the Group holds restricted cash and bank with a balance of RMB305.9 million for deposit reserve placed with the central bank, etc.

14. Contingent liabilities

There is no contingent liability at the end of 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 RMB738.8 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 RMB308.7 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 note, 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 13,145 employees (the same period in 2023: 15,977 employees). The Group entered into 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. During the Reporting Period, the Group paid a total of RMB1,116.6 million for salary expenditure (the same period in 2023: RMB1,354.4 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.

21. As the domestic economic environment continued to fluctuate in the 1H2024, the home furnishings and building materials industry faced the dual pressure of demand contraction and supply shock. The sluggish demand in the home furnishings retail market was further exacerbated by the shrinkage of the real estate industry. Despite the implementation of multiple favorable policies in the real estate and home furnishing industry along with the gradual recovery of consumption demand, the residents' consumption level and confidence have not yet fully recovered, and the economic situation was still confronted with numerous challenges. As at the end of the Reporting Period, the Company operated 85 Portfolio Shopping Malls, 267 Managed Shopping Malls, 7 strategically co-operated shopping malls and 49 franchised home improvement material projects, including a total of 439 home improvement material stores/industry streets, which covered 210 cities in 30 provinces, municipalities directly under the central government or autonomous regions nationwide, with a total operating area of shopping malls of 21,201,448 sq.m.

During the Reporting Period, the Company actively responded to market changes and adjusted its business strategies.

(1) Releasing the “3+ Star Ecosystem” strategy, restarting the “new three-year plan” for high-end electrical appliances, and building a new three-in-one ecosystem

The Company focuses on the concept of “home” and extends its offerings from home furnishings to home appliances and home improvements, the three of which complement each other to jointly create the value of products, services and scenarios together. Entering the new three years of development of high-end electrical appliances, the Company will upgrade the operation of high-end electrical appliance categories in five aspects, including scale expansion, category expansion, store upgrade, operational upgrades and marketing upgrade, so as to strengthen users' mindset of regarding Red Star Macalline as the “best channel” for choosing high-end electrical appliances, and achieve the “largest, widest, biggest and most complete targets”, i.e. the largest sales scale of high-end electrical appliances, the widest layout of brand flagship stores, the biggest area of category brands, and the most complete aggregation of high-end brands.

The China High-end Electrical Appliances Industry Ecosystem Summit and the Red Star Macalline “3+ Star Ecosystem” Strategy Launch Conference was held in Xiamen. At the conference, the Company reached a “new three-year” joint operation cooperation agreement for electrical appliances with eight major brands, including Haier Smart Home, Midea, Hisense, FOTILE, ROBAM, BSH Home Appliances, Entive and Angel, so as to jointly tap into the incremental opportunities of the existing markets through measures like trade-in and designer operation. The Company has signed agreements with the representatives of six high-end lifestyle appliances, including TINECO, ECOVACS, Morphy Richards, Dreame, Panasonic and Tiger, so as to jointly build high-end lifestyle appliance pavilions, and thus accelerate the full integration of home appliances, home furnishings and home improvements, and promoted the refined operation of smart electrical appliance lifestyle pavilions.

In the first half of the year 2024, the high-end lifestyle appliances pavilion Fashion Appliances Store (Chaodianhui) was officially opened at Red Star Macalline Zhengzhou Zhongyuan Global Home Furnishings No. 1 Store. In the next two years, the Company will lay out 100 high-end lifestyle appliances pavilions nationwide, which will gather categories such as small kitchen home appliances, cleaning electrical appliances, personal care products, coffee and leisure, children's entertainment products, etc. This will complement the existing large electrical appliances, and further enable consumers to achieve the real one-stop purchase of all home appliances.

(2) *Launching the second batch of M+ High-End Design Centers to create a new ecosystem of high-end home decoration design*

M+ High-End Home Improvement Design Center is positioned as the hyperlinker of category products, the first entrance of high-quality home decoration traffic, and a designer of a better life. It strengthens the delivery capability of personalized home decoration for consumers by integrating the design proposal capabilities. M+ High-End Home Improvement Design Center will provide design studios with great support in terms of preferential and long-term rental and free home decoration periods through six actions of exclusive investment promotion policies, supply chain empowerment, platform eco-partnerships, real estate marketing, exclusive marketing activities and designer growth. It aims to elevate the influence of designers by cooperating with new media platforms such as Xiaohongshu, Haohaozhu, TikTok and Zhuxiaobang, build the highest standard design center by sharing resources with design studios, and create an "aggregation field" of design energy.

The Company hosted the China Home Improvement Design Ecosystem Summit and the Launch Conference of Red Star Macalline M+ High-End Home Improvement Design Centers in 100 MALLs in Zhengzhou, Henan, which will gather ecological forces to build a new ecosystem, namely "linking product categories with design, and creating ideal homes with solutions" with M+ High-End Home Improvement Design Center as the carrier. Following the completion of the first batch of 16 M+ High-End Home Improvement Design Centers, the construction of the second batch of 84 centers has been officially launched. It is expected that the M+ High-End Home Improvement Design Centers will achieve the coverage of 100 MALLs nationwide by 2025. Meanwhile, the Company has also released the "533" policy of preferential and long-term rental and free home decoration periods, inviting the participation of more home decoration design professionals across the country. The Company has signed operational cooperation agreement with 10 eco-cooperation brands, including Hansgrohe, ROBAM, Nobilia, A.O. Smith, Markor Furnishings, Hisense, SUNHOHI, Dongpeng, VERYLUX and Boloni, and will accelerate the exploration of cooperation related to design ecosystem and designer operation, so as to jointly tap into the potential of existing markets.

(3) *Expanding new energy vehicles sector and jointly creating a new species of marketing in the automobile sector*

From the integration of home furnishings, home appliances and home decoration to the “icebreaking and boundless fusion” of home space and automobile consumption, the Company is committed to building a comprehensive service platform for one-stop “home-related” consumption of bulk commodities. Red Star Macalline Shopping Malls can integrate the display center, delivery center, marketing activity center and experience center of new energy vehicles. Our venue strength and rent are very competitive for new energy vehicles brands. The user profiles of the home furnishing and automobile industries are highly overlapping, each of which can serve an entrance for the other to bring more effective traffic.

The π Space project, an automobile intelligent eco-complex jointly developed by the Company, was launched at Red Star Macalline Chengdu Jialing Mall. During the Reporting Period, the area of new energy vehicle stores and high-end used car stores increased by more than 60,000 square meters, and the top brands of new energy vehicles such as Tesla, BYD FANGCHENGBAO, Huawei AITO, Skyworth and Ford have completed their settlement in our malls; more than ten luxury used car brands have entered our malls. At present, the Company is carrying out multi-dimensional pilot cooperation with new energy vehicle brands in marketing, store opening and energy layout in Shanghai, Beijing, Shenzhen, Wuhan, Zhengzhou, Tianjin, Chongqing, Kunming, Suzhou, Fuzhou, Xi’an, Xining, Shenyang and other cities.

(4) *Actively responding to the trade-in strategy, opening up the service chain and activating the existing markets*

“Trade-in” has become a key measure to promote stable growth in consumption this year. In March 2024, the Company launched the first batch of 32 stores in 15 cities across the country to carry out the pilot trade-in strategy. With one policy tailored to one city, the Company has increased its efforts in the trade-in of home appliances and furniture, further opened up the entire chain of trade-in, and established a standardized process. The Company has also actively integrated with the resources of branded factories to form a wide-ranging synergy for trade-in. As of the end of the Reporting Period, the Company has entered into a trade-in cooperation agreement with 15 leading home appliance brands, including Midea, Haier, Hisense, FOTILE, ROBAM and VATTI. The Company has gradually launched the “city strategy” for trade-in in Chongqing, Tianjin, Shanghai, Beijing, Jinan, Shanxi, Harbin, Nanjing, Xingyi of Guizhou and other places, where we collaborate with local governments to bring practical benefits to local consumers through various trade-in themed activities such as providing trade-in subsidies, free towing of old appliances, trade-in into the community, etc.

The Company's eight shopping malls in Shanghai jointly held the "Electrical Appliances Trade-in and 51 Home Renewal Launching Ceremony". The Company responds to the national policy, so that consumers can not only enjoy the home appliance subsidy policy of Shanghai Municipal Government, but also further enjoy the "High-end Upgrading Subsidy" launched by the Red Star Macalline Shopping Mall, which means consumers can enjoy "double discounts" on the purchase of high-end home appliances. During the promotion period, Red Star Macalline organized the "Green Intelligence Festival" to expand the consumption of home furnishings and kitchen and bathroom products online through Video Accounts, TikTok and other live streaming platforms. The Company also cooperated with 20 industry brands and more than 100 offline shops to comprehensively promote the consumption of green and smart home furnishings in communities.

(5) *Carrying out integrated and diversified marketing online and offline, and promoting consumption through high quality and competitive price*

During the Reporting Period, the Company planned a number of marketing events such as 315FUN Sihai Shopping Festival (315FUN肆嗨購節), May Day Promotion (五一大促), May 5 Shopping Festival (五五購物節), 618 Promotion (618大促), etc. During the 315 Promotion period, the Company launched a joint marketing and communication program "Star Cooperation Plan" with brands in various regions across the country; the Company has also completed the collaboration between the M+ High-end Home Improvement Design Center with traffic platforms such as Xiaohongshu, Haohaozhu and Zhuxiaobang, upgraded the regional PK Premier League mechanism and the championship list, and newly launched the "Little Blue Box Top products List" for C-end customers. During the May Day Promotion, the Company focused on joining hands with LAZBOY, MLILY, JOMOO, HTL Global Sofa Master, ZBOM, ARROW, ROBAM, AIRLAND and other major brands to organize 1,000+ events of various kinds across the country. During the May 5 Shopping Festival, the Company actively responded to the consumption subsidy policy for green and smart home appliances in Shanghai, launched a preferential trade-in promotion event in collaboration with 6 major brands, namely De RUCCI, Rinnai, Dongpeng, Serta, FOTILE and ARROW, and provided one-stop renovations, improvements, door-to-door recycling and other services for consumers. During the 618 Promotion period, shopping malls across the country continued to carry out live streaming activities on the two platforms of TikTok and Taobao. Special live streaming sessions by "Super Star Live Streamers" were launched in Jiangsu, Shandong, Tianjin, Liaoning, Anhui and Beijing, with super resources worth of RMB100 million invested, attracting the participation of shopping malls across the country. Through the online and offline distribution of unified 618 super gift packages, online battle of top live streamers, group buying of new home furnishings, offline upgrading of trade-in and M+ theme activities, 231 shopping malls across the country participated in the 10,000 Top Shopping Guides Live Streaming, creating the largest online operation scale in history.

(6) Strengthening efforts to support the merchants and revitalize the operations activities of merchants

Distributors plays an important role in the home furnishing industry, so it has always been the Company's mission and responsibility to provide them with a broader space for development. The Company has released for the first time the policy of "RMB100 million subsidies for new stores" in Guangzhou, proposing to leverage its "exhibition store linkage" advantage to help more high-quality brands in mainstream categories lay out their marketing channels by providing subsidies for new stores. The Company held the National Top Ten Credible Young Merchants Award Ceremony in Tianjin, and officially announced six policies aimed at revitalizing the operation of merchants, including "unified cash collection and quick refund", "RMB100 million subsidies for new stores", "ecological fusion + traffic empowerment", "double escort of high quality and competitive price", "household appliances trade-in" and "door-to-door maintenance service".

22. Outlook and prospects

The Group consistently assumes the responsibility of "building cozy and harmonious homes and improving quality of consumption and home life". The Group will continue to follow the operational management mode of "market-oriented operation and shopping mall-based management" 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 our transformation towards an "asset-light and operation-heavy" model, and further strengthen the market leadership;
- (2) We will carry out home decoration track, and build up consumers' image;
- (3) We will promote the development of new retail and empower shopping mall operations;
- (4) We will adhere to the leverage reduction strategy to achieve high-quality development;
- (5) We will continue to improve corporate governance of the Company, 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

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

The Company has complied with the principle and code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules during the Reporting Period.

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 C3 to the Listing Rules. The Company has conducted specific enquiries to all 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 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any listed securities of the Company (including any sales of treasury shares) during the six months ended 30 June 2024. As at 30 June 2024, the Company held 1,044,800 treasury shares in A Shares (the “**Treasury A Shares**”). The Treasury A Shares will be reserved exclusively for the employee stock ownership plan or share incentive plan of the Company. If the Company fails to implement the aforementioned purposes within the period prescribed by laws and regulations, the Treasury A Shares will be cancelled.

INTERIM DIVIDEND

The Board does not recommend payment of dividend for the six months ended 30 June 2024.

PUBLIC ISSUANCE OF A SHARE AND USE OF PROCEEDS

A shares of the Company were listed and traded on the Shanghai Stock Exchange on 17 January 2018 (Stock Code: 601828) at the issue price of RMB10.23 per share with an issuance size of 315,000,000 shares. The total proceeds raised from this offering was RMB3,222,450,000.00, and the net proceeds raised (after deducting the issuing expenses of A shares of RMB172,442,150.37) was RMB3,050,007,849.63. The net amount raised per subscribed share is RMB9.68 per share, and the closing price per share on the date of listing was RMB14.42. For details, please refer to the announcements of the Company dated 2 January 2018, 16 January 2018, 7 February 2018, 7 September 2018 and 1 April 2024 and the circular of the Company dated 29 April 2024, the Company has utilized the net proceeds in accordance with the purposes as disclosed.

Analysis of the use of proceeds from issuance of A shares as of 30 June 2024 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 planned investment (RMB'000)	Investment amount utilized during the Reporting Period (RMB'000)	Investment amount utilized as at the end of the Reporting Period (RMB'000)	Balance of the investment amount as at the end of the Reporting Period (RMB'000)	Remarks
Home furnishing shopping mall construction project	Tianjin Beichen Shopping Mall Project	245,137	–	245,137	–	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 ⁽²⁾⁽³⁾	669,084	–	666,733	2,351	Fully invested, the Urumqi Convention and Exhibition Mall Project had been completed and opened for business operation, and there was the remaining amount of unutilised proceeds from the project, which was mainly attributable to the fact that in the process of the construction of the fund-raising project, in accordance with the principles of reasonableness, high efficiency and economy, the Company made scientific and prudent use of proceeds based on the actual needs of the project, and on the premise of ensuring the quality of the construction of the project and controlling the risks, the supervision and control over the costs of the project were strengthened, the cost and expenses of the construction of the project were reduced and thus capital expenditure was saved, so that there was still remaining proceeds for the project after completion of the construction work. The Company is expected to fully utilise the aforesaid outstanding amounts by 31 December 2026 in accordance with the requirements of the Listing Rules.

Proposed investment projects	Total planned investment (RMB'000)	Investment amount utilized during the Reporting Period (RMB'000)	Investment amount utilized as at the end of the Reporting Period (RMB'000)	Balance of the investment amount as at the end of the Reporting Period (RMB'000)	Remarks
Changsha Jinxia Shopping Mall Project ⁽²⁾⁽³⁾	190,000	–	146,238	43,762	Concluded. The Company is expected to fully utilise the aforesaid outstanding amounts by 31 December 2026 in accordance with the requirements of the Listing Rules.
Xining Expo Shopping Mall Project	110,000	–	110,013 ⁽¹⁾	–	Fully invested
New Intelligent Home Furnishing Shopping Mall Project ⁽²⁾⁽³⁾	400,000	88	117,152	282,848	Terminated. The Company is expected to fully utilise the aforesaid outstanding amounts by 31 December 2026 in accordance with the requirements of the Listing Rules.
Repayment of bank loans	400,000	–	400,000	–	Fully invested
Supplement of liquidity	150,008	–	150,008	–	Fully invested
Repayment of interest-bearing debts	350,000	–	350,000	–	Fully invested
Total	<u>3,050,008</u>	<u>88</u>	<u>2,721,060</u>	<u>328,960⁽³⁾</u>	

Notes:

- (1) Including the interest generated from the proceeds account and used for the project.
- (2) Reference is made to the announcements of the Company dated 1 April 2024, 23 May 2024 and the circular of the Company dated 29 April 2024, it was considered and approved the resolution concerning the conclusion, extension, suspension and termination of investment projects with partial proceeds of the Company's A shares (the "**Resolution**") at the third meeting of the fifth session of the Board, the third meeting of the fifth session of the Supervisory Committee and the 2023 annual general meeting of the Company. Pursuant to the Resolution, Changsha Jinxia Shopping Mall project had been concluded after the approval of the shareholders at the 2023 annual general meeting and the New Intelligent Home Furnishing Shopping Mall Project had been terminated after the approval of the shareholders at the 2023 annual general meeting, and the remaining proceeds from the aforesaid projects are used as general working capital. As the construction of the Urumqi Exhibition Mall Project had been completed and opened for business operation, the remaining proceeds from the project are used as general working capital.
- (3) As of 30 June 2024, the amount of the total unutilized proceeds is approximately RMB328,960 thousand, among which, the amount to be paid for Changsha Jinxia Shopping Mall project is approximately RMB16,943 thousand and the amount to be paid for New Intelligent Home Furnishing Shopping Mall Project is RMB124 thousand. The remaining amount of RMB311,893 thousand has been approved to be used for the general working capital purpose by the shareholders at the 2023 annual general meeting of the Company. During the six months ended 30 June 2024 and as at 30 June 2024, the Company has not use any amount of the aforesaid proceeds.
- (4) The difference between the totals in the above table is due to rounding.
- (5) The expected timetable for use of the balance of the investment amount is based on the Board's best estimate of the market conditions of business and is subject to change in the light of market conditions. The Company will publicly disclose changes in the timetable, if any, as and when appropriate in accordance with the requirements of the relevant rules in order to update its Shareholders and potential investors.

NON-PUBLIC ISSUANCE OF A SHARES AND USE OF PROCEEDS

In September 2021, the Company issued 449,732,673 A shares to specific investors in the non-public issuance, at an issue price of RMB8.23 per share, with the total proceeds of RMB3,701,299,898.79. After deducting issuance expenses (exclusive of tax) of RMB22,936,099.50, the actual net proceeds were RMB3,678,363,799.29. For details, please refer to the announcements of the Company dated 3 May 2020, 3 June 2020, 23 June 2020, 19 April 2021, 18 May 2021, 21 October 2021 and 1 April 2024 and the circulars of the Company dated 3 June 2020, 26 April 2021 and 29 April 2024, the Company has utilized the net proceeds in accordance with the purposes as disclosed, and as of the end of the Reporting Period, the Group invested into the agreed proceeds-funded projects.

An analysis of the use of the proceeds from the non-public issuance of A shares as of 30 June 2024 is set out below:

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

Notes:

- (1) Reference is made to the announcements of the Company dated 1 April 2024, 23 May 2024 and the circular of the Company dated 29 April 2024, it was considered and approved the resolution concerning the conclusion, extension, suspension and termination of investment projects with partial proceeds of the Company's A shares (the "**Resolution**") at the third meeting of the fifth session of the Board, the third meeting of the fifth session of the Supervisory Committee and the 2023 annual general meeting of the Company. Pursuant to the Resolution, Tmall "Home Decoration Tongcheng Station" Project, 3D Shejiyun Platform Construction Project and Construction Project for New Generation Home Improvement Platform System had been terminated after the approval of the shareholders at the 2023 annual general meeting, and the remaining proceeds from the aforesaid project are used as general working capital.
- (2) In accordance with the requirements of the Listing Rules and the management of the Company currently expects the balance of the proceeds to be finalized by the end of 2030. The foregoing expected time assumes the Company has obtained the necessary approval for the Company's redevelopment of the overall planning proposal by the Board and the shareholders at a general meeting of the Company in accordance with the requirements of the Procedures for the Administration of Proceeds.
- (3) The difference between the totals in the above table is due to rounding.
- (4) As at 30 June 2024, the remaining amount of proceeds of RMB845,367,000 from the 2020 non-public issuance shall be used for the general working capital purpose. During the six months ended 30 June 2024 and as at 30 June 2024, the Company has not use any aforesaid proceeds.
- (5) The expected timetable for use of the balance of the investment amount is based on the Board's best estimate of the market conditions of business and is subject to change in the light of market conditions. The Company will publicly disclose changes in the timetable, if any, as and when appropriate in accordance with the requirements of the relevant rules in order to update its Shareholders and potential investors.

REASONS FOR CHANGE OF USE OF PROCEEDS

1. Conclusion of Changsha Jinxia Shopping Mall Project

The Company's "Changsha Jinxia Shopping Mall Project" had been completed the construction of the home shopping mall and obtained the certificate of acceptance of completion of the construction site and planning in July 2020, and was originally planned to reach the intended ready-for-use condition and conclude such project after the shopping mall was opened. However, as a result of the slow progress of the development of the surrounding area of Jinxia commercial district in the early stage, it is reported that Changsha Kaifu District is actively promoting the development and construction of Jinxia New Town and preparing the relevant development strategic plan. Considering the investment promotion and operation effect of the shopping mall, the Company does not intend to commence the investment promotion of Changsha Jinxia Shopping Mall until the surrounding ancillary plans are implemented and will promote the opening of the shopping mall after the investment promotion is completed. As the construction of Changsha Jinxia Shopping Mall has been completed, the demand for construction and investment with the proceeds raised has been basically satisfied, and it is needed to commence the investment promotion and promote the opening of the shopping mall after the surrounding ancillary plans are implemented in the future. In order to improve the efficiency of the Company's capital utilisation, the Company concluded the fund-raising project; if there is any further demand for capital utilisation for the project in the future, the Company will satisfy with its internal funds.

2. Discontinuing (suspension) of Foshan Lecong Shopping Mall Project and Extension of Nanning Dingqiu Shopping Mall Project

The Company's "Foshan Lecong Shopping Mall Project" and "Nanning Dingqiu Shopping Mall Project" were originally planned to reach the intended ready-for-use state by the end of December 2024, but due to the impact of public health events, macroeconomic fluctuations and other factors during the construction period, its construction progress has been slowed down, and the Company expects that the construction of such shopping malls and their opening and investment promotion may not be able to achieve the expected profitability results in the short term, therefore, based on the consideration of the overall efficiency of the use of proceeds, the Company had slowed down the pace of the construction of and capital investment in such projects, which resulted in the postponement of the progress of the investment in such projects. After comprehensively taking into account the progress of the construction of the fund-raising investment projects, the Company's short – and medium – term arrangements for the construction and opening of the shopping malls and the Company's capital position and other factors, the Company is proposed to adjust the construction period of certain fund-raising projects. Specifically, given that the "Nanning Dingqiu Shopping Mall Project" has been constructed up to the portions above ground, the Company is proposed to appropriately extend the construction period of the project, extending the construction completion date for the project to reach its intended ready-for-use state to December 2026; Due to the relatively early stage of the construction of the "Foshan Lecong Shopping Mall Project", the Company discontinued (suspended) the construction of the "Foshan Lecong Shopping Mall Project", taking into account the fact that the Company completed the change of control and management in 2023, and the adjustments to the Company's strategic plan made by the Company's management considering the existing operations of the Company. And the Company will continue to further discuss the adjustment of the project after construction to optimize the implementation efficiency of the project, and will fulfil the necessary approval and decision-making procedures and make timely information disclosure upon completion of the feasibility study.

3. Termination of “New Intelligent Home Furnishing Shopping Mall Project”, “Tmall “Home Decoration Tongcheng Station” Project”, “3D Shejiyun Platform Construction Project” and “Construction Project for New Generation Home Improvement Platform System”

Due to the continuous iteration of new retail and online development trends in the home improvement and furniture industry, combined with the impact of public health events on residents’ consumption experience and consumption habits, fluctuations in the macroeconomic environment and adjustments to related industrial policies, as well as unsatisfactory performance of related new retail businesses in early operations and pilots, the Company has continued to discuss and research the direction and progress of its new retail strategy since 2022. Based on the perspective of improving the efficiency of the use of raised proceeds, the Company has internally slowed down the use of raised proceeds in fund-raising investment projects including the “New Intelligent Home Furnishing Shopping Mall Project”, “Tmall “Home Decoration Tongcheng Station” Project”, “3D Shejiyun Platform Construction Project” and “Construction Project for New Generation Home Improvement Platform System”, and continued to discuss the implementation of related projects.

Based on the Company’s capital condition and the consideration of enhancing its ability to resist risks in the current macroeconomic fluctuation environment, the Company has replanned and discussed the Company’s future development strategy and capital investment plan after the change of controlling shareholder and actual controller, focused on analysing matters that require the Company’s capital investment and planned to control and reduce relevant capital investment.

In May 2019, the Company entered into a strategic cooperation agreement with Alibaba and officially launched online and offline integrated operations on Double Eleven that year. In order to further deepen the cooperation, the Company’s business boundaries have been expanded through the digital upgrading and online branding of shopping malls, so that the Company’s business expansion is no longer limited by the space of traditional offline business premises, further promoting online and offline business through online customer attraction. The Company has established the “Tmall “Home Decoration Tongcheng Station” Project” and originally planned to use the proceeds raised from non-public issuance in 2020 to purchase the store digital equipment and Tongcheng Station live broadcast equipment required for the project. During the actual implementation of the project, the Company continued to invest its internal resources in the “Tmall “Home Decoration Tongcheng Station” Project”, including personnel expenses and daily operating expenses. In order to improve the efficiency of capital use, the Company has rented relevant equipment at a lower cost to carry out project construction. Since the equipment leasing costs were different from the original plan for the use of raised proceeds, the Company used its own working capital to carry out relevant project construction. As of 31 December 2023, Tmall Tongcheng Station have been launched in a total of 73 shopping malls in 32 cities, with the online traffic scale exceeding 100 million throughout the year. In the future, the Company will continue to invest its internal resources in the construction of Tmall Tongcheng Station and continue to deepen the online and offline integrated operation strategy. However, based on the current capital condition of the Company and with a view to improving the efficiency of capital use, the Company intends to continue to invest such capital in the form of non-capital expenditures in a short term.

In view of the foregoing, taking into account the industry development and iterations, the Company's development strategy discussion, the Company's financial condition and other factors, the Company terminated the "New Intelligent Home Furnishing Shopping Mall Project", "Tmall "Home Decoration Tongcheng Station" Project", "3D Shejiyun Platform Construction Project" and "Construction Project for New Generation Home Improvement Platform System", and use the remaining proceeds to permanently replenish working capital.

EVENTS AFTER THE REPORTING PERIOD

The waivers of several voluntary undertakings made by the Company, the second largest Shareholder and the former de facto controller.

The Company has received several applications in relation to waivers of several voluntary undertakings made by, *inter alias*, RSM Holding, the second largest Shareholder of the Company, and Mr. CHE Jianxing, the former de facto controller of the Company (the "**Waiver Applications**"), applying for waivers of several undertakings previously made by them. In addition, the Company also proposed to apply for waivers of several voluntary undertakings made by the Company. On 12 July 2024, the Company convened the sixteenth extraordinary meeting of the fifth session of the Board and the fifth extraordinary meeting of the fifth session of the Supervisory Committee, which considered and approved the resolution in relation to the waivers of several voluntary undertakings made by the Company, the second largest Shareholder and the former de facto controller, agreeing to waive several voluntary undertakings previously made by RSM Holding, Mr. CHE Jianxing, and the Company. On 6 August 2024, the 2024 first extraordinary general meeting of the Company considered and approved the aforesaid resolution. For details, please refer to the announcements of the Company dated 12 July 2024 and 6 August 2024 which were disclosed on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>), respectively.

REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the interim results announcement for the six months ended 30 June 2024 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

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 2024 interim report containing the information as required by the Listing Rules will be dispatched to shareholders of the Company who requires 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
30 August 2024

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