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

红星·美凯龙 MACALLINE

GLOBAL OFFERING

(A SINO-FOREIGN JOINT STOCK COMPANY INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA WITH LIMITED LIABILITY)

STOCK CODE : 1528

Joint Sponsors (in alphabetical order)

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Quam 華富嘉洛證券期貨 | 信達國際 CINDA INTERNATIONAL | CIMB | BNP PARIBAS

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	:	**543,588,000 H shares (subject to the Over-allotment Option)**
Number of Offer Shares in the International Offering	:	**489,229,200 H shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**54,358,800 H shares (subject to adjustment)**
Maximum Offer Price	:	**HK$13.28 per H share, plus 1% brokerage, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H share**
Stock Code	:	**1528**

Joint Sponsors (in alphabetical order)

CICC 中金香港证券 Goldman Sachs Morgan Stanley

Joint Global Coordinators

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Joint Bookrunners & Joint Lead Managers

CICC 中金香港证券 Goldman Sachs Morgan Stanley citi CMS 招商证券 ICBC 工银国际 招银国际 CMB INTERNATIONAL Quam Securities & Futures 華富嘉洛證券期貨 信達國際 CINDA INTERNATIONAL CIMB BNP PARIBAS

Joint Lead Managers

中國銀河國際 CHINA GALAXY INTERNATIONAL SWS Shenwan Hongyuan Capital (H.K.) Limited DBS

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix IX to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Underwriters' Representatives (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, June 19, 2015 (Hong Kong time) and, in any event, not later than Thursday, June 25, 2015 (Hong Kong time). The Offer Price will be not more than HK$13.28 and is currently expected to be not less than HK$11.18 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, June 25, 2015 (Hong Kong time) between the Underwriters' Representatives (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$13.28 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$13.28.

The Underwriters' Representatives, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$11.18 to HK$13.28) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.chinaredstar.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Share" in this prospectus.

We are incorporated, and all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of the Company. Such differences and risk factors are set out in "Risk Factors," "Appendix VI - Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VII - Summary of Articles of Association" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Underwriters' Representatives (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting—Grounds for Termination" in this prospectus.

June 16, 2015

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Friday, June 19, 2015
Application lists open[3]	11:45 a.m. on Friday, June 19, 2015
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Friday, June 19, 2015
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, June 19, 2015
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, June 19, 2015
Application lists close	12:00 noon on Friday, June 19, 2015
Expected Price Determination Date	Friday, June 19, 2015
Announcement of the Offer Price	Thursday, June 25, 2015
Announcement of: • the level of application in the Hong Kong Public Offering; • the level of indications of interest in the International Offering; and • the basis of allocation of the Hong Kong Offer Shares to be published (a) in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese); (b) on our website at **www.chinaredstar.com**[5] and the website of the Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk**[6] on or before	Thursday, June 25, 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") from	Thursday, June 25, 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.iporesults.com.hk** with a "search by ID" function from	Thursday, June 25, 2015

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7]	Thursday, June 25, 2015
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9]	Thursday, June 25, 2015
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on	Friday, June 26, 2015

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

(2) If you have already submitted your application through the designated website at **www.eipo.com.hk** and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 19, 2015, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk.**

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and/or H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Thursday, June 25, 2015. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

(8) Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Friday, June 26, 2015. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Red Star Macalline Group Corporation Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other person or party involved in the Global Offering. Information contained in our website, located at www.chinaredstar.com, does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest home improvement and furnishings shopping mall operator in China in terms of operating area, number of shopping malls and geographic coverage, according to Frost & Sullivan. We launched our "Red Star Macalline" brand with our first branded shopping mall in 2000, and grew into a network of 158 shopping malls with a total operating area of approximately 10,752,853 sq.m. as of December 31, 2014, offering over 18,000 product brands across 115 cities in 26 provinces in China. As of December 31, 2014, we possessed a strong pipeline of shopping malls, including 25 pipeline Portfolio Shopping Malls with a total estimated GFA of approximately 3,460,438 sq.m., and 359 pipeline Managed Shopping Malls with a total estimated GFA of approximately 20,471,000 sq.m.

We enjoy a leading market position in the fast-growing home improvement and furnishings retail market. According to Frost & Sullivan, China's home improvement and furnishings retail market has been one of the fastest growing sectors of China's home improvement and furnishings industry, and is expected to continue this trend with a CAGR of 10.0% over the next five years. In 2014, we had the largest market share in the home improvement and furnishings retail market and commanded 10.8% of the chain retail mall sector, 3.9% of the mall sector and 2.6% of the total retail market in terms of retail turnover according to Frost & Sullivan. We believe that our leading market position and unparalleled geographic coverage will allow us to fully capitalize on this attractive growth opportunity.

Our shopping malls are an attractive third-party platform, connecting brands and customers, catering to changing customer needs through tailored product and service offerings, and providing a superior one-stop shopping experience. This platform, combined with our leading market position, differentiated customer service, nationwide footprint, operational excellence and nationally recognized "Red Star Macalline" brand, form the core of our competitive edge over our competitors. Furthermore, we leverage these advantages to expand our range of home improvement and furnishings services, including home design, consumer financing and pre-paid cards, delivery and logistics, and bulk procurement.

OUR BUSINESS MODEL

Our business model is built upon a combination of Portfolio Shopping Malls and Managed Shopping Malls. Through our Portfolio Shopping Malls, we offer comprehensive services to our tenants, including designated shopping space, staff training, sales and marketing, daily operation and management, and customer services, in exchange for fixed monthly rent and management fees. Through our Managed Shopping Malls, we leverage our strong brand name and years of operational experience to provide full-scale operating services to our partners, including site selection, construction consultation, design and decoration, tenant sourcing and daily operation and management, in exchange for various fees during different stages of our involvement under our contract management agreements.

Our two-pronged business model allows us to rapidly expand and further penetrate and to effectively control our own investment risks. Most of our Portfolio Shopping Malls are strategically located in Tier I and II Cities, providing recurring and predictable operating income through rent and management fees. Our exhibition space agreements typically last for one year, subject to renewal. As most of our Managed Shopping Malls are located in Tier III and Other Cities, we can efficiently expand our geographic coverage to further increase our market share and raise our brand awareness across China. As of December 31, 2014, we operated 52 Portfolio Shopping Malls with a total operating area of approximately 4,033,458 sq.m. and 106 Managed Shopping Malls with a total operating area of approximately 6,719,395 sq.m. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, revenue generated from our Owned/Leased Portfolio Shopping Malls contributed 73.4%, 66.0%, 61.5%, 69.3% and 66.2% of our total revenue, respectively, and revenue generated from our Managed Shopping Malls contributed 26.6%, 33.2%, 35.1%, 28.4% and 30.9% of our total revenue, respectively. This business model fortifies our market leadership position in developed areas to capture their consumption growth and property appreciation while at the same time rapidly expanding our footprint in Tier III and Other Cities without significant capital expenditures.

The following table sets forth a breakdown of our revenue from Owned/Leased Portfolio Shopping Malls for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Owned/Leased Portfolio Shopping Malls:										
- Owned Portfolio Shopping Malls	3,052,245	79.2	3,320,847	79.1	3,868,302	79.2	943,375	79.9	1,017,646	79.1
- Leased Portfolio Shopping Malls	785,004	20.4	864,487	20.6	1,001,425	20.5	233,421	19.8	264,953	20.6
- Other	14,318	0.4	13,685	0.3	14,111	0.3	3,892	0.3	4,555	0.3
Total	**3,851,567**	**100.0**	**4,199,019**	**100.0**	**4,883,838**	**100.0**	**1,180,688**	**100.0**	**1,287,154**	**100.0**

The following table sets forth a breakdown of our revenue from Managed Shopping Mall operations for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Initiation and entrance fees	527,161	37.7	988,182	46.7	1,014,121	36.4	130,982	27.1	240,998	40.1
Annual management fees	718,597	51.3	854,700	40.4	1,092,892	39.2	221,982	45.8	301,180	50.1
Construction consultation and management fees	154,117	11.0	271,986	12.9	679,341	24.4	131,444	27.1	59,075	9.8
Revenue from Managed Shopping Malls	**1,399,875**	**100.0**	**2,114,868**	**100.0**	**2,786,354**	**100.0**	**484,408**	**100.0**	**601,253**	**100.0**

The following table sets forth our gross profit margin for our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
Owned/Leased Portfolio Shopping Malls:					
- Owned Portfolio Shopping Malls	84.3%	81.7%	82.9%	82.4%	86.2%
- Leased Portfolio Shopping Malls	31.2%	33.6%	41.8%	36.7%	41.7%
- All	73.2%	71.4%	74.1%	73.0%	76.7%
Mature shopping malls(1)	77.5%	76.9%	77.5%	77.3%	78.9%
Managed Shopping Malls	70.3%	74.7%	75.8%	64.7%	67.2%

Note:

(1) Gross profit margin for our mature shopping malls is calculated based on the aggregate revenue and aggregate cost of sales and services of the following Portfolio Shopping Malls. Shanghai Zhenbei Mall, Changzhou Feilong Mall, Wuxi Xishan Mall, Beijing West Fourth-ring Mall, Tianjin Hexi Mall, Tianjin Hongqiao Mall, Beijing East Fourth-ring Mall, Shanghai Wenshui Mall, Chengdu Wuhou Mall, Zhengzhou Shangdu Mall, Shenyang Tiexi Mall, Beijing North Fourth-ring Mall, Nanjing Kazimen Mall, Shanghai Pudong Hu'nan Mall, Changzhou Wujin Mall, Jinan Tianqiao Mall, Yunnan Shopping Mall, Nanjing Central Road Mall, Changzhou Decoration Mall, Changsha Helong Mall, Lianyungang Renmin Mall, Chongqing Jiangbei Mall, Changsha Shaoshan Mall, Hangzhou Gudun Mall, Chongqing Nanping Mall, Beijing North Fifth-ring Mall, Shenzhen Xiangmi Lake Mall, Chengdu Shuangnan Mall and Wuhu Minghui Mall. See the section headed "Glossary of Technical Terms" for the definition of "mature shopping malls."

The gross margin of our Owned Portfolio Shopping Malls for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015 was generally higher than our Leased Portfolio Shopping Malls because the rent or fixed fees we paid for our Leased Portfolio Shopping Malls were included in our cost of sales and services.

The following table sets forth certain operational data with respect to our Portfolio Shopping Malls and Managed Shopping Malls as of the dates or for the periods indicated:

	Year ended/as of December 31,			Three months ended/as of March 31,	
	2012	2013	2014	2014	2015
Portfolio Shopping Malls					
In operation					
- Number of malls	38	44	52	46	51
- Owned Portfolio Shopping Malls	21	26	31	27	31
- Leased Portfolio Shopping Malls	13	14	17	15	16
- JV/associate Portfolio Shopping Malls	4	4	4	4	4
- Operating area (sq.m.)	3,202,676	3,581,062	4,033,458	3,698,335	3,987,058
- Average effective unit income from operation (RMB/sq.m./month)					
- Total	116	111	115	117	116
- Mature shopping malls	130	135	144	143	146
- Average occupancy rate	90%	97%	96%	96%	96%
- Same mall growth	—	4.7%(1)	8.4%(2)	—	—
Pipeline					
- Number of malls	27	29	25	28	25
- Estimated GFA (sq.m.)	3,340,204	3,821,248	3,460,438	3,680,031	3,460,438
Managed Shopping Malls					
In operation					
- Number of malls	77	85	106	89	107
- Operating area (sq.m.)	5,452,590	5,860,153	6,719,395	6,073,575	6,706,396
- Average occupancy rate	85%	91%	96%	90%	94%
Pipeline					
- Number of malls	177	255	359	267	380
- Actual/Estimated total GFA (sq.m.)	12,062,419	16,701,124	20,471,000	16,933,910	21,037,500

Notes:

(1) For the year ended December 31, 2013, our Portfolio Shopping Malls that had been in operation for at least 24 months as of December 31, 2013, details of which are included in the section headed "Glossary of Technical Terms", generated an aggregate revenue of approximately RMB4,027.5 million, representing a same mall growth of 4.7% as compared to the aggregate revenue of approximately RMB3,845.8 million from such malls for the year ended December 31, 2012.

(2) For the year ended December 31, 2014, our Portfolio Shopping Malls that had been in operation for at least 24 months as of December 31, 2014, details of which are included in the section headed "Glossary of Technical Terms", generated an aggregate revenue of approximately RMB4,699.1 million, representing a same mall growth of 8.4% as compared to the aggregate revenue of approximately RMB4,336.3 million from such malls for the year ended December 31, 2013.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths distinguish us from our competitors: (i) undisputed market leader with a national network; (ii) China's most recognized and award-winning brand in the home improvement and furnishings industry; (iii) differentiated shopping experience through exceptional service and quality; (iv) significant scarcity value from owning an attractive third-party platform in the home improvement and furnishings ecosystem; (v) our two-pronged expansion model is highly effective and difficult to replicate; and (vi) visionary, innovative and experienced management team led by our Chairman, Mr. CHE Jianxing. For further details, see "Business — Our Competitive Strengths" on page 136 of this prospectus.

OUR STRATEGIES

We aim to execute the following strategies to increase our market share and strengthen our position as an industry leader in China's home improvement and furnishings retail sector: (i) drive growth and performance of our existing shopping mall network through proactive management; (ii) solidify our market leadership by strategically expanding our shopping mall network; (iii) penetrate into additional market segments with multi-format and multi-brand offerings; (iv) full roll-out of our O2O platform to provide customers with an omni-channel retailing experience; (v) extend into attractive related product and service offerings; and (vi) enhance operational efficiency by rolling out information technology systems and commercialize "big data" gained from our vast retail network. For further details, see "Business — Our Strategies" on page 142 of this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below set forth the summary of our consolidated financial information for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015. All data are derived from our audited consolidated financial statements included in the Accountants' Report set forth in Appendix I and our reviewed consolidated financial information included in the Unaudited Interim Financial Information set forth in Appendix II to this prospectus. The following financial information should be read in conjunction with the Accountants' Report in Appendix I on page I-1 and the Unaudited Interim Financial Information in Appendix II on page II-1 of this prospectus. The condensed consolidated financial statements for the three months ended March 31, 2015 have been reviewed by Deloitte in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Selected Historical Consolidated Income Statement Data

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014	2014	2015	2015
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
							(unaudited)			
	(in thousands, except percentages)									
Revenue	5,253,733	100.0	6,360,703	100.0	7,935,131	100.0	1,702,990	100.0	1,943,066	100.0
Cost of sales and services	(1,452,260)	(27.6)	(1,789,571)	(28.1)	(2,054,070)	(25.9)	(510,499)	(30.0)	(512,308)	(26.4)
Gross profit	3,801,473	72.4	4,571,132	71.9	5,881,061	74.1	1,192,491	70.0	1,430,758	73.6
Changes in the fair value of investment properties	1,112,493	21.2	2,055,060	32.3	2,415,278	30.4	570,472	33.5	731,494	37.6
Profit before tax	**3,095,249**	**58.9**	**4,468,879**	**70.3**	**5,350,171**	**67.4**	**1,151,990**	**67.7**	**1,435,348**	**73.9**
Income tax expense	(838,652)	(15.9)	(1,199,552)	(18.9)	(1,428,167)	(18.0)	(306,215)	(18.0)	(387,831)	(20.0)
Profit and total comprehensive income for the year	**2,256,597**	**43.0**	**3,269,327**	**51.4**	**3,922,004**	**49.4**	**845,775**	**49.7**	**1,047,517**	**53.9**
Attribute to:										
Owners of the Company	1,907,090	36.3	3,013,182	47.4	3,632,917	45.8	785,203	46.1	979,433	50.4
Non-controlling interests	349,507	6.7	256,145	4.0	289,087	3.6	60,572	3.6	68,084	3.5
	2,256,597	**43.0**	**3,269,327**	**51.4**	**3,922,004**	**49.4**	**845,775**	**49.7**	**1,047,517**	**53.9**
Non-IFRS Measures:										
Core net profit	1,296,644	24.7	1,626,250	25.6	2,208,297	27.8	425,390	25.0	511,319	26.3
Adjusted EBITDA	2,427,580	46.2	2,978,620	46.8	4,020,399	50.7	831,402	48.8	987,055	50.8

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use core net profit and adjusted EBITDA as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. We also believe that these financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operation in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We compensate for the limitations of the non-IFRS measures by reconciling the non-IFRS financial measures to the nearest IFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our core net profit and adjusted EBITDA in the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit and total comprehensive income. See "Financial Information — Non-IFRS Measures" for the basis of adjustment of our core net profit and adjusted EBITDA on page 298 of this prospectus and "— Description of Certain Items in the Statement of Operations — Other Income" the nature of our other income on page 293 of this prospectus.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(in thousands of RMB)				
Profit and total comprehensive income	**2,256,597**	**3,269,327**	**3,922,004**	**845,775**	**1,047,517**
Changes in fair value of investment properties	(1,112,493)	(2,055,060)	(2,415,278)	(570,472)	(731,494)
Add back: income tax effects(1)	278,123	513,765	603,820	142,618	182,874
	1,422,227	1,728,032	2,110,546	417,921	498,897
Add back: other expenses	6,115	26,564	112,855	5,699	20,307
Add back: other gains and losses	48,387	30,172	187,197	40,946	15,052
Less: other income	(221,947)	(192,445)	(169,717)	(36,686)	(18,796)
Add back: income tax effects(2)	41,862	33,927	(32,584)	(2,490)	(4,141)
Core net profit(3)	**1,296,644**	**1,626,250**	**2,208,297**	**425,390**	**511,319**

Notes:

(1) Represents 25% of changes in fair value of investment properties.

(2) Represents 25% of the sum of (i) other expenses and (ii) other gains and losses after netting off (iii) other income.

(3) Core net profit is calculated as our profit and total comprehensive income, excluding gains from increases in the fair value of investment properties, other gains and losses, other expenses and other income and further adjusted for income tax effects for the aforementioned items. The use of core net profit has material limitations as an analytical tool, as it does not include all items that impact our profit and total comprehensive income for the period. Core net profit eliminates the effect of non-cash gains from increases in the fair value of investment properties and the effect of other non-recurring or non-core items such as other gains and losses, other expenses and other income, which may recur in the future.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(in thousands of RMB)				
Profit and total comprehensive income	**2,256,597**	**3,269,327**	**3,922,004**	**845,775**	**1,047,517**
Add: Income tax expense	838,652	1,199,552	1,428,167	306,215	387,831
Profit before tax	**3,095,249**	**4,468,879**	**5,350,171**	**1,151,990**	**1,435,348**
Add:					
Finance cost	554,396	631,358	856,162	214,169	244,190
Depreciation of property, plant and equipment	84,673	95,955	102,260	22,671	29,985
Amortization of intangible assets	4,310	4,975	14,562	1,642	5,837
Less:					
Share of profit of associates	(45,545)	(41,613)	(14,133)	(1,692)	(936)
Share of profit/(loss) of joint venture	14,435	9,835	(3,680)	3,135	(12,438)
Other expenses	6,115	26,564	112,855	5,699	20,307
Other gains and losses	48,387	30,172	187,197	40,946	15,052
Change in fair value of investment properties	(1,112,493)	(2,055,060)	(2,415,278)	(570,472)	(731,494)
Other income	(221,947)	(192,445)	(169,717)	(36,686)	(18,796)
Adjusted EBITDA(1)	**2,427,580**	**2,978,620**	**4,020,399**	**831,402**	**987,055**

Note:

(1) Adjusted EBITDA represents profit before tax, adding back finance costs, depreciation, amortization and impairment, further adjusted to exclude gains from increases in the fair value of investment properties, share of profit of associates, share of results of joint ventures, other gains and losses, other expenses and other income. The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. The term adjusted EBITDA is not defined under IFRS, and adjusted EBITDA is not a measure of profit and total comprehensive income or liquidity presented in accordance with IFRS. Adjusted EBITDA eliminates the effect of significant components in understanding and assessing our operating and financial performance, including depreciation expense, amortization, income taxes, finance costs, gains from increases in the fair value of investment properties, share of profit of associates, share of results of joint ventures, other gains and losses, other expenses and other income, which have been and may continue to be incurred in our business. Additionally, adjusted EBITDA eliminates the effect of changes in working capital, capital expenditures and other investing activities.

In light of the foregoing limitations for non-IFRS measures, when assessing our operating and financial performance, you should not consider core net profit and adjusted EBITDA in isolation or as a substitute for our profit and total comprehensive income for the period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

Selected Historical Consolidated Statements of Financial Position Data

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Current assets	5,788,227	4,959,251	5,125,479	5,280,537
Current liabilities	(6,887,250)	(9,288,047)	(10,419,993)	(11,690,897)
Net current liabilities	(1,099,023)	(4,328,796)	(5,294,514)	(6,410,360)
Non-current liabilities	(20,987,424)	(23,093,779)	(24,084,806)	(25,462,391)
Non-current assets	55,270,616	61,901,164	66,792,413	68,213,834
Net assets	33,184,169	34,478,589	37,413,093	36,341,083

Selected Historical Consolidated Statements of Cash Flow Data

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(in thousands of RMB)				
Net cash from (used in) operating activities	2,991,880	3,615,518	3,247,292	795,785	1,369,077
Net cash from (used in) investing activities	(3,067,498)	(3,215,185)	(2,564,096)	(1,248,781)	(919,022)
Net cash from (used in) financing activities	283,240	(361,597)	(895,717)	(124,456)	(525,911)
Net increase/(decrease) in cash and cash equivalents	207,622	38,736	(212,521)	(577,452)	(75,856)

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios as of the dates or for the periods indicated. See "Financial Information — Key Financial Ratios" on page 336 of this prospectus.

	Year ended/as of December 31,			Three months ended/as of March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
Current ratio (times)(1)	0.84×	0.53×	0.49×	—	0.45x
Quick ratio (times)(2)	0.84×	0.53×	0.49×	—	0.45x
Gross gearing ratio (%)(3)	35.3%	40.8%	40.7%	—	46.6%
Net gearing ratio (%)(4)	23.9%	29.7%	30.9%	—	36.7%
Asset-liability ratio (%)(5)	45.7%	48.4%	48.0%	—	50.6%
Return on equity (%)(6)	7.1%	9.7%	10.9%	—	11.4%
Return on total assets (%)(7)	3.4%	5.1%	5.7%	—	5.8%
Gross profit margin (%)(8)	72.4%	71.9%	74.1%	70.0%	73.6%
Net profit margin (%)(9)	43.0%	51.4%	49.4%	49.7%	53.9%
Core net profit margin (%)(10)	24.7%	25.6%	27.8%	25.0%	26.3%
Interest expenses coverage ratio (times)(11)	2.57×	3.08×	3.79×	3.18x	3.26x

Notes:

(1) Our current assets divided by our current liabilities at the end of each period.

(2) Our current assets less inventories divided by current liabilities at the end of each period.

(3) Our total interest-bearing bank and other borrowings, bonds and obligations under finance leases as a percentage of total equity at the end of each period.

(4) Our total interest-bearing bank and other borrowings, bonds and obligations under finance leases net of bank balances and cash as a percentage of total equity at the end of each period.

(5) Our total liabilities as a percentage of total assets at the end of each period.

(6) Our profit and total comprehensive income as a percentage of the arithmetic mean of the total equity at the beginning and the end of each period, which is then annualized, if applicable.

(7) Our profit and total comprehensive income as a percentage of the arithmetic mean of the opening and closing balances of our total assets period, which is then annualized, if applicable.

(8) Our gross profit as a percentage of our revenue for each period.

(9) Our profit and total comprehensive income as a percentage of our revenue for each period.

(10) Our core net profit as a percentage of our revenue for each period.

(11) Our adjusted EBITDA divided by our interest expenses before capitalization for each period.

PROPERTY VALUATION

The following information is extracted from Jones Lang LaSalle's Property Valuation Report in "Appendix IV — Property Valuation Report" and summarizes Jones Lang LaSalle's valuation of each group of properties and the selected key parameters used by Jones Lang LaSalle in arriving at its valuation. See "Appendix IV — Property Valuation Report" on page IV-1 of this prospectus for more details on the valuation as well as the key parameters used by Jones Lang LaSalle in arriving at its valuation. You should note that the market values prepared by Jones Lang LaSalle were based on certain assumptions which may be subject to changes and such market values may not be realized. For further details, see "Risk Factors — Risks Relating to Our Business and Industry — The appraised value of our investment properties in the property valuation report may be different from the actual realizable value and is subject to change" on page 53 of this prospectus.

No.	Property Group	Market Value in Existing State as of March 31, 2015 (in millions of RMB)	Valuation Approach and Key Parameters	Page no. in Appendix IV
	Part A — Property interests held by the Group			
	Group I — Property interests held for investment by the Group in the PRC	47,786	***Income approach:*** value the rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.	IV-5
	Group II — Property interests held under development by the Group in the PRC	7,235	***Direct comparison approach:*** assume that the property interests under development will be developed and completed in accordance with the latest development proposal provided to us by the Group; make reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as of the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.	IV-10
	Group III — Property interests held for future development by the Group in the PRC	325	***Direct comparison approach:*** assume sale of the property interests in their existing state with the benefit of immediate vacant possession and make reference to comparable sales transactions as available in the relevant market.	IV-12
	Total	**55,346**		
	Part B — Property interests held by five companies	7,449	***Income approach:*** value the rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.	IV-13

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of our adjusted net tangible assets prepared on the basis of the notes set forth below for the purpose of illustrating the effect of the Global Offering on our net tangible assets attributable to equity holders of the Company as of December 31, 2014 as if the Global Offering had taken place on December 31, 2014, assuming the Over-allotment option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of December 31, 2014 or any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2014[(1)]	Estimated net proceeds of the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company[(3)]	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share[(4)]	
	RMB'000	RMB'000	RMB'000	RMB[(3)]	HK$[(3)]
Based on an Offer Price of HK$11.18 per Offer Share	32,896,081	4,637,454	37,533,535	10.59	13.24
Based on an Offer Price of HK$13.28 per Offer Share	32,896,081	5,518,648	38,414,729	10.84	13.55

Notes:

(1) The consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2014 have been calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB33,444,992,000 as of December 31, 2014 as set out in the Accountants' Report set forth in Appendix I to this prospectus with an adjustment for intangible assets attributable to owners of the Company as of December 31, 2014.

(2) The estimated net proceeds from the Global Offering are based on 543,588,000 H Shares and the indicative Offer Prices of HK$11.18 or HK$13.28 per Offer Share, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of underwriting fees and commissions and other listing related expenses (excluding approximately RMB9,520,000 listing expenses which has been charged to profit or loss in 2014) paid or payable by the Company, and without taking into account of (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood Investment SRL ("**Candlewood**") and Springwood Investment SRL ("**Springwood**") in February 2015, respectively, (ii) any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or (iii) any H Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of H Shares granted to the Board. The estimated net proceeds from the Global Offering is converted from Hong Kong dollars into RMB at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the "**Federal Reserve Board**"). No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 3,543,588,000 shares were in issue assuming that the Global Offering had been completed on December 31, 2014 and without taking into account of (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood and Springwood in February 2015, respectively, (ii) any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option, (iii) any H Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of H Shares granted to the Board, (iv) dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015, or (v) any trading results on other transactions of the Group that were entered into subsequent to December 31, 2014. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share are converted from RMB into Hong Kong dollars at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Federal Reserve Board. No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(4) As aforementioned, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share does not take into account of (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood and Springwood in February 2015, respectively, or (ii) dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015. Had the net proceeds of RMB432,974,000 received by the Company and the increase in shares of 80,329,038 arising from the issuance of shares in February 2015 and dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015 been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share would be further adjusted to RMB9.79 (equivalent to HK$12.24, based on the indicative Offer Price of HK$11.18), or RMB10.03 (equivalent to HK$12.54, based on the indicative Offer Price of HK$13.28). The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share are converted from RMB into Hong Kong dollars at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Federal Reserve Board. No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

CONTROLLING SHAREHOLDERS

As of the date of this prospectus, RSI, an investment holding company which was held as to 92% by Mr. CHE Jianxing and as to 8% by Mr. CHE Jianxing's sister, Ms. CHE Jianfang, held approximately 80.52% of the total issued share capital of our Company. Immediately following the completion of the Global Offering, RSI will hold approximately 68.44% of our enlarged issued share capital, assuming the Over-allotment Option is not exercised. Accordingly, Mr. CHE Jianxing and RSI will continue to be the Controlling Shareholders of our Company after the completion of the Global Offering.

Since 2007, we have received a number of strategic investments from affiliates of Warburg Pincus. Immediately following the Global Offering, assuming the Over-allotment Option is not exercised, Candlewood and Springwood, being affiliates of Warburg Pincus, will in aggregate hold approximately 14.33% of the total issued share capital of our Company and will collectively be a substantial shareholder of our Company upon the Listing. We also received an investment by Ping'an Pharmacy in 2010. Immediately following the Global Offering, assuming the Over-allotment Option is not exercised, Ping'an Pharmacy will hold approximately 0.10% of the total issued share capital of our Company. For further details of the pre-IPO investments, see the section headed "History and Development — Pre-IPO Investments" in this prospectus.

USE OF PROCEEDS

In the event that the Over-allotment Option is not exercised, we estimate the net proceeds of the Global Offering which we will receive, assuming an offering price of HK$12.23 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$6,335.7 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to use the net proceeds of the Global Offering for the following purpose, subject to changes in light of our evolving business needs and changing market conditions:

- approximately HK$2,534.3 million (representing approximately 40% of our total estimated net proceeds) will be used to finance the development of nine of our new Portfolio Shopping Malls, namely Wuhan Etouwan Mall, Tianjin Tanggu Mall, Shenyang Yuhong Mall, Hefei Silihe Mall, Zhongshan Gangkou Mall, Wuhan Hanyang Mall, Nanjing Pukou Mall, Harbin Xikezhan Mall and Wuxi Taihu Mall. The net proceeds allocated to the nine projects will be used for funding of the construction costs to be incurred for these shopping malls;
- approximately HK$1,647.3 million (representing approximately 26% of our total estimated net proceeds) will be used to invest in or acquire other home improvement and furnishings retailers and other market participants in the new sectors we are expanding into along the home improvement and furnishings value chain in China. As of the Latest Practicable Date, we had no finalized or definitive understandings, commitments or agreements and had not been in any related negotiations with respect to any such investments or acquisitions;
- approximately HK$887.0 million (representing approximately 14% of our total estimated net proceeds) will be used to refinance our existing indebtedness, including our five loan facilities with outstanding principal amounts of RMB678.4 million at Industrial and Commercial Bank of China, RMB175.0 million at Bank of China, RMB105.0 million at Bank of China, RMB30.0 million at Bank of China and RMB20.0 million at Bank of China as of the Latest Practicable Date, with maturities of December 2018, December 2019, December 2017, June 2018 and October 2018, respectively, and the effective interest rates of 7.4630%, 6.5500%, 5.8425%, 6.2225% and 5.8425%, respectively;

- approximately HK$633.6 million (representing approximately 10% of our total estimated net proceeds) will be used to finance the development of our O2O business and information technology systems; and

- approximately HK$633.6 million (representing approximately 10% of our total estimated net proceeds) will be used for working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised or the Offer Price is fixed higher than HK$12.23 per Offer Share, we will receive additional net proceeds. We intend to use the additional net proceeds to refinance all or part of our additional indebtedness, including our four loan facilities with outstanding principal amounts of RMB492.1 million at Bank of Communications, RMB380.0 million at Huaxia Bank, RMB170.0 million at Industrial and Commercial Bank of China and RMB380.0 million at Bohai Bank as of the Latest Practicable Date, with maturities of June 2020, December 2022, June 2021 and December 2023, respectively, and the effective interest rates of 6.8775%, 6.9662%, 7.08% and 7.4835%, respectively. In the event that the Offer Price is fixed lower than HK$12.23 per Offer Share, we will receive less amount of net proceeds, where we intend to reduce the amount of the net proceeds to be used for working capital and other general corporate purposes proportionately. For further details, see "Future Plans and Use of Proceeds" on page 347 of this prospectus.

DIVIDEND AND DIVIDEND POLICY

We declared dividends of RMB1,020.0 million, RMB720.0 million and RMB2,490.0 million for the years ended December 31, 2012, 2013 and 2014, respectively, and paid dividends of RMB1,020.0 million and RMB720.0 million in 2013 and 2014, respectively. As of the date of this prospectus, we had paid dividends for the year ended December 31, 2014 in full. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

After completion of the Global Offering, our shareholders will be entitled to receive dividends we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of shareholders. In addition, our Controlling Shareholders will be able to influence the approval by our shareholders in a general meeting of any payment of dividends.

PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits as calculated according to PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if our financial statements may indicate that we are profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Moreover, future dividend payments will also depend upon the availability of dividends received from our subsidiaries, joint ventures and associates. Our subsidiaries and joint ventures in the PRC may not have distributable profits as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries and joint ventures for us to pay dividends. Failure by our subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including in periods in which we are profitable. Distributions from our subsidiaries and joint ventures may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries or joint ventures may enter into in the future.

OFFERING STATISTICS

The statistics set forth in the table below are calculated based on the following assumptions: (i) the Global Offering has been completed and 543,588,000 H Shares have been newly issued; (ii) the Over-allotment Option has not been exercised; and (iii) there are 3,623,917,038 issued and outstanding Shares following the completion of the Global Offering:

	Based on an Offer Price of HK$11.18	Based on an Offer Price of HK$13.28
Market capitalization of our Shares (million)	HK$40,515	HK$48,126
Unaudited pro forma adjusted consolidated net tangible assets per Share(1)	RMB10.59	RMB10.84
	HK$13.24	HK$13.55

Note:

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share are calculated after making the adjustments referred to in "Appendix III — Unaudited Pro Forma Financial Information" on page III-1 of this prospectus in accordance with Rule 4.29 of the Listing Rules.

RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section of this prospectus. The major risks and uncertainties relating to an investment in our H Shares include, among others, (i) our dependency on the housing and home improvement and furnishings demand in China; (ii) the competitiveness of the home improvement and furnishings industry; (iii) our reliance on performance of our major shopping malls; (iv) our reliance on our tenants for a substantial portion of our revenue; (v) our ability to successfully expand our business into new geographic markets; (vi) our ability to secure suitable locations for new shopping malls on commercially acceptable terms; and (vii) availability of growth opportunities for new managed shopping malls. You should carefully read the "Risk Factors" section beginning on page 34 of this prospectus in its entirety before you decide to invest in the Offer Shares.

LISTING EXPENSES

As of March 31, 2015, we had incurred approximately RMB19.9 million of expenses for the Global Offering, and we expect to incur an additional RMB244.4 million prior to the completion of the Global Offering, of which approximately RMB14.1 million is expected to be charged to our consolidated income statement and approximately RMB230.3 million is expected to be capitalized as deferred expenses and charged against equity upon the Listing under the relevant accounting standards. We do not expect these expenses to have a material impact on our results of operation for 2015.

RECENT DEVELOPMENTS

In January 2015, Candlewood and Springwood subscribed for 60,917,952 Shares and 19,411,086 Shares for an aggregate consideration of approximately RMB433.0 million. The transaction was completed in February 2015. See "History and Development — Major Changes in Our Shareholding Structure — Further Investment by Candlewood and Springwood." In February 2015, Lianyungang Fairbay and the Minority Shareholders (excluding Ping'an Pharmacy), transferred all their equity interest in our Company to RSI for a total consideration of approximately RMB2,019.5 million. The transaction was completed in February 2015. See "History and Development — Major Changes in Our Shareholding Structure — Acquisition of the Minority Interests."

Our Directors confirm that there has been no material change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2014 and up to the date of this prospectus. None of our revenue, gross profit and gross profit margin has changed materially and adversely since December 31, 2014. As of May 31, 2015, we had 51 Portfolio Shopping Malls and 112 Managed Shopping Malls, with a total operating area of approximately 10,860,646 sq.m. As of May 31, 2015, the average occupancy rate of our Portfolio Shopping Malls was approximately 96% and the average occupancy rate of our Managed Shopping Malls was approximately 94%. We closed Baotou Donghe Mall, one of our leased Portfolio Shopping Malls, in March 2015 due to its unsatisfactory performance in order to reduce any further losses. The operating income generated from such shopping mall was insufficient to cover the rental payment we made to the lessor and other operating expenses, which resulted in net loss of such shopping mall. Nantong Tongfu Mall, one of our Managed Shopping Malls, was closed in January 2015 as the contract management agreement expired and was not renewed. Since January 1, 2015 to the Latest Practicable Date, we opened seven new Managed Shopping Malls in Wuhai, Inner Mongolia Autonomous Region, Baoding, Hebei Province, Taian, Shandong Province, Lianyungang, Jiangsu Province, Nantong, Jiangsu Province, Linyi, Shandong Province and Xinyu, Jiangxi Province, respectively.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The table below sets forth our non-exempt continuing connected transactions. For further details, see "Connected Transactions — Non-exempt Continuing Connected Transactions" on page 238 of this prospectus.

Transactions	Historical Amounts for the Year ended December 31			Proposed Annual Cap for the Year ending December 31		
	2012	2013	2014	2015	2016	2017
	(in millions of RMB)			(in millions of RMB)		
1. Changzhou RSHFC Lease Agreement	13.8	13.8	14.8	15.5	16.0	16.5
2. Contract management agreements with each of:						
- Xuzhou RSHFC	4.0	4.0	1.9	2.1	2.2	2.3
- Xuzhou RSHFP	6.0	6.0	3.7	4.2	4.5	4.8
- Yangzhou RSHFP	2.0	2.0	2.0	2.0	2.0	2.0
- Jining Hongrui	4.0	4.0	3.7	4.0	4.1	4.2
- Shaanxi Hongrui	1.3	5.3	3.8	5.0	5.0	5.0
	17.3	21.3	15.1	17.3	17.8	18.3
3. RSED Framework Agreement	N/A	N/A	N/A	100	300	500

LEGAL AND COMPLIANCE

During the Track Record Period, we were involved in certain non-compliance incidents in relation to actual land use inconsistency with approved land nature and use and commencement of operation before obtaining the completion certificate for construction work. Our PRC legal advisors are of the view that such incidents of non-compliance would not have any material adverse impact on our business operation. For further details, see "Business — Properties — Non-Compliance."

APPLICATION FOR LISTING IN THE PRC

We filed an application with the CSRC for the listing of our Shares on the Shanghai Stock Exchange in December 2012 (the "A-Share Listing Application"). CSRC formally accepted the A-Share Listing Application on December 28, 2012 but did not proceed to the stage of "providing responses (已反饋)". Having considered our business development and financing plans and due to the number of applications for listing on the A-share market pending for review by the CSRC, our Company decided to seek a listing on the Hong Kong Stock Exchange instead and did not provide updated information in relation to our A-Share Listing Application to the CSRC. Accordingly, the status of our A-Share Listing Application was changed from "Accepted (已受理)" to "Suspension (中止)" in January 2015. On March 23, 2015, we filed an application to the CSRC to withdraw our A-Share Listing Application. On March 27, 2015, we received formal notice from the CSRC in relation to the termination of our A-Share Listing Application. For further details, see "History and Development — Application for Listing in the PRC" on page 127 of this prospectus.

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings. Certain other terms are explained in "Glossary of Technical Terms".

"Application Form(s)"	**WHITE, YELLOW and GREEN** application form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VII to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit and Compliance Committee"	the audit and compliance committee of the Board
"Beijing Orient Oumei"	Beijing Orient Oumei Time Home Furnishing Company Limited (北京東方歐美時代家居廣場有限公司), a limited liability company established in the PRC and a former subsidiary of our Company which was disposed of in September 2012
"Beijing Shibo Furniture"	Beijing Red Star Macalline Shibo Furniture Plaza Company Limited* (北京紅星美凱龍世博傢俱廣場有限公司), a limited liability company established in the PRC, which is a direct wholly owned subsidiary of our Company
"Beijing Xingkai"	Beijing Xingkai Jingzhou Furniture Plaza Company Limited* (北京星凱京洲傢俱廣場有限公司), a limited liability company established in the PRC, which is an indirect non-wholly owned subsidiary of our Company
"Board of Directors" or "Board"	the board of Directors
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are normally open for normal banking business
"CAGR"	compound annual growth rate
"Candlewood"	Candlewood Investment SRL, a society with restricted liability incorporated in Barbados on December 22, 2006, which is a Shareholder of our Company. It will directly hold approximately 9.33% of the issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised). WPRE I is the sole quota-holder of Candlewood
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant, CCASS Custodian Participant or a CCASS Investor Participant
"Changzhou Macalline"	Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd.* (常州美凱龍國際電腦家電裝飾城有限公司), a limited liability company established in the PRC, which is a direct wholly owned subsidiary of our Company
"Changzhou RSHFC"	Changzhou Red Star Home Furnishing City* (常州市紅星裝飾城), a limited liability company established in the PRC on November 13, 1998, which is directly wholly owned by Mr. CHE Jianxing
"Changchun Property"	Changchun Red Star Macalline International Home Furnishing Co., Ltd.* (長春紅星美凱龍全球家居置業有限公司), a limited liability company established in the PRC, which is our connected person and indirectly held as to 70% by RSED and 30% by Liu Peng, an Independent Third Party
"Changchun Shibo"	Changchun Red Star Macalline Shibo Home Living Plaza Company Limited* (長春紅星美凱龍世博家居生活廣場有限公司), a limited liability company established in the PRC, which is a direct non-wholly owned subsidiary of our Company
"Changchun Shopping Mall"	Changchun Yuanda Mall, the Transferred Shopping Mall held by Changchun Property
"Changzhou RSHFC Lease Agreement"	the lease agreement dated April 1, 2011 entered into between Changzhou Macalline and Changzhou RSHFC
"Chengdu Jinniu Shopping Mall"	Chengdu Jinniu Mall, the Transferred Shopping Mall held by Greenland Jinniu
"Chengdu Property"	Chengdu Red Star Macalline Real Estate Co., Ltd.* (成都紅星美凱龍置業有限公司), a limited liability company established in the PRC on October 27, 2009, which is indirectly wholly owned by RSED
"China" or "PRC"	the People's Republic of China. Except where the context requires, references in this prospectus to the PRC or China do not apply to Hong Kong, Macau or Taiwan

"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	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 limited company established in the PRC on June 18, 2007, or its predecessor. The Company has been registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders" or "our Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Mr. CHE Jianxing and RSI
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Operations"	the business of operating and managing home improvement and furnishings shopping malls in the PRC, including our Portfolio Shopping Malls and our Managed Shopping Malls
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Director(s)"	Director(s) of the Company
"Dalian Investment"	Dalian Red Star Macalline Investment Development Co., Ltd.* (大連紅星美凱龍投資發展有限公司), a limited liability company established in the PRC, which is our connected person and indirectly held as to 62% by RSED and 38% by Dalian Xinhe Wanbang Property Management Co., Ltd.* (大連信合萬邦資產管理有限公司), an Independent Third Party
"Dalian Shopping Mall"	Dalian Huanan Mall, the Transferred Shopping Mall held by Dalian Investment
"Disposal of Real Estate Business"	the disposal of the Disposed Real Estate Companies
"Disposed Real Estate Company(ies)"	the companies engaging in real estate development business in which we disposed all our equity interests from October 2011 to December 2011

"Domestic Shares"	ordinary shares issued by our Company, with a Renminbi-denominated nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Foreign Shares"	ordinary shares issued by the Company, with a Renminbi-denominated nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi and include the H Shares
"Fuzhou Canshan"	Fuzhou Red Star Macalline Shibo Home Furnishing Plaza Co., Ltd.* (福州紅星美凱龍世博家居廣場有限公司), a limited liability company established in the PRC and a former subsidiary of our Company which was disposed of in June 2014
"GAAP"	generally accepted accounting principles
"Guaranteed Loans"	the loans which are secured by guarantees provided by Mr. CHE Jianxing, Ms. CHE Jianfang, Ms. CHEN Shuhong, RSI and/or Red Star Furniture Group, either individually or collectively
"GDP"	gross domestic product; except as otherwise specified, all references to GDP growth rates are to real as opposed to nominal rates of GDP growth
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Greenland Chengdu"	Greenland Group Chengdu Property Co., Ltd.*(綠地集團成都置業有限公司), which is an Independent Third Party and a wholly owned subsidiary of Greenland Holding Group Company Limited* (綠地控股集團有限公司), a state-owned property development company in the PRC
"Greenland Jinniu"	Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd.* (綠地集團成都金牛房地產開發有限公司), a limited liability company established in the PRC, which is our connected person and indirectly held as to 50% by Greenland Chengdu and 50% by Chengdu Property
"Group"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"H Share(s)"	Foreign Shares for which an application has been made for listing and permission to deal in on the Hong Kong Stock Exchange, and which are subscribed for and traded in Hong Kong dollars

"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "HK dollars" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKIAC"	Hong Kong International Arbitration Centre
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 54,358,800 H Shares being initially offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the related Application Forms
"Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 15, 2015 relating to the Hong Kong Public Offering entered into by the Company, the Controlling Shareholders and the Hong Kong Underwriters
"Huayun Shopping Mall"	Tianjin Hedong Mall, the Transferred Shopping Mall held by Huayun Trade
"Huayun Trade"	Tianjin Huayun Commercial Property Company Limited* (天津市華運商貿物業有限公司), a limited liability company established in the PRC, which is indirectly held as to 65% by RSED and 35% by Tianjin Quanyechang (Group) Co., LTD.* (天津勸業場（集團）股份有限公司), an Independent Third Party
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	persons who, as far as the Directors are aware after having made all reasonable enquiries, are not connected persons of our Company within the meanings of the Listing Rules

"International Offer Shares"	the 489,229,200 H Shares being initially offered by the Company for subscription at the Offer Price pursuant to the International Offering together, where relevant, with any additional H Shares issued pursuant to the exercise of the Over-allotment Option, the number of which is further subject to reallocation as described in "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional offering of the International Offer Shares by the International Underwriters with professional and institutional investors and the Strategic Investors at the Offer Price, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering and to be entered into by the Company, the Controlling Shareholders and the International Underwriters on or around June 19, 2015
"Jining Hongrui"	Jining Hongrui Real Estate Co., Ltd.* (濟寧鴻瑞置業有限公司), a limited liability company established in the PRC, which is our connected person and directly held as to 40.2% by Ms. QIAN Yumei, 26.8% by Ms. ZHANG Jianfang and 33% by Jiangsu Kerui Property Management Corporation* (江蘇可瑞資產管理有限公司), an Independent Third Party
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited *(in respect of the Hong Kong Public Offering)*, Citigroup Global Markets Limited *(in respect of the International Offering)*, China Merchants Securities (HK) Co., Limited, ICBC International Capital Limited, CMB International Capital Limited, Quam Securities Company Limited, Cinda International Securities Limited, CIMB Securities Limited and BNP Paribas Securities (Asia) Limited
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited and China Merchants Securities (HK) Co., Limited
"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited (*in respect of the Hong Kong Public Offering*), Citigroup Global Markets Limited (*in respect of the International Offering*), China Merchants Securities (HK) Co., Limited, ICBC International Securities Limited, CMB International Capital Limited, Quam Securities Company Limited, Cinda International Securities Limited, CIMB Securities Limited, BNP Paribas Securities

	(Asia) Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Shenwan Hongyuan Capital (H.K.) Limited and DBS Asia Capital Limited
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited
"Latest Practicable Date"	June 8, 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Lianyungang Fairbay"	Lianyungang Fairbay Infrastructure Construction Company Limited (連雲港至高市政工程有限公司), a limited liability company established in the PRC on February 21, 2008, which is wholly owned by Fairbay Investment SRL and is an affiliate of WPRE I
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Friday, June 26, 2015, on which the H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for the Articles of Association of Companies Seeking a Listing Outside the PRC (到境外上市公司章程必備條款) promulgated on August 27, 1994 by the Securities Commission of the PRC and the State Restructuring Commission of the PRC, as amended, supplemented or otherwise modified from time to time
"Managed Shopping Mall(s)"	shopping mall(s) managed by us under contract management agreements
"Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Nanjing HFC"	Nanjing Red Star International Home Furnishing Company Limited* (南京紅星國際傢俱裝飾城有限公司), which is a direct wholly owned subsidiary of our Company
"Nanjing Mingdu"	Nanjing Mingdu Home Living Plaza Company Limited* (南京名都家居廣場有限公司), which is an indirect wholly owned subsidiary of our Company

"NPC" or "National People's Congress"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會), the national legislative body of the PRC
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$13.28 and expected to be not less than HK$11.18, such price to be agreed upon by our Company and the Underwriters' Representatives (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Oppein"	Oppein Home Group Inc. (歐派家居集團股份有限公司), a joint stock limited liability company established in the PRC in which we hold 4.99% interest as of the Latest Practicable Date
"Other Cities"	for the purpose of this prospectus only, means cities at prefecture-level, excluding Tier I Cities, Tier II Cities and Tier III Cities
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters exercisable by the Underwriters' Representatives on behalf of the International Underwriters pursuant to which our Company may be required to issue up to an aggregate of 81,538,200 additional new H Shares (representing 15% of the H Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"percentage ratios"	has the meaning ascribed thereto under Rule 14.04(9) of the Listing Rules
"Ping'an Pharmacy"	Shanghai Ping'an Pharmacy Company Limited* (上海平安大藥房有限公司), a limited liability company established in the PRC on November 20, 2009, which is directly wholly owned by Ms. LI Huifen (李慧芬) and is a Shareholder of our Company. It will directly hold approximately 0.10% of the issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
"pipeline Portfolio Shopping Mall(s)"	Portfolio Shopping Malls for which we have entered into definitive agreements with relevant parties, including land acquisition agreements with local government authorities and investment or cooperation agreements with local business partners

"pipeline Managed Shopping Mall(s)"	Managed Shopping Malls for which we have entered into contract management agreements with our Managed Shopping Mall partners
"Portfolio Shopping Mall(s)"	all of the following shopping malls: (i) shopping malls in which all or a majority of the operating areas are owned by us; (ii) the Transferred Shopping Malls (other than Chengdu Jinniu Shopping Mall); (iii) shopping malls leased by us; (iv) shopping malls for which we operate and consolidate their results of operation and pay the relevant property owners a fixed amount of annual fees ("**fixed-fee Portfolio Shopping Malls**"); and (v) shopping malls held by our associates or joint venture partners and operated by us ("**JV/associate Portfolio Shopping Malls**"). For the year ended December 31, 2014 and the three months ended March 31, 2014 and 2015, our fixed-fee Portfolio Shopping Malls included (a) Erdos Dongsheng Mall, (b) Yichang Xiling Mall and (c) Quzhou Sanqu Mall. Such fixed-fee Portfolio Shopping Malls were operated by us under contract management agreements in the years ended December 31, 2012 and 2013. We entered into the abovementioned fixed-fee arrangements with respect to such fixed-fee Portfolio Shopping Malls since 2014. Accordingly, such fixed-fee Portfolio Shopping Malls were categorized as our Managed Shopping Malls for the years ended December 31, 2012 and 2013, and were categorized as our Portfolio Shopping Malls for the year ended December 31, 2014 and the three months ended March 31, 2014 and 2015. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our JV/associate Shopping Malls included (a) Suzhou Park Mall and Shenzhen Xiangmi Lake Mall, which are held by our associates and operated by us, and (b) Wuhu Minghui Mall and Chengdu Shuangnan Mall, which are held by our joint ventures and operated by us. We do not consolidate the results of operation of the relevant companies holding the JV/associate Portfolio Shopping Malls into our consolidated financial information for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015. The results of operation of and our interests in the relevant companies were reflected in share of profit of associates, share of results of joint ventures, interests in associates, and interests in joint ventures in our consolidated financial information. Accordingly, with respect to the operating information in this prospectus, we categorize the abovementioned (i) and (ii) as "**Self-owned Portfolio Shopping Malls**" and the abovementioned (iii) (iv) and (v) as "**Non-self-owned Portfolio Shopping Malls**".

	With respect to the financial information in this prospectus, we categorize the abovementioned (i), (ii), (iii) and (iv) as our "**Owned/Leased Portfolio Shopping Malls**", among which (i) and (ii) are categorized as "**Owned Portfolio Shopping Malls**", and (iii) and (iv) are categorized as "**Leased Portfolio Shopping Malls**"
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC government" or "Chinese government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Price Determination Date"	on or around Friday, June 19, 2015 on which the Offer Price is determined, or such later date as our Company and the Joint Global Coordinators (on behalf of the Underwriters) may agree
"Province" or "province"	a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
"Qualified Institutional Buyer" or "QIB"	a qualified institutional buyer within the meaning of Rule 144A
"R&D"	research and development
"Red Star Furniture Group"	Red Star Furniture Group Co., Ltd.* (紅星家俱集團有限公司), formerly known as Changzhou Red Star Furniture Group Company* (常州紅星家俱集團公司), a company established in the PRC on June 27, 1994, which is held as to 45% by Mr. CHE Jianxing, 45% by Changzhou RSHFC and 10% by Ms. CHE Jianfang
"Regulation S"	Regulation S under the Securities Act
"Repurchase Framework Agreements"	the repurchase framework agreement dated December 15, 2011 and two supplemental agreements dated December 18, 2011 and October 31, 2012, respectively, entered into by, amongst others, our Company and Xingkai Zhongcheng
"Repurchased Portion"	76.6% of the property right of Yunnan Shopping Mall
"RMB" and "Renminbi"	the lawful currency of the PRC
"RSED"	Shanghai Red Star Macalline Enterprise Development Co., Ltd.* (上海紅星美凱龍企業發展有限公司), a limited liability company established in the PRC on June 11, 2010, which is held as to 70.15% by RSI, 14% by Millbranch Investment SRL, an affiliate of Warburg Pincus, 8.08% by Candlewood, 4.72% by Springwood, 0.81% by Lianyungang Fairbay, 0.37% by Shanghai Hongmei, 1.66% by Shanghai Meilong and 0.22% by Shanghai Xingkai

"RSI"	Shanghai Red Star Macalline Investment Company Limited* (上海紅星美凱龍投資有限公司), a limited liability company established in the PRC on April 28, 2007, which is held as to 92% by Mr. CHE Jianxing and 8% by Ms. CHE Jianfang and is a Shareholder of our Company. It will directly hold approximately 68.44% of the issued share capital of our Company immediately upon the completion of the Global Offering (assuming Over-allotment Option is not exercised)
"Rule 144A"	Rule 144A under the Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"Securities Commission"	the Securities Commission of the State Council of the PRC (中華人民共和國國務院證券委員會), which was abolished in March, 1998 when its functions were assumed by CSRC thereafter
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), promulgated by the Standing Committee of the National People's Congress on December 29, 1998 and which became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shaanxi Hongrui"	Shaanxi Hongrui Home Furnishings Plaza Co., Ltd.* (陝西鴻瑞家居生活廣場有限公司), a limited liability company established in the PRC, which is our connected person and held as to 39.6% by Ms. QIAN Yumei, 26.4% by Ms. ZHANG Jianfang and 34% by Jiangsu Kerui Property Management Corporation* (江蘇可瑞資產管理有限公司) and YAN Xiaojing, each an Independent Third Party
"Shanghai Hongmei"	Shanghai Hongmei Investment Management Company Limited* (上海紅美投資管理有限公司), a limited liability company established in the PRC on June 22, 2010, which is wholly owned by Ms. CHAO Yanping, a supervisor of our Company

"Shanghai Hongmei Investment"	Shanghai Hongmei Investment Management Center (Limited Partnership)* (上海弘美投資管理中心(有限合夥)), a limited partnership established in the PRC on February 27, 2012, which has 43 partners and is a Shareholder of our Company. It will directly hold approximately 0.35% of the issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
"Shanghai Jinghai"	Shanghai Jinghai Assets Management Center (Limited Partnership)* (上海晶海資產管理中心(有限合夥)), a limited partnership established in the PRC on February 27, 2012, which has 47 partners and is a Shareholder of our Company. It will directly hold approximately 1.57% of the issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
"Shanghai Jingting"	Shanghai Jingting Enterprise Management Company Limited* (上海晶庭企業管理有限公司), a limited liability company established in the PRC, which is an indirect non-wholly owned subsidiary of our Company
"Shanghai Kaixing"	Shanghai Kaixing Business Administration Center (Limited Partnership)* (上海凱星企業管理中心(有限合夥)), a limited partnership established in the PRC on February 27, 2012, which is held by five individuals and is a Shareholder of our Company. It will directly hold approximately 0.21% of the issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
"Shanghai Meilong"	Shanghai Meilong Assets Management Company Limited* (上海美龍資產管理有限公司), a limited liability company established in the PRC on June 22, 2010, which is wholly owned by an employee of our Group
"Shanghai Xingkai"	Shanghai Xingkai Business Administration Company Limited* (上海興凱企業管理有限公司), a limited liability company established in the PRC on June 22, 2010, which is wholly owned by an employee of our Group
"Share(s)"	Share(s) of the Company, including both Domestic Share(s) and Foreign Share(s)
"Shareholder(s)"	the holder(s) of the shares of the Company
"Shenyang Jingsen"	Shenyang Jingsen Hongpu Real Estate Development Co., Ltd.* (瀋陽晶森宏普房地產開發有限公司), a limited liability company

	established in the PRC, which is our connected person and indirectly held as to 75% by RSED and 25% by Hua Lun International Development Co., Ltd.* (華倫國際發展有限公司), an Independent Third Party
"Shenyang Expo"	Shenyang Red Star Macalline Home Living Expo Company Limited* (瀋陽紅星美凱龍博覽家居有限公司), a limited liability company established in the PRC, which is a direct wholly owned subsidiary of our Company
"Shenyang Shopping Mall"	Shenyang Hunnan Mall, the Transferred Shopping Mall held by Shenyang Jingsen
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"Springwood"	Springwood Investment SRL, a society with restricted liability incorporated in Barbados on February 5, 2007, which is a Shareholder of our Company. WPRE I Redstar is the sole quota-hold of Springwood. It will directly hold approximately 5.00% of the issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
"Stabilizing Manager"	Morgan Stanley Asia Limited
"State"	the government authorities authorized to perform specified duties in the name of the PRC according to the PRC laws, including without limitation the NPC and the State Council
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Sunan Construction"	Jiangsu Sunan Construction Company Limited* (江蘇蘇南建築安裝工程有限公司), a limited liability company established in the PRC, which is a direct wholly owned subsidiary of our Company
"Supervisor(s)"	member(s) of the supervisory committee of the Company
"Tianjin Red Star"	Tianjin Red Star Macalline Home Decoration Co., Ltd.* (天津紅星美凱龍家飾有限公司), a limited liability company established in the PRC on June 1, 2007 and dissolved on August 8, 2009 after the merger into our Company
"Tianjin International Expo"	Tianjin Red Star Macalline International Home Furnishing Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司), a limited liability company established in the PRC, which is an indirect non-wholly owned subsidiary of our Company

"Track Record Period"	the three years ended December 31, 2014
"Tier I Cities"	for the purpose of this prospectus only, means Shanghai, Beijing, Guangzhou and Shenzhen
"Tier II Cities"	for the purpose of this prospectus only, means Chongqing, Tianjin, Suzhou, Hangzhou, Zhengzhou, Changsha, Urumqi, Ningbo, Chengdu, Lanzhou, Nanjing, Nanning, Nanchang, Xiamen, Hefei, Hohhot, Harbin, Dalian, Taiyuan, Kunming, Wuxi, Qingdao, Xi'an, Changchun, Shijiazhuang, Wuhan, Shenyang, Jinan, Wenzhou, Fuzhou, Guiyang, Foshan, Dongguan and Haikou
"Tier III Cities"	for the purpose of this prospectus only, means Daqing, Zhongshan, Yancheng, Baotou, Taizhou, Pingdingshan, Jilin, Anyang, Jiangmen, Chifeng, Xingtai, Zhoukou, Yichang, Yueyang, Songyuan, Jinhua, Handan, Xinyang, Baoding, Nantong, Nanyang, Xianyang, Weihai, Liuzhou, Quanzhou, Luoyang, Maoming, Tangshan, Xuzhou, Guilin, Zhuzhou, Tai'an, Taizhou, Zhuhai, Changzhou, Changde, Huai'an, Zibo, Liaocheng, Tongliao, Chenzhou, Langfang, Huizhou, Zhanjiang, Huzhou, Jiaozuo, Ordos, Heze, Xinxiang, Yulin, Jiaxing, Zhangzhou, Dezhou, Anshan, Hengyang, Xiangyang, Dongying, Linyi, Yangzhou, Zaozhuang, Cangzhou, Jining, Binzhou, Weifang, Yantai, Shaoxing, Wuhu, Xuchang, Ganzhou, Lianyungang, Zhenjiang, Yinchuan, Lhasa, Xining and Shangqiu
"Transferred Shopping Mall(s)"	the home improvement and furnishings shopping malls (together with their corresponding assets and liabilities) held by seven of the Disposed Real Estate Companies, namely Huayun Trade, Changchun Property, Yunnan Property, Shenyang Jingsen, Dalian Investment, Xinglong Property and Greenland Jinniu, at the time of the Disposal of Real Estate Business
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriters' Representatives"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Warburg Pincus"	Warburg Pincus LLC, a limited liability company incorporated in New York, United States and is a global private equity firm

"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"WPRE I"	Warburg Pincus Real Estate I, L.P., a limited partnership established under the laws of Delaware, a private equity fund managed by Warburg Pincus
"WPRE I Redstar"	WPRE I Redstar, L.P., a limited partnership established under the laws of Cayman Island, a private equity fund managed by Warburg Pincus
"Xingkai Chengpeng"	Shanghai Xingkai Chengpeng Business Management Company Limited* (上海星凱程鵬企業管理有限公司), a limited liability company established in the PRC on October 28, 2011, which is a direct wholly owned subsidiary of our Company
"Xingkai Zhongcheng"	Shanghai Xingkai Zhongcheng Business Development Company Limited* (上海星凱眾程企業發展有限公司), now known as Shanghai Red Star Macalline Business Administration Company Limited* (上海紅星美凱龍企業經營管理有限公司), a limited liability company established in the PRC, which is a direct wholly owned subsidiary of RSED
"Xinglong Shopping Mall"	Shanghai Pujiang Mall, the Transferred Shopping Mall held by Xinglong Property
"Xuzhou RSHFC"	Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd.* (徐州紅星美凱龍國際傢俱裝飾城有限公司), a limited liability established in the PRC, which is our connected person and directly held as to 50% by Mr. CHE Jianlin, 25% by Mr. CHE Jianguo and 25% by ZHOU Lichen and WANG Lili, each an Independent Third Party
"Xuzhou RSHFP"	Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd.* (徐州紅星美凱龍全球家居生活廣場有限公司), a limited liability company established in the PRC, which is our connected person and directly held as to 75% by Mr. CHE Jianlin and 25% by Mr. CHE Jianguo
"Xinglong Property"	Shanghai Xinglong Property Development Co., Ltd.* (上海星龍房地產開發有限公司), a limited liability company established in the PRC, which is our connected person and indirectly wholly owned by RSED
"Xingyi Tonghui"	Shanghai Xingyi Tonghui Business Service Company Limited* (上海星易通匯商務服務有限公司), a limited liability company established in the PRC and a direct wholly owned subsidiary of our Company

"Yangzhou RSHFP"	Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd.* (揚州紅星美凱龍全球家居生活廣場置業有限公司), a limited liability company established in the PRC, which is our connected person and directly held as to 95% by Mr. CHE Jianlin and 5% by YAN Xiaojing, an Independent Third Party
"Yunnan Property"	Yunnan Red Star Macalline Property Co., Ltd.* (雲南紅星美凱龍置業有限公司), a limited liability company established in the PRC, which is our connected person and indirectly held as to 67% by RSED and 33% by Yunnan Boyang Real Estate Development Co., Ltd.*(雲南博陽房地產開發有限公司) and Yunnan Guiyunhe Investment Co., Ltd.*(雲南貴雲和投資有限公司), each an Independent Third Party
"Yunnan Shopping Mall"	Kunming Xishan Mall, the Transferred Shopping Mall held by Yunnan Property

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purposes only. Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its businesses. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"asset liability ratio"	as defined on page 337 of this prospectus
"average effective unit income from operation"	calculated as the income from operation from our Portfolio Shopping Malls for the period for all relevant shopping malls divided by the arithmetic mean of the operating areas of such shopping malls at the beginning and the end of such period and further divided by the number of months in such period
"B2C"	business to consumer
"chain"	retail outlets that share a brand and central management, usually with standardized business methods and practices
"core net profit margin"	as defined on page 338 of this prospectus
"current ratio"	as defined on page 336 of this prospectus
"exhibition space agreement(s)"	exhibition space lease and management services agreement(s) entered into between our Portfolio Shopping Malls and our tenants
"GDP"	gross domestic product, a measure of the aggregate value of goods and services produced by a country or region
"GFA"	gross floor area
"gross profit margin"	as defined on page 338 of this prospectus
"interest expenses coverage ratio"	as defined on page 338 of this prospectus
"Internet"	international network that links together computers and allows data to be transferred between each computer using the TCP/IP protocols
"IT"	information technology
"km"	kilometer
"m"	meter(s)
"mature shopping malls"	Portfolio Shopping Malls which commenced operation before 2012 and were still in operation as of the Latest Practicable Date
"modern residential housing"	residential housing developed by commercial developers
"O2O"	online to offline

"net gearing ratio"	as defined on page 337 of this prospectus
"net profit margin"	as defined on page 338 of this prospectus
"occupancy rate"	calculated as actually leased area divided by operating area of a shopping mall as of the end of each relevant period
"operating area"	area that can be used to generate income within a shopping mall
"quick ratio"	as defined on page 337 of this prospectus
"return on equity"	as defined on page 337 of this prospectus
"return on total assets"	as defined on page 337 of this prospectus
"same mall growth"	growth in income from operation for a particular year compared with the prior year for all Portfolio Shopping Malls that were in operation for at least 24 months as of the end of the second year and remained open as of the Latest Practicable Date. Below is a list of Portfolio Shopping Malls that had been in operation for at least 24 months as of the dates indicated:

- As of December 31, 2013: Shanghai Zhenbei Mall, Changzhou Feilong Mall, Wuxi Xishan Mall, Beijing West Fourth-ring Mall, Tianjin Hexi Mall, Tianjin Hongqiao Mall, Beijing East Fourth-ring Mall, Shanghai Wenshui Mall, Chengdu Wuhou Mall, Zhengzhou Shandu Mall, Shenyang Tiexi Mall, Beijing North Fourth-ring Mall, Nanjing Kazimen Mall, Shanghai Pudong Hu'nan Mall, Changzhou Wujin Mall, Jinan Tianqiao Mall, Nanjing Central Road Mall, Changzhou Decoration Mall, Changsha Helong Mall, Lianyungang Renmin Mall, Yangzhou Runyang Light Building Materials Mall, Chongqing Jiangbei Mall, Changsha Shaoshan Mall, Baotou Donghe Mall, Hangzhou Gudun Mall, Shenzhen Jilong Mall, Chongqing Nanping Mall, Shenyang Dadong Mall, Beijing North Fifth-ring Mall, Quzhou Sanqu Mall, Erdos Donsheng Mall, Shenzhen Xiangmi Lake Mall, Yunan Shopping Mall, Yichang Xiling Mall, Chendu Shuangnan Mall, and Wuhu Minghui Mall

- As of December 31, 2014: Shanghai Zhenbei Mall, Changzhou Feilong Mall, Wuxi Xishan Mall, Beijing West Fourth-ring Mall, Tianjin Hexi Mall, Tianjin Hongqiao Mall, Beijing East Fourth-ring Mall, Shanghai Wenshui Mall, Chengdu Wuhou Mall, Zhengzhou Shandu Mall, Shenyang Tiexi Mall, Beijing North Fourth-ring Mall, Nanjing Kazimen Mall, Shanghai Pudong Hu'nan Mall, Changzhou Wujin Mall, Jinan Tianqiao Mall, Nanjing Central Road Mall, Changzhou

Decoration Mall, Changsha Helong Mall, Lianyungang Renmin Mall, Yangzhou Runyang Light Building Materials Mall, Chongqing Jiangbei Mall, Changsha Shaoshan Mall, Baotou Donghe Mall, Hangzhou Gudun Mall, Shenzhen Jilong Mall, Chongqing Nanping Mall, Shenyang Dadong Mall, Beijing North Fifth-ring Mall, Quzhou Sanqu Mall, Erdos Donsheng Mall, Shenzhen Xiangmi Lake Mall, Yunan Shopping Mall, Yichang Xiling Mall, Chendu Shuangnan Mall, Wuhu Minghui Mall, Huayun Shopping Mall, Shenyang Shopping Mall, Changchun Shopping Mall, and Tianjin Dongli Mall

"sq.m."	square meter(s)

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material changes in the home improvement and furnishings industry.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operation or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Offer Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

We believe that there are certain risks involved in our operations and business strategies, the home improvement and furnishings retail industry and an investment in the Offer Shares, many of which are beyond our control. These risks can be categorized into the following categories: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Any damage to our reputation or brand image could adversely affect our business, financial condition, results of operation and prospects.

We rely on our "Red Star Macalline" (紅星美凱龍) brand to attract customers to our shopping malls. Brand value is based largely on subjective customer perception and can be damaged by isolated incidents that diminish customer trust. Any negative incident or negative publicity concerning us, our business, our Managed Shopping Mall partners or our tenants could adversely affect our reputation and business. Our brand value and consumer demand could decline significantly if we fail to deliver a consistently positive experience to the customers that visit our shopping malls. In addition, our efforts to protect our brand name may not be adequate and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Our service marks, trademarks, trade secrets and other intellectual property are also critical to our success. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, tenants, business partners and others to protect our intellectual property rights. We have obtained trademark registrations of, among others, "Red Star Macalline" (紅星美凱龍), "Red Star" (紅星) and "Macalline" (美凱龍), for relevant services for which registration is available in the PRC. Despite the precautions taken, it may be possible for third parties to obtain and use our intellectual property without authorization, which may adversely affect our business and reputation. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and a diversion of resources and, consequently, could adversely affect our business and results of operation.

The home improvement and furnishings retail industry is highly competitive.

The home improvement and furnishings retail industry and the operation of shopping malls for home improvement and furnishings products in China is highly competitive. We face competition from international, domestic and local operators of home improvement and furnishings shopping malls, specialty retailers and other forms of home improvement and furnishings retail businesses in the areas where we currently operate and where we may enter. Our primary competitors include Easy Home, Ayd Home Furnishing, B&Q and IKEA. We also face increasing competition from operators of e-commerce businesses, such as Meidele and Jia.com and the home improvement and furnishings retail business of Tmall.com and JD.com. We compete with other retailers in China based on, among others:

- our brand recognition and shopping mall image;
- the location and size of a shopping mall;
- the reputation, mix, brands and quality of the products offered by tenants at our shopping malls;
- the quality of customer service; and
- the ability to understand and respond to customer demand in a timely manner.

Some of the businesses with which we compete may be more established than we are, and have broader regional coverage, better brand names and/or more financial resources than we do. Moreover, when we carry out our expansion plan and enter into new regions, we may encounter competition from existing shopping malls or other retailers that have better brand recognition and better understanding of the consumer preferences in such regions, have an established customer base or established relationships with home improvement and furnishings manufacturers and distributors in such regions, are better located, and/or are better able to effectively navigate the local legal and regulatory landscape.

Increases in consumer spending via the Internet may significantly affect our ability to generate sales in our retail shopping malls. Home improvement and furnishings manufacturers and distributors may choose to focus increasingly on Internet sales instead of physical channels. Competition may also intensify if our retail competitors set up their own Internet platforms and begin to sell products via the Internet. If we are unable to compete effectively against operators of these types of retail channels, our business, financial condition, results of operation and prospects will be materially and adversely affected.

Our business is highly dependent on the home improvement and furnishings demand in China.

We operate and manage home improvement and furnishings shopping malls in China and our performance is highly dependent on the home improvement and furnishings demand in China and in regions where we operate, which is partly affected by the housing market in these regions. As of December 31, 2014, we operated and managed 158 shopping malls with a total operating area of approximately 10,752,853 sq.m. in 115 cities across China. The general economic slowdown, any housing market downturn in China generally or in regions where we operate, or slow urbanization or consumption upgrading could adversely affect the demand for home improvement and furnishings products and services. The overall economic growth in China will continue to be affected by many factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. In 2014, China's GDP expanded by 7.4%, which was its slowest rate in the past 20 years and below the PRC government's growth target. The PRC property market, including the residential property market, is affected and will continue to be affected by various factors out of our control, including, among others, changes in the PRC social, economic, political and legal environment and macroeconomic policy, as well as global economic conditions. For example, PRC governments at central and local levels promulgated various measures to slow down the growth of the domestic property market in recent years and the PRC property market fluctuated as a result. Any slowdown of economic growth may affect urbanization, and in turn have a significant impact on the property markets and consumer demand in cities and regions where we operate, as periods of economic growth are typically accompanied by increasing rent for investment properties and growth of the residential property market affects consumer demand for home improvement and furnishings products and services. Any slowdown could also negatively affect the growth in per capita disposable income and standard of living in our target cities and regions, as well as consumer demand and confidence. Any adverse development in China's economy, in its property market in general or in regions where we operate, or in the urbanization and consumption trends may affect the demand for home improvement and furnishings products and services and may in turn materially and adversely affect our business, financial condition, results of operation and prospects.

We may fail to foresee or adjust to changing consumer tastes and demand.

Our ability to accurately foresee and respond in a timely manner to constantly changing consumer tastes and demand is important to the success of our business. However, as home improvement and furnishings design and style trends and consumer preferences in China are constantly changing and affected by global lifestyle and design trends, disposable income, availability of financing, consumer confidence in the economy and other factors beyond our control, we may not be able to foresee accurately and adjust quickly to trends in consumer tastes and demand. Any failure on our part to anticipate, identify and respond effectively and in a timely manner to changing consumer demand and home improvement and furnishings design and style trends may materially and adversely affect our business, financial condition, results of operation and prospects.

We rely on the performance of our major shopping malls in Beijing and Shanghai.

For the years ended December 31, 2012, 2013 and 2014, we had seven shopping malls that each generated single-mall revenue of over RMB200.0 million each year, including Beijing East Fourth-ring Mall, Shanghai Wenshui Mall, Shanghai Zhenbei Mall, Shanghai Pudong Hunan Mall, Shenyang Tiexi Mall, Zhengzhou Shangdu Mall and Nanjing Kazimen Mall. All such seven shopping malls are Self-owned shopping malls, and the annual rental income of our Self-owned shopping malls is of a fixed amount. Same as our other shopping malls, we typically enter into the one-year exhibition space agreements with our tenants in such seven shopping malls. The revenues from Beijing East Fourth-ring Mall, Shanghai Wenshui Mall, Shanghai Zhenbei Mall, Shanghai Pudong Hunan Mall, Shenyang Tiexi Mall, Zhengzhou Shangdu Mall and Nanjing Kazimen Mall accounted for approximately 7.2%, 6.5%, 10.0%, 6.4%, 6.3%, 5.8% and 5.4% of our revenues from our Owned/Leased Portfolio Shopping Malls and approximately 5.3%, 4.7%, 7.3%, 4.7%, 4.6%, 4.2% and 4.0% of our total revenues in 2012, respectively. The revenues from Beijing East Fourth-ring Mall, Shanghai Wenshui Mall, Shanghai Zhenbei Mall, Shanghai Pudong Hunan Mall, Shenyang Tiexi Mall, Zhengzhou Shangdu Mall and Nanjing Kazimen Mall accounted for approximately 6.7%, 6.1%, 9.3%, 6.2%, 5.9%, 5.7% and 5.2% of our revenues from our Owned/Leased Portfolio Shopping Malls and approximately 4.4%, 4.0%, 6.2%, 4.1%, 3.9%, 3.8% and 3.4% of our total revenues in 2013, respectively. The revenues from Beijing East Fourth-ring Mall, Shanghai Wenshui Mall, Shanghai Zhenbei Mall, Shanghai Pudong Hunan Mall, Shenyang Tiexi Mall, Zhengzhou Shangdu Mall and Nanjing Kazimen Mall accounted for approximately 6.0%, 5.3%, 8.4%, 5.6%, 5.2%, 5.3% and 4.8% of our revenues from our Owned/Leased Portfolio Shopping Malls and approximately 3.7%, 3.3%, 5.2%, 3.4%, 3.2%, 3.2% and 2.9% of our total revenues in 2014, respectively. There has been no tenant or brand concentration in such shopping malls during the Track Record Period, with the largest tenant and the largest brand contributing to less than 1% of our total revenues. Therefore, our business and financial performance would be materially and adversely affected by any circumstances such as fire, water damage, legal restrictions or other causes that adversely affect the operations or business of any of our major shopping malls or the economic conditions in Beijing and Shanghai. Many of our major shopping malls face intense competition in the relevant cities, including in Beijing and Shanghai. Any government development plans around our premises, such as infrastructure construction, may also have an adverse impact on the external traffic flow to our shopping malls. If any of the above happens, our business, reputation, financial condition, results of operation and prospects will be materially and adversely affected.

We rely on our tenants for a substantial portion of our revenue.

Revenues generated from our Owned/Leased Portfolio Shopping Malls, including rent, management fees and other service fees from our tenants, accounted for approximately 73.4%, 66.0%, 61.5%, 69.3% and 66.2% of our total revenues for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, respectively. Our success depends on our ability to retain existing tenants and attract new ones, and our image depends on our ability to attract and retain brands and products that are perceived to be fashionable and high-quality by the customers. On the other hand, competition is intense among home furnishings retailers for popular and fashionable brands and products. Our business expansion plan may also increase pressure on rent and management fees we charge our tenants. We typically enter into one-year exhibition space agreements with our tenants, and either party may terminate the agreement with a two-month notice. As a result, our rent and management fees are constantly affected by the prevailing market conditions. If we are unable to maintain good relationships with our existing tenants or fail to develop new relationships with attractive tenants or to negotiate rent and management fees favorable to us, our business, financial condition, results of operation and prospects will be materially and adversely affected.

We may not be able to successfully expand our business into new geographic markets.

As part of our business strategy, we aim to continue expanding our shopping mall network into select cities in China.

We may not be able to accurately identify geographic locations with sufficient growth potential to expand our market reach or operate new shopping malls. We plan to strategically open our Portfolio Shopping Malls at prime locations across Tier I and selected Tier II Cities in China, and seek to expand our footprint into other Tier II, Tier III and Other Cities with our Managed Shopping Malls. Although our shopping malls have established advantageous brand recognition and a favorable reputation in Tier I and Tier II Cities, we may not be able to sustain such advantages when expanding our geographic coverage into other Tier II, Tier III and Other Cities. For cities we select, we may fail to recognize or properly assess risks or take full advantage of opportunities. We may also face intense competition from peers with an established presence or experience in targeted markets and from other retailers with similar expansion plans.

Our experience in existing markets and our business model may not be transferable to, and replicated in, new markets that we enter. The home improvement and furnishings retail markets in these areas may be different in terms of level of local economic development, the market demand for home improvement and furnishings products and services, consumer tastes and style trends, property development cycles for our shopping malls and presence of our desired tenants. We may have limited ability to leverage our established brands and reputation in new markets in the way that we have done in our existing markets. The administrative, regulatory and tax environments may also be different. We may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced home improvement and furnishings retailers in such cities. We may also fail to recruit personnel with sufficient managerial, development and operational expertise in the new markets. Training managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our requirements, including staff with local market knowledge, may increase our costs. We cannot assure you that we will be able to manage relationships with a greater number of tenants, Managed Shopping Mall partners, suppliers, contractors, service providers, lenders and other third parties. In addition, we may experience cost overruns, delays and other operating difficulties in opening new shopping malls.

Any failure to formulate and effectively execute our expansion plan may limit our growth and materially and adversely affect our business, financial condition, results of operation and prospects.

Unavailability of appropriate opportunities for new Managed Shopping Malls could hamper our growth.

Our growth partially depends on our ability to expand our Managed Shopping Mall network. In order to establish a new Managed Shopping Mall, we need to locate suitable sites with land supply that match our overall expansion plan in our target regions. We also need to identify and negotiate with potential partners that have the financial resources and are willing to accept the level of returns we offer. We cannot assure you that appropriate opportunities for new Managed Shopping Malls, including suitable locations and attractive partners, will be available. The availability of attractive opportunities depends on, among others, prevailing national and local market conditions, regulatory and other limits, local supply of land and investment property, alternative investment opportunities for our potential Managed Shopping Mall partners and our expansion plans. If we are not able to identify and secure opportunities for new Managed Shopping Malls in a timely manner, the growth of our Managed Shopping Mall business and our shopping mall network could be adversely affected, and in turn may materially and adversely affect our business, financial condition, results of operation and prospects.

We may not be able to secure suitable locations for new Portfolio Shopping Malls on commercially acceptable terms.

As part of our business strategy, we aim to continue expanding our Portfolio Shopping Mall network into select cities across China. Location is critical to our success, and our ability to expand depends on our ability to secure suitable premises in our target cities. In addition, due to changes in the surrounding environment, the locations of our existing Portfolio Shopping Malls may no longer be desirable. The key factors we consider in site selection include the following:

- whether it is located in a central or prime shopping district;
- its convenience and accessibility for our target customers;
- the expected customer traffic;
- the size of the available space;

- the availability of supporting facilities;
- competition in the surrounding area;
- general economic conditions and development prospects of the local areas;
- income level, purchasing power and consumption habits of local residents;
- population density of the local areas; and
- infrastructure, urban planning and the development plan of the local government.

The supply of suitable locations for new Portfolio Shopping Malls is limited, and we face intense competition for such premises from other shopping malls, retailers and business establishments. We may not be able to obtain attractive land or property for new Portfolio Shopping Malls. In the past few years, our acquisition, construction and leasing costs of retail space in prime locations have increased substantially. We cannot assure you that in the future we will be able to identify and obtain, whether through construction, acquisition or long-term leases, suitable locations on terms commercially acceptable to us, or at all. In the event that we encounter difficulties in securing suitable locations where we plan to expand, our business, financial condition, results of operation and prospects may be materially and adversely affected.

We may fail to achieve profitability for our new Portfolio Shopping Malls.

We have experienced rapid growth in the past by establishing new Portfolio Shopping Malls. We opened four, seven and six new Portfolio Shopping Malls in 2012, 2013 and 2014, respectively, and as of December 31, 2014, 25 additional Portfolio Shopping Malls are under development at various stages. As we continue to expand our business, we may incur significant expenses for our new Portfolio Shopping Malls, which may not be able to achieve profitability for them. The life cycle of a shopping mall has three stages: development, ramp-up and mature operation. During the development stage, we typically incur substantial pre-opening expenses for our Portfolio Shopping Malls. Newly opened shopping malls often require a ramp-up stage before reaching the anticipated performance levels for us. In this stage, the occupancy rates, rent and management fees, customer flows and other performance indicators may be significantly lower than in the matured operation stage. Costs for marketing, advertising and administration associated with the new shopping malls are generally higher, and the relevant shopping malls may incur net operating losses. Factors that could affect the profitability of our new shopping malls include, among others:

- proper position of our new shopping malls to establish a foothold in new markets and to execute our existing strategy in the local markets;
- accurate assessments and adjustments to consumer tastes, preferences and demands in the relevant markets;
- maintaining adequate management and financial resources for expanded operations;
- attracting and entering into commercially viable agreements with suitable tenants;
- adapting to the evolving competitive environment;

- improvement in our operational and management systems, including our information technology systems, to cover an expanded network of shopping malls; and

- hiring, training and retaining adequate skilled personnel, in particular key employees.

For any new shopping mall we establish, it may take considerable time to achieve profitability, and we cannot assure you that it will produce the intended benefits within the expected time frame or at all. If any Self-owned Portfolio Shopping Mall fails to achieve satisfactory performance, we may not be able to achieve operating profitability for such mall, and we may incur losses due to a decrease in fair value of the relevant investment property. If any leased or fixed-fee Portfolio Shopping Mall fails to achieve satisfactory performance, we may incur operating losses for a considerable period of time due to fixed rent or other expenses. In 2014, we determined that our Tianjin Nankai Mall, one of our leased Portfolio Shopping Malls, could not achieve a satisfactory return at the rent level available to us, and closed the shopping mall. We incurred significant expenses as a result. Any failure to achieve satisfactory performance for our shopping malls in the future may materially and adversely affect our business, financial condition, results of operation and prospects.

We may fail to obtain, or experience significant delays in obtaining, the relevant PRC governmental approvals for the development of our Portfolio Shopping Malls.

At various stages of development of our Portfolio Shopping Malls, we are required to obtain permits, licenses, certificates and other approvals at the municipal, provincial and/or ministry levels, including, among others, the state-owned land use rights certificates, planning permits for construction land, planning permits for construction work, permits for commencement of construction work and certificates or filings of completion and acceptance from the relevant administrative authorities. Grant of each approval is contingent upon the satisfaction of various conditions and requirements and is also subject to the discretion of relevant government authorities and changes in laws, regulations and policies, especially those with respect to real estate development, promulgated from time to time.

We cannot assure you that we will be able to obtain all necessary certificates and permits for the development of our Portfolio Shopping Malls in a timely manner, or at all. We may encounter problems fulfilling all or any of the conditions imposed for the grant of the necessary certificates or permits or may be unable to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the granting of such certificates or permits. If we fail to obtain, or experience significant delays in obtaining, the requisite governmental permits, licenses, certificates and other approvals, we may be subject to penalties and our development may be disrupted or delayed, which in turn could materially and adversely affect our business, financial condition, results of operation and prospects.

Some of our Portfolio Shopping Malls do not strictly comply with land or construction laws and regulations.

Some of our Portfolio Shopping Malls do not strictly comply with land or construction laws and regulations, including Beijing North Fourth-ring Mall, Langfang Kaihong Mall and Dalian Shopping Mall. See "Business — Properties — Non-Compliance." We cannot assure you that our use of the relevant land and buildings will not be challenged in the future for such non-compliance, that we will not be required to rectify or pay any penalty, or that we will be able to secure alternative properties for our business if we are required to relocate. Disputes may also arise between us and our cooperation partners where any such non-compliance is attributable to our partners. Any of these issues may have a material adverse effect on our business, financial condition, results of operation and prospects.

We may fail to complete the development of our Portfolio Shopping Malls on time, within budget, or at all.

As of December 31, 2014, we developed 31 of 52 of our Portfolio Shopping Malls, and an additional 25 new shopping malls were under development at various stages. The progress and costs of the development of our shopping malls can be adversely affected by many factors at any point in the planning or development of the project, including:

- changes in market conditions, economic downturns and decreases in business and consumer sentiment in general;
- our failure to obtain adequate financing to fund the developments;
- delays in obtaining the necessary licenses, permits or approvals from government agencies or authorities;
- negligence or poor work quality of contractors or sub-contractors;
- changes in government rules and regulations and related practices and policies;
- increases in the price of construction materials;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes;
- construction accidents;
- discovery of historically significant objects on or around project sites;
- change of urban planning or land use regulations by relevant government authorities;
- the involvement of non-governmental organizations or other parties against a property development project for environmental or other reasons;
- natural disasters or adverse weather conditions; and
- other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule or budget may adversely affect our expansion plans, reputation, results of operation and financial condition. If we fail to complete the development on time, the tenants may seek compensation for the delay under the exhibition space agreements or the relevant PRC laws and regulations, and our reputation may be damaged. In addition, we have to commit substantial resources in order to develop a shopping mall, and failure to complete the development on time, within budget or at all could result in a loss of some or all of our investment in such project. If any of the above situations happen, our business, financial condition, results of operation and prospects will be materially and adversely affected.

We face fluctuating costs of construction materials and rising costs of labor.

As a result of economic growth in China, prices for construction materials have fluctuated and wages for construction workers have increased substantially in recent years. With the overall improvement of living standards in China as well as the PRC government's recent policies aimed at increasing the wages of migrant workers, we expect labor costs to continue to increase in the foreseeable future. Any increases in the costs of construction materials and labor will likely lead to higher procurement costs for us and prompt our contractors to increase their fee quotes for the development of our Portfolio Shopping Malls, and in turn lead to increased initial investment and funding requirements. Our inability to pass cost increases on to our tenants may adversely affect our business, financial condition, results of operation and prospects.

The third-party contractors engaged for the construction of our shopping malls may fail to meet our quality standards or provide services in a timely manner.

Design, construction and decoration of our shopping malls are essential to their appeal to customers and our market image. Our development centers formulate the master design concept and plan based on our internal design philosophy and standards and our cost control and operational requirements. Under the master design, we work closely with third-party design firms to prepare architectural planning and design drawings, and lay out detailed floor plans, decorative styles, display, landscaping and interior design. We outsource construction of all our Portfolio Shopping Malls to independent construction contractors selected by us through a tender process based on a set of strict criteria, such as professional qualifications, reputation in the industry, track record, technical and construction capabilities, proposed construction schedule and bidding price.

Successful construction of our shopping malls is subject to the satisfactory performance by these third-party contractors of their contractual obligations, including their adherence to our quality standards and the pre-agreed schedule for completion. We cannot assure you that the services rendered by any of these third-party contractors will be satisfactory or meet the quality, safety and aesthetic standard we look for, or that their services will be completed on time. If the performance of any third-party contractor proves unsatisfactory, or if any contractor is in breach of its contractual obligations due to its financial difficulties or other reasons, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect our costs and the construction progress of our shopping malls. In addition, as we are expanding our business into other geographical locations in China, there may be a shortage of third-party contractors that meet our standards and our contractors may also undertake projects from other developers. As a result, we may not be able to engage a sufficient number of high-quality third-party contractors with sufficient resources devoted to our projects, which may adversely affect the construction schedules and development costs of our shopping malls. In addition, any serious dispute with such third-party contractors that we are unable to resolve could result in costly legal proceedings. The occurrence of any of the above events may have a material adverse effect on our business, financial condition, results of operation and prospects.

We incur high utility, maintenance and operating costs for our Portfolio Shopping Malls.

Our Portfolio Shopping Malls utilize a large amount of utilities such as electricity and water. We are generally not able to influence the prices that utility providers charge us, nor can we easily switch to other utility providers. Any price increase or change in pricing structure from these utility providers could have an adverse effect on our operating costs. Our energy conservation measures may not be effective to sufficiently offset any price or usage increases. As a result, increases in the prices of utilities could increase our operating costs if we are not able to pass the increased costs on to our tenants. In addition, our operations involve a significant amount of fixed costs, including maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions by minimizing costs. Such limitations may have an adverse impact on our profitability when the home improvement and furnishings retail industry experiences a downturn and may exacerbate the impact of a decline in occupancy rates, rent and management fees. Any significant increase in maintenance costs and operating costs may have a material adverse effect on our business, financial condition, results of operation and prospects.

We may incur substantial expenses if any lease or fixed-fee arrangement to us for our Portfolio Shopping Malls is not renewed upon its expiration or is terminated.

As of December 31, 2014, we had 52 Portfolio Shopping Malls with a total operating area of approximately 4,033,458 sq.m., of which 14 were leased from third parties and three were managed by us with fixed amount annual fees payable to third parties with a total operating area of approximately 1,039,213 sq.m. Upon expiration of the lease agreement or fixed-fee arrangement for each of such Portfolio Shopping Malls, we will need to negotiate the terms and conditions with third parties on which the lease agreement or fixed-fee arrangement may be renewed. As a result, we may have to pay increased rent to renew such leases or fixed-fee arrangements. We cannot assure you that we will be able to renew our lease agreements or fixed-fee arrangements with third parties on terms and conditions that are favorable or otherwise acceptable to us, or at all. In addition, some of our lease agreements or fixed-fee arrangements may be terminated by third parties for reasons out of our control. Some of our lease agreements or fixed-fee arrangements may also become commercially unacceptable to us, which we may need to terminate or renegotiate with third parties. If we fail to renew any of our leases or fixed-fee arrangements or if any of our lease agreements or fixed-fee arrangements is terminated, we may need to close the relevant Portfolio Shopping Mall and seek an alternative location, and incur substantial expenses related to such closure and relocation. In 2014, we determined that our Tianjin Nankai Mall, one of our leased Portfolio Shopping Malls, could not achieve a satisfactory return at the rent level available to us, and closed the shopping mall. As a result, we had to compensate our landlord as well as the tenants and were not able to recover the costs for interior decorations and improvements made on the property, which led to a large increase in our other losses and other expenses in 2014. Any of these could materially and adversely affect our business, financial condition, results of operation and prospects.

We have not registered a substantial portion of our exhibition space agreements with our shopping mall tenants and as a result we might be subject to fines.

Pursuant to applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the date of this prospectus, we failed to register approximately 14,500 exhibition space agreements in our Portfolio Shopping Mall business, primarily due to the lack of cooperation from the tenants in registering such agreements. See "Business — Properties." Under PRC regulations, while the failure to register a lease agreement does not affect its effectiveness between the tenant and the landlord, we and the tenants may be subject to administrative fines for failing to register the exhibition space agreements and be required by the relevant authority to register such agreements within a prescribed period. We are in the process of registering the exhibition space agreements with the local branches of the Ministry of Housing and Urban Development of the PRC. However, this will require the cooperation of both tenants and our landlords. We cannot assure you that we can complete the registration of all the exhibition space agreements in a timely manner or at all. Our operations may be interrupted if our failure to register exhibition space agreements gives rise to disputes with any tenant or third party, and we may incur additional compliance costs if we are subject to administrative penalties. Our PRC legal advisors, Llinks Law Offices, advised us that a penalty of between RMB1,000 and RMB10,000 for each exhibition space agreement may be imposed for our failing to register. Based on the estimate of 14,500 unregistered exhibition space agreements as of the date of this prospectus, the estimated total penalty is between approximately RMB14.5 million and RMB145.0 million. See "Business — Properties." The occurrence of any of the above conflicts or disputes or the imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operation. The registration of these exhibition space agreements to which we are a party requires additional steps to be taken by the respective other parties to the exhibition space agreements which are beyond our control. We cannot assure you that these parties as well as the relevant government authority will be cooperative and that we can complete the registration of these exhibition space agreements and any other exhibition space agreements that we may enter into in the future.

Our ability to source and retain tenants may be adversely affected if we fail to effectively market and promote our shopping malls.

We frequently organize promotional and marketing events to increase the sales at our shopping malls and promote and enhance our brand name and market image in order to strengthen our ability to source and retain attractive tenants. We may not be able to continue to design, develop and organize promotional events that are popular and appealing to our customers. Additionally, our competitors may compete with us by organizing similar events or developing more attractive activities. Consequently, our efforts in marketing and promotional events may not be effective in the future. Major marketing campaigns may not produce a favorable outcome and may lead to material costs. If our tenants experience difficulties in their sales or if we fail to maintain brand recognition and market image, we may not be able to retain existing tenants or attract new ones, and may lose our leverage to maintain the level of our rent and management fees. Our expenses may increase and our profit margin may drop. Any of these situations would materially and adversely affect our business, financial conditions, results of operation and prospects.

Poor performance of major tenants at our shopping malls may adversely affect our market image.

We rely on our major tenants to appropriately position our shopping malls and attract our target customer flow. We generally enter into exhibition space agreements with our tenants for a term of one year. In addition, our tenants send their own sales persons to staff the counters for their products in our shopping malls. If our major tenants terminate or do not renew their contracts with us and we fail to find suitable replacement tenants to maintain our supply of trendy, fashionable and high-quality products, if sales persons employed by our tenants fail to comply with our relevant guidelines, or if the products they sell in our shopping malls are not accepted by or not popular among our customers, or are defective, our market image and business will be materially and adversely affected.

Any fundamental upgrade or repositioning or remodeling of existing shopping malls carries inherent risks of losing the existing level of business.

In the future, we may upgrade or reposition some of our existing shopping malls. If we fail to accurately assess the readiness for shopping malls in the markets that we enter, or to formulate and adhere to the standards appropriate for a specific market, we may be unsuccessful in upgrading or repositioning our existing shopping malls, which could have a material adverse effect on our business. We also need to periodically upgrade and remodel our shopping malls to keep pace with the fashion trends, maintain their image and address the needs of our tenants. For example, we remodeled our Tianjin Hongqiao Mall to renovate the entrance and the floor space on various floors in 2014. Any upgrade or renovation to the retail space of an existing shopping mall may disrupt its business and cause loss of sales of nearby tenants during the upgrade or renovation. Also, it may require significant time to achieve the optimal brand mix and generate the desirable levels of customer traffic at a shopping mall after an upgrade or renovation. If we are unable to complete such upgrade or renovation in a timely manner, or if the remodeling of a shopping mall does not lead to the intended benefits, our business, financial condition, results of operation and prospects may be materially and adversely affected.

Poor performance of our Managed Shopping Malls could adversely affect our business and our ability to retain existing or, attract new, Managed Shopping Mall partners.

As part of our strategy, we intend to continue to grow our network of Managed Shopping Malls. If a Managed Shopping Mall does not achieve the investment return target satisfactory to our partner, our partner may choose to terminate its relationship with us. We may be forced to exit the relevant geographic area and our business operations may be interrupted. Any compensation we receive for such termination may not be sufficient to cover the costs we incur in reentering the relevant area on our own or with a new Managed Shopping Mall partner. Furthermore, poor performance of our Managed Shopping Malls could make it more difficult for us to find new partners in the relevant location or elsewhere, as our existing and potential partners for our Managed Shopping Malls continually assess our performance. In addition, we introduced a new progressive commission fee model to some of our Managed Shopping Malls in 2013. Under this model, we charge a progressive commission based on the performance of the relevant shopping mall on top of a fixed management fee. In the event that any of our Managed Shopping Malls were to perform poorly, our revenue, income and cash flow may not grow and may decline as a result of the reduction in our progressive commissions. As a result, any unsatisfactory performance may adversely affect our expansion plans and our business, financial condition, results of operation and prospects.

We may face fee pressures for our existing or future Managed Shopping Malls.

In order for us to maintain our fee level in a competitive environment to attract new Managed Shopping Mall partners, we must be able to provide potential partners with investment returns and services that will encourage them to be willing to pay such fees. Any explicit or implicit fee reductions on our existing or future Managed Shopping Malls without corresponding decreases in our costs would have an adverse impact on our margins. We may face competitive and other pressures to lower our fees. We may also experience a decrease in the collection rate for our fees, which could indirectly put pressure on our fee level. In 2014, we reviewed our receivables for Managed Shopping Mall business under more conservative criteria, and made net provisions for doubtful receivables in the amount of RMB46.4 million for the year ended December 31, 2014. There can be no assurance that we will not decide in the future to reduce or waive, in whole or in part, these and other fees. Any such reduction or waiver in our fees could have an adverse impact on our margins.

Our results may fluctuate and our gross margin may decrease due to the nature of our Managed Shopping Mall business.

For our Managed Shopping Malls, the gross margin of our services tends to be higher at the pre-opening stage due to our unique business model. Under our standard contract management agreements, we receive a relatively large amount of initiation and entrance fees upfront that are recognized at the pre-opening stage, and substantially all of the pre-opening development costs, including the land premium and construction costs, are directly borne by our Managed Shopping Mall partners. We also generate consulting and management fees from construction contractors during the pre-opening stage. In contrast, after a Managed Shopping Mall is opened, we incur substantial operating expenses upfront in our day-to-day management. Our partners reimburse us for such operating expenses as part of our management and consulting fees, and pay us an annual management fee, which may be tied to the performance of the Managed Shopping Malls. Similar to our Portfolio Shopping Malls, it generally takes a few years to ramp up the business of our Managed Shopping Malls to achieve stability and a sufficient level of rent and management fees for our partners. Due to the non-recurring nature of the higher margin pre-opening services with respect to each Managed Shopping Mall, the gross margin of our Managed Shopping Mall business may fluctuate, depending on the proportion of contributions by the pre-opening and post-opening business, which is affected by our expansion and development schedule. As the number of Managed Shopping Malls grows along our expansion, the post-opening services may account for a growing proportion of our revenue and the profit margin for our Managed Shopping Mall business may decrease. Our recognized revenue may also fluctuate from quarter to quarter according to the timing of land use rights grants and shopping mall openings. In particular, our revenue may be lower during the first quarter of the year as a result of major Chinese holidays during which we typically do not open new shopping malls and government authority is slow in processing land use right grant applications.

We had net current liabilities as of December 31, 2012, 2013 and 2014 and March 31, 2015 and if we are unable to meet our liabilities as they become due, we will be in default on our liabilities and our financial condition and results of operation will be materially and adversely affected.

We had net current liabilities of RMB1,099.0 million, RMB4,328.8 million, RMB5,294.5 million and RMB6,410.4 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. Our current liabilities included, among others, (i) rental and service fees received in advances of RMB1,387.5 million, RMB2,123.3 million, RMB2,107.9 million and RMB1,912.0 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively, (ii) items included in trade and other payables relating to our Portfolio Shopping Mall and Managed Shopping Mall business, including deposits received from our tenants in the amount of RMB946.8 million, RMB1,121.5 million, RMB1,377.8 million and RMB1,485.2 million, respectively, and proceeds collected on behalf of the tenants in the amount of RMB791.3 million, RMB1,049.9 million, RMB738.9 million and RMB1,735.1 million, respectively, as of December 31, 2012, 2013 and 2014 and March 31, 2015. During 2012, 2013 and 2014 and for the three months ended March 31, 2015, our working capital was funded by equity contributions, bank borrowings and issuance of corporate bonds. With a working capital deficit, we have to generate sufficient cash flow from operations to meet our current liabilities, and/or to roll over, extend or refinance our current liabilities upon or prior to their due dates. If we fail to do so, we will be in default on our liabilities and, as a result, our business, financial condition and results of operation will be materially and adversely affected.

We might not be able to recover some of our trade receivables.

We usually require our Managed Shopping Mall partners to pay initiation and entrance fees in installments within five to ten days after the signing of the relevant contract management agreements, after the relevant tenant sourcing conferences and after opening of the shopping malls. However, under certain circumstances, we extend a limited term of credit of around 30 days to our Managed Shopping Mall partners for their payment of initiation and entrance fees under the relevant contract management agreements and record trade receivables for unpaid amounts of initiation and entrance fees when we recognize the corresponding revenue. Though we constantly communicate with our Managed Shopping Mall partners to settle any outstanding balance, we are affected by the financial condition of our Managed Shopping Mall partners from which we have outstanding receivables. Our average turnover days for our Managed Shopping Malls were 73.2 days in 2012, 38.3 days in 2013, 56.3 days in 2014 and 95.4 days for the three months ended March 31, 2015. Our allowance for doubtful debts, which includes individually impaired trade receivables, amounted to RMB24.5 million, RMB38.2 million and RMB109.0 million as of December 31, 2012, 2013 and 2014, respectively. See "Financial Information—Certain Balance Sheet Items—Trade and Other Receivables—Trade and Bills Receivables." If our Managed Shopping Mall partners are not able to pay us in a timely manner, or at all, our business, financial condition and results of operation may be materially and adversely affected.

We may not be able to achieve the performance threshold for our Managed Shopping Malls with progressive commission arrangements.

We introduced a new progressive commission fee model to some of our Managed Shopping Malls in 2013. For Managed Shopping Malls with such arrangement, we earn progressive commissions in addition to a fixed management fee if the performance of the relevant shopping mall meets or exceeds a specified threshold. If the performance of a Managed Shopping Mall does not meet or exceed the threshold for a particular period, we will not receive any progressive commission. In 2014, only two of our Managed Shopping Malls that have progressive commission arrangements achieved the threshold. An increase in the proportion of Managed Shopping Malls with progressive commission arrangements could lead to greater fluctuations in our revenues from our Managed Shopping Malls. If we are not able to achieve the performance threshold to earn progressive commission from our Managed Shopping Malls, our revenue from the relevant shopping malls may not grow, our annual management fees from Managed Shopping Malls may fluctuate, and our business, financial condition, results of operation and prospects may be materially and adversely affected.

Disputes with our Managed Shopping Mall partners may adversely affect our business.

Successful operation of our Managed Shopping Malls requires us to maintain good relationships with our partners. However, our Managed Shopping Mall partners may have economic or business interests or goals that are inconsistent with ours, and they may take actions contrary to our requests, policies or objectives. For example, one of our former partners for a project in Taiyuan, Shanxi Province terminated the agreement in favor of other business opportunities, which disrupted our plan to enter that market. Our partners may also be unable or unwilling to fulfill their obligations under their agreements with us due to various reasons, including changes to their financial status or their preference for other investment opportunities. If they terminate the relevant contract management agreements, any compensation we receive may not be sufficient to cover costs we have incurred and we may lose valuable expansion opportunity. We may also terminate our contract management agreements due to changes to our expansion plans, and we may need to pay damages to our partners for such termination. In 2013, we started to develop a new shopping mall in the vicinity of an existing Managed Shopping Mall in Taizhou, Jiangsu Province as the local market in Taizhou experienced unexpected rapid growth and in our opinion was mature enough to host more than one shopping malls, and therefore reached a compensation agreement with our partner due to the non-competition provision under the contract management agreement. Any serious dispute with a Managed Shopping Mall partner could materially and adversely affect our business, financial condition, results of operation and prospects.

We may not be able to maintain and grow our new businesses.

As part of our strategy, we plan to capitalize on our operational advantages and infrastructure and tenant and customer base to penetrate the entire home improvement and furnishings value chain. We are launching our mobile application to attract, engage and retain customers. We are also entering into consumer financing, pre-paid cards, delivery and logistics and bulk procurement businesses. See “Business — Our New Businesses and Recent Developments.” However, we have relatively less experience in these new businesses than other established companies in the relevant industries, and will face competition from them. We cannot assure you that we will be able to adapt to the rapidly changing technology and evolving industry standards and introduce new services and products to cater to changing customer demands. Due to these factors, we may not be able to launch, maintain and grow new businesses, which could materially and adversely affect our brand and our business, financial condition, results of operation and prospects.

Customer complaints and product liability claims may damage our reputation and business.

We receive customer complaints from time to time with respect to quality, delivery and after-sales services of products sold at our shopping malls. Our return policy allows our customers to return products without cause within 30 days of purchase. We impose quality guidelines on our tenants, and act as an agent to our customers and coordinate with our tenants to solve customer complaints. If our tenants do not comply with applicable laws and regulations and ensure that their products meet our quality standards, our customers may attribute unsatisfactory products or services to us, which may lead to negative publicity or liability claims against us. Furthermore, under the PRC laws, shopping mall owners or managers like us may be liable for property damage or personal injury caused by defective products their tenants sell, even if the responsibility rests with the tenants, the manufacturers or upstream suppliers of such products. If we fail to address complaints by our customers, unsatisfied customers may sue us for product liability. Under PRC laws and pursuant to our agreements with our tenants, our tenants and upstream product vendors are obligated to indemnify us against any claims concerning products sold or supplied by them. However, there is no assurance that our tenants and other product vendors will have adequate financial resources or insurance coverage to indemnify us for such liability, and their product quality deposits under the exhibition space agreements may not be sufficient to cover any such claims. Resolving and defending any such claims may divert our management’s attention and may be costly. Any negative publicity or liability claims may damage our reputation and materially and adversely affect our business, financial performance, results of operation and prospects.

Accidents, injuries or illegal activities in our shopping malls may adversely affect our reputation and subject us to liability.

There are inherent risks of accidents, injuries or illegal activities such as theft taking place in public places such as shopping malls. The occurrence of one or more accidents, injuries or illegal activities at any of our shopping malls could adversely affect our reputation among our customers, harm our brand, decrease our overall rent, management fees and occupancy rates and increase our costs for additional security measures. In addition, if accidents, injuries or illegal activities occur at any of our shopping malls, we may be held liable for costs, damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses. Any such incident may materially and adversely affect our business, financial condition, results of operation and prospects.

We may inadvertently infringe third-party intellectual property rights.

Our tenants may sell products that infringes on third-party intellectual property rights at our shopping malls, and the measures adopted by us to reduce the risk of infringing on the intellectual property rights of third parties may not be adequate or sufficient to prevent infringement. If this happens, we may also be considered jointly liable under PRC laws and our reputation may suffer as a result. Although our tenants and other product vendors are generally responsible for indemnifying us for such infringement under our contracts with them, we may not be able to fully recover all losses caused by such tenants and other product vendors. Any inadvertent infringement could materially and adversely affect our reputation, business, financial condition, results of operation and prospects.

We may also be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We are involved in a number of legal proceedings, including consumer, employment, tort, administrative and other litigation, which arise from time to time in the ordinary course of business. In addition, we may also be subject to administrative proceedings for our failure to comply with regulatory requirements. For example, we are currently involved in a lawsuit in relation to a dispute over our enterprise income tax payment. See "Business — Legal Proceedings and Litigation." We may continue to be involved in disputes with various parties arising out of our operations, including with tenants, Managed Shopping Mall partners, partners of our joint venture or other cooperation arrangements, lessors, employees, customers, insurers and others. Disputes and administrative penalties may lead to protests, or legal or other proceedings, and may result in disruption of our expansion plan, damage to our reputation, substantial costs and diversion of our resources and management's attention. We cannot assure you that we will not be involved in any major disputes or legal or other proceedings in the future. In addition, from time to time, our officers and management may be involved in litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

We may fail to obtain sufficient funding for our operations and expansion activities on commercially reasonable terms, or at all.

Our expansion plans will require us to make substantial capital investment during the construction period of our new Portfolio Shopping Malls. We may also need to continue to contribute additional capital to new Portfolio Shopping Malls after their opening if they are not profitable. In the past, we have funded our operations and expansion through cash generated from operations, bank borrowings, proceeds from corporate bond offerings, and equity contributions, and we expect to continue to rely on these resources in the future. However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all. Our ability to obtain additional financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operation and cash flows;
- general market conditions for capital raising activities; and
- economic, political and other conditions in China and elsewhere.

We may be unable to obtain additional financing in a timely manner or on acceptable terms or at all. Further financing activities or the remittance of the proceeds into the PRC may also require PRC regulatory approvals, which may not be granted in a timely manner or at all. If adequate funding is not available, our ability to develop and expand our business may be materially and adversely affected, which may materially and adversely affect our business, financial condition, results of operation and prospects.

We have substantial indebtedness and may incur additional indebtedness in the future.

We currently have, and after the Global Offering will continue to have, a substantial amount of indebtedness. Our total bank and other borrowings, including both current and non-current bank borrowings, bonds, obligations under finance leases and indebtedness due to related parties, non-controlling shareholder of subsidiaries and certain independent third parties, as of December 31, 2012, 2013 and 2014 and March 31, 2015 amounted to RMB13,695.0 million, RMB16,000.3 million, RMB16,486.9 million and RMB17,954.7 million, respectively. Our net gearing ratio, calculated by dividing our total interest-bearing bank borrowings, bonds and obligations under finance leases net of bank balances and cash and restricted deposits (current portion) as a percentage of total equity at the end of each financial period, was 23.9%, 29.7%, 30.9% and 36.7%, respectively, as of the same dates. Our substantial indebtedness could, among others:

- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our businesses;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- require us to mortgage our assets and restrict the transferability or use of such assets;
- limit, together with the financial and other restrictive covenants of our indebtedness, among others, our ability to raise additional funds; and
- increase our cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities, which could intensify the risks that we face as a result of our indebtedness. We cannot assure you that we will be able to generate sufficient cash flow to pay our anticipated operating expenses and to service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking additional equity capital. These strategies may not be implemented on satisfactory terms, or at all, and, even when implemented, may materially and adversely affect our business, financial condition, results of operation and prospects.

Failure to comply with the restrictions and covenants in our debt agreements could result in a default or cross-default, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants our current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may result in a default under our other debt agreements. If any of these events occur in the future, we cannot assure you that our available assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to obtain necessary waivers from the relevant lenders or find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our profitability and results of operation may be adversely affected by changes in interest rates.

We have incurred, and expect to continue to incur, a significant amount of interest expenses relating to our borrowings from commercial banks. Accordingly, changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our profitability and results of operation. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our total borrowing costs, including the amount capitalized, were RMB946.3 million, RMB965.8 million, RMB1,061.4 million, RMB261.2 million and RMB303.0 million, respectively. The majority of our bank borrowings bear floating interest rates and are borrowed from PRC commercial banks and other financial institutions. PBOC has from time to time adjusted its benchmark lending rates to respond to changes in the PRC and global economy. Beginning in 2012, the PBOC adjusted the benchmark lending rates four times, and the one-year lending rate was lowered from 6.56% at the beginning of 2012 to 5.10% as of the Latest Practicable Date. As commercial banks in China and other financial institutions based in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase our financing costs. In addition, we may in the future borrow funds from overseas sources, and changes in the prevailing interest rates in the global credit markets may also affect our profitability and results of operation. Due to our substantial indebtedness, any negative trend in interest rates may materially and adversely affect our business, financial condition, results of operation and prospects.

Our historical financial results may be of limited value in assessing our performance or in giving an indication of our financial performance going forward.

We expanded the size of our shopping mall network rapidly, and the number of our shopping malls increased from 106 as of January 1, 2012 to 158 as of December 31, 2014.

Due to our significant and rapid growth in recent years, our historical financial results may be of limited value in assessing our performance or in giving an indication of our financial performance going forward. Our future financial performance and results of operation will depend on a number of factors, some of which are beyond our control, including in particular, the home improvement and furnishings retail market in China and our ability to open new shopping malls. There can be no assurance that we will be able to increase or maintain our historical revenue or profit levels.

Our success depends on the continued services of our senior management team.

The success of our business depends significantly upon the continued service of our key executive officers and other key management personnel. Our key executive officers have an average of ten years of experience in the commercial property and home improvement and furnishings retail industry. In particular, we rely on our founder, Chairman and General Manager, Mr. CHE Jianxing, for his expertise, experience and leadership. If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel. If this happens, our business could be severely disrupted, and our business, financial condition, results of operation and prospects could be materially and adversely affected.

We face intense competition for talent in the home improvement and furnishings retail industry.

Our continued success will depend on our ability to attract and retain qualified customer service, supervisory and management personnel to manage our existing operations and future growth. Qualified and talented individuals are scarce and in high demand in the PRC home improvement and furnishings retail industry, and competition for these individuals in China is intense. We compete with other home improvement and furnishings retailers as well as the retail industry in general to recruit skilled employees on a national and local level. We may not be able to successfully attract, assimilate or retain the personnel that we need. In addition, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future. Our failure to attract and retain qualified personnel may have a material and adverse effect on our business, financial condition, results of operation and prospects.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future.

We are required to reassess the fair value of our properties at every balance sheet date for which we issue financial statements. Under IFRS, gains or losses arising from changes in the fair value of our properties are included in our income statements for the period in which they arise. Our properties were revalued by Jones Lang LaSalle, an independent property valuer, as of December 31, 2012, 2013 and 2014 and March 31, 2015, on an open market and existing use basis, which reflected market conditions on the respective dates. Based on such valuation, we recognized the aggregate fair market value of our properties and relevant deferred tax on our consolidated balance sheets and increases in the fair value of our investment properties and movements of the relevant deferred tax on our consolidated statements of profit or loss. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our gains from changes in the fair value of our investment properties were RMB1,112.5 million, RMB2,055.1 million, RMB2,415.3 million, RMB570.5 million and RMB731.5 million, respectively. Despite their impact on the reported profit, fair value gains or losses do not change our cash position as long as the relevant properties are held by us. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on our properties or that the fair value of our properties will not decrease in the future, which would materially and adversely affect our financial condition and results of operation.

The appraised value of our investment properties in the property valuation report may be different from the actual realizable value and is subject to change.

The appraised value of our properties as contained in "Appendix IV — Property Valuation Report" was prepared by Jones Lang LaSalle, an independent property valuer, based on multiple assumptions containing elements of subjectivity and uncertainty, including, among others, that:

- the properties will be developed and completed in accordance with our latest development proposal;
- the properties are free from encumbrances or restrictions of an onerous nature; and
- the ground conditions and services are suitable for development and no unexpected cost and delay will be incurred during construction.

Even though the appraiser adopted valuation methodologies used in valuing similar types of properties when preparing the property valuation report, the assumptions adopted may prove to be inaccurate. In addition, the appraised value of our investment properties is based on key metrics, including market rent, capitalization rates, and prices of land. With respect to investment properties valued under the income approach, a slight change in the market rent or capitalization rate would result in a significant change in their fair value. With respect to investment properties valued under the direct comparison approach, a slight change in the price of land would result in a significant change in their fair value. As a result, the appraised value of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Changes to the development of our shopping malls as well as national and local economic conditions are unpredictable, and may affect the value of our properties.

We have not obtained all title certificate for some of our Portfolio Shopping Malls.

We have not obtained proper title certificates for some of our Portfolio Shopping Malls, including Beijing North Fourth-ring Mall, Hangzhou Gudun Mall, Shenyang Tiexi Mall, Changchun Shopping Mall, Dalian Shopping Mall, Xinglong Shopping Mall, Yunnan Shopping Mall, Shenyang Shopping Mall, Langfang Kaihong Mall, Shanghai Pudong Jinqiao Mall and Daqing Expo Mall. See "Business — Properties." The timing for obtaining proper title certificates for these properties is beyond our control. We were advised by our PRC legal advisors, Llinks Law Offices, that such properties may not be sold or accepted by banks as security for mortgages until we obtain the proper title certificates. In addition, we cannot assure you that our title to or use of the relevant land and buildings will not be challenged in the future. Any of these may have a material adverse effect on our business, financial condition, results of operation and prospects.

Properties with respect to some of our leased Portfolio Shopping Malls have title defects or are subject to pre-existing security interests.

Properties with respect to some of our leased Portfolio Shopping Malls have title defects or are subject to pre-existing security interests. As of December 31, 2014, the actual nature or use with respect to two of our leased Portfolio Shopping Malls is not consistent with the approved nature or use specified on the relevant land use rights certificates. See "Business — Properties." We cannot assure you that our lease for the relevant leased Portfolio Shopping Malls will not be challenged or terminated due to our landlord's defective title, or that we will be able to secure alternative properties for our business if we are required to relocate. Furthermore, any indemnification by our landlord under the relevant lease agreements may not be adequate to compensate our relocation expenses or lost income. Moreover, as of the Latest Practicable Date, with respect to three of our leased Portfolio Shopping Malls, the relevant properties are subject to security interests created prior to the date of the relevant lease agreements. With respect to one of our leased Portfolio Shopping Malls, the relevant properties are held by numerous owners and a portion of such properties may be subject to similar pre-existing security interests. If any such properties are foreclosed, we may not be able to continue our lease of the relevant Portfolio Shopping Malls or obtain any compensation from the landlords under our lease agreements. Any of these may have a material adverse effect on our business, financial condition, results of operation and prospects.

Properties with respect to some of our Managed Shopping Malls may have title defects or do not comply with land or construction laws and regulations.

Properties with respect to some of our Managed Shopping Malls may have title defects or do not comply with land or construction laws and regulations. In these cases, the title of the relevant properties may be challenged by third parties, and our Managed Shopping Mall partners may be subject to mandatory rectification or fines for non-compliance. If any of these events happen, we may need to terminate the relevant contract management arrangements with the affected Managed Shopping Malls. As a result, we may not be able to generate revenues from those Managed Shopping Malls. We may also be unable to find alternative partners and may need to exit the relevant geographic area and lose market share.

We or our Managed Shopping Mall partners may fail to pay land grant premiums or develop properties according to the terms of the land grant contracts.

With respect to our pipeline Portfolio Shopping Malls, we must develop the land owned by us according to the terms of the land grant contracts, including those relating to the payment of land premiums, the designated use of land and the time for commencement and completion of development of the land. Similarly, with respect to our pipeline Managed Shopping Malls, the relevant partners must develop the land owned by them according to the terms of the land grant contracts. If the relevant owner fails to fulfill such obligations, the relevant government authorities may issue a warning to, or impose a penalty on, us or our Managed Shopping Mall partners, as applicable, or require us or our Managed Shopping Mall partners to forfeit the land use rights. Any violation of the terms of the land grant contract by us may also restrict our ability to participate, or prevent us from participating, in future land bidding. We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to recover any costs incurred for the initial acquisition of the land or the development. If any land with respect to our Managed Shopping Malls is repossessed, we may not be able to continue operating the relevant Managed Shopping Malls to generate annual management fees. Any of these could materially and adversely affect our business, financial condition, results of operation and prospects.

We will be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders and who may withdraw their support for our business operations.

Upon completion of this Global Offering, assuming the Over-allotment Option is not exercised, Mr. CHE Jianxing and RSI, our ultimate Controlling Shareholders, will beneficially own and control approximately 68.44% of our share capital. Subject to the Articles of Association, our Controlling Shareholders will continue to have the ability to exercise a controlling influence over our management, policies, business and affairs by controlling the composition of our Board, determining the timing and amount of dividend distributions, approving material transactions such as major mergers, acquisitions and overseas investments, approving our annual budgets and amending the Articles of Association. This influence may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to sell their Shares at a premium and could reduce the price of our Shares. These actions may be taken even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may not always coincide or be aligned with our or the other Shareholders' best interests, and our Controlling Shareholders will have the ability to exert significant influence over our actions and operations and to effect corporate transactions irrespective of the desires of the other Shareholders or directors. We cannot guarantee that our Controlling Shareholders will not cause us to revise our business strategies, enter into transactions, take or fail to take any other actions or make decisions that conflict with the best interests of our other Shareholders. In the event that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be disadvantaged. Historically, our Controlling Shareholders have supported our business operation in various ways, including providing guarantees for our debts. The Controlling Shareholders may also withdraw his support for our business operations in the future. Any of these could materially and adversely affect our business, financial performance, results of operation and prospects.

We may fail to effectively implement our risk management and internal control policies and procedures.

We have recently enhanced our risk management and internal control policies and systems as part of a continuous effort to improve our risk management capabilities and enhance our internal controls. However, we cannot assure you that our risk management and internal control policies and procedures will adequately control or protect us against all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than we anticipate.

Our risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to us. In addition, given the limited history of some aspects of our risk management and internal control policies and procedures, we will require additional time to implement these policies and procedures in order to fully assess their impact and evaluate our compliance with them. Moreover, our employees will require time to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or accurately apply them. If our risk management and internal control policies, procedures and systems fail to be implemented effectively, or if the intended results of such policies, procedures and systems are not achieved in a timely manner (including our ability to maintain an effective internal control system), our business, financial condition, results of operation and prospects may be materially and adversely affected.

We may not have adequate insurance to cover all losses and claims associated with our operations.

Although we have maintained insurance coverage in line with general industry practice in the PRC and as we consider appropriate for our business operations, we still may not have adequate insurance to cover all losses and claims associated with our operations. In particular, we have maintained insurance coverage for our Portfolio Shopping Malls including property insurance, business interruption insurance, public liability insurance and cash insurance. See "Business — Insurance." However, our insurance coverage cannot be carried against all risks associated with our operations. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms. We may incur losses, damages or liabilities during any stage of our operations arising from these uninsured events, and we may not have sufficient funds to cover the same or to restore or replace any uninsured property or project that has been damaged or destroyed. Any payments we are obligated to make to cover any losses, damages or liabilities may materially and adversely affect our business, financial condition, results of operation and prospects.

We rely on proper performance of our information technology system.

We have implemented a modern information technology system to control and manage our operations. The information technology system exchanges business information between our shopping malls, local management centers and our headquarters, and manages the business activities of our shopping malls on a day-to-day basis. It supports sales and promotional activities, monitors customer preferences and trends, maintains our membership program, and operates our tenant management system. Our information technology system is intended to improve efficiencies in monitoring and controlling our operations and is fundamental to ensuring our competitiveness in our industry. Our information technology system is vulnerable to damage or interruption from circumstances beyond our control, including but not limited to, fire, power loss, hardware failure, software program errors, telecommunications failure, computer viruses, human error, break-ins and other similar events. We may not fully restore data losses due to such malfunction and disruption after recovery from such disasters, and precautionary measures may only partly, if at all, prevent such losses. Any failure or breakdown in these systems could interrupt our normal business operations and result in a significant decrease in operational and management efficiency during such failure or breakdown. Any prolonged failure or breakdown or the failure to recover data after such failure could dramatically impact our ability to continue to manage the affected shopping malls, which could have a material adverse effect on our business and results of operation.

We control the Transferred Shopping Malls through contractual arrangements, which may not be as effective as direct ownership of the relevant holding companies and may subject us to risks relating to the operation of non-shopping mall businesses by the holding companies.

We operate our Transferred Shopping Malls pursuant to the relevant repurchase agreements with respect to such shopping malls, and consolidate the assets, liabilities, income and expenses are directly attributable to these Transferred Shopping Malls into our consolidated financial information for the years ended December 31, 2012, 2013 and 2014. See "History and Development — Business Reorganization" and "Financial Information — Basis of Presentation — Transferred Shopping Malls." Our contractual arrangements may not be as effective in providing us with control over the Transferred Shopping Malls as direct ownership of these companies. In addition, the relevant companies holding the Transferred Shopping Malls may breach the contractual arrangements. Furthermore, the relevant holding companies are simultaneously engaged in other businesses not relating to shopping mall operations, which are not consolidated into our financial information and are beyond our control. Prior to the completion of the repurchase of the relevant Transferred Shopping Malls, we will be held liable for any liabilities with respect to such other businesses. For example, a portion of the assets of our Yunnan Shopping Mall was frozen by the local court for alleged breach of contract by its holding company, Yunnan Property, which were unrelated to the operation of such shopping mall. According to the written order issued by the local court, the relevant assets frozen by the court may not be transferred or mortgaged, but we may continue to operate the relevant shopping mall located on such assets. As advised by our PRC legal advisors, Llinks Law Offices, a defendant may offer replacement assets to the court in lieu of the frozen assets. Yunnan Property has applied to the local court for offering replacement assets in equal value to the court in lieu of the frozen assets and expects to complete such procedure within three months, subject to unexpected circumstances. Llinks Law Offices has further advised that there is no material legal impediment to the release of the frozen assets relating to the Yunnan Shopping Mall if the replacement assets in equal value are offered by Yunnan Property. Our Controlling Shareholders, Mr. CHE Jianxing and RSI, have undertaken to indemnify us for any potential loss in relation to such incident. In view of the above, our Directors are of the view that there is no material adverse impact on our operating and financial status as a result of the frozen assets. In any such event, remedies may not always be available or effective under PRC laws to enforce the relevant repurchase agreements or exclude liabilities unrelated to our Transferred Shopping Malls, and our business, financial condition, results of operation and prospects may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

China's economic, political and social conditions and government policies could affect our business, financial condition, results of operation and prospects.

We conduct all of our business operations in China. Accordingly, our business, financial condition, results of operation and prospects are, to a significant degree, subject to economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including, among others, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the Chinese economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in China is still owned by the PRC government. The PRC government also exercises significant control over economic growth by allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although the PRC government has implemented economic reform measures to introduce market forces and establish sound corporate governance systems and modern management systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, we may not benefit from such measures.

The PRC government has the power to implement macroeconomic control measures affecting the Chinese economy. The PRC government has implemented various measures in an effort to control the growth rate and structure of certain industries and limit inflation such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. The various macroeconomic measures adopted by the PRC government to guide economic growth may not be effective in sustaining the current growth rate of the Chinese economy. China has been one of the world's fastest growing major economies, as measured by GDP growth, in recent years. However, the growth rate of China's GDP decreased to 7.4% in 2014 from 7.7% in 2012 and 7.8% in 2013. If the Chinese economy experiences any decrease in growth rate or a significant downturn, the unfavorable business environment and economic condition could negatively impact the demand for home improvement and furnishings products and services, and our business, financial condition, results of operation and prospects could be materially and adversely affected.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. While prior court decisions may be cited for reference, they have limited precedential value. Since 1979, the PRC government has promulgated laws, rules and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws, rules and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws, rules and regulations involve significant uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or senior officers, arising out of our Articles of Association or any rights or obligations conferred or imposed upon us by the PRC Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre in accordance with their respective applicable rules. Pursuant to the Arrangement on the Mutual Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region, awards that are made by the PRC arbitral authorities under the PRC Arbitration Law can be recognized and enforced by Hong Kong courts. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. Hong Kong arbitration awards pursuant to the Arbitration Ordinance of Hong Kong may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award and no assurance can be given as to the outcome of any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favor of holders of H shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H shares of their rights under the articles of association of any PRC issuer or the PRC Company Law. In addition, the PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections, and our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

Changes in the PRC governmental rules and regulations will have a significant impact on our business.

We conduct our business and operations in the PRC and must comply with PRC governmental rules and regulations. From time to time, changes in these rules and regulations or the implementation thereof may require us to obtain the relevant approvals and licenses from the PRC authorities and to adapt to evolving requirements prescribed under the applicable standards for the conduct of our operations in the PRC. In such event, we may incur additional expenses, which may in turn affect our financial performance. Furthermore, we cannot assure you that such approvals or licenses will be granted to us promptly or at all. If we experience a delay in or are unable to obtain any required approvals or licenses, or fail to comply with the changing requirements, our operations and business in the PRC, and hence our overall financial performance, will be materially and adversely affected.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and all of our assets and all of our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and senior officers reside within the PRC, and the assets of our Directors, Supervisors and senior officers may be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon most of our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 3, 2008, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a written choice of court agreement may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a written choice of court agreement may apply for recognition and enforcement of such judgment in Hong Kong. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction over the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not validly agreed to enter into a written choice of court agreement. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

In addition, although we will be subject to the Hong Kong Listing Rules and the Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange or the SFC to enforce its rules. The Hong Kong Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Fluctuation of the Renminbi may adversely affect our operations and financial results.

All of our revenues and expenses are denominated in Renminbi, a currency not freely convertible into other currencies. The value of the Renminbi against other foreign currencies is subject to changes in the PRC's foreign exchange policies and international economic and political developments. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. The Renminbi has appreciated significantly since then. The PBOC authorized the China Foreign Exchange Trading Center to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day from January 2006. This rate is set as the central parity for trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day, and the Renminbi is allowed to fluctuate against the U.S. dollar by up to 0.3% above or below such central parity rate. In May 2007, the PBOC announced that the floating band for trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was to be expanded from 0.3% to 0.5%. This trading band was widened again to 1% in April 2012, and further to 2% in March 2014. The PRC government may from time to time make further adjustments to the exchange rate system in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. As a result, any significant increase in the value of the Renminbi against foreign currencies could reduce the value of our foreign currency-denominated assets and could materially and adversely affect our business, financial condition, results of operation and prospects.

You will be subject to PRC taxation.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of the Company, or the non-PRC resident individual holders, are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) dated June 28, 2011 issued by the SAT, the tax rate applicable to dividends received by non-PRC resident individual holders of H Shares of non-foreign invested enterprise issuers incorporated in the PRC is 5% to 20% (typically 10%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC will be subject to a 20% withholding tax on dividends received from us. We will withhold tax from any dividend payment at the applicable rate (which may be higher than 10% if the relevant individual and the tax rate applicable to such person can be identified by us). For additional information, see "Appendix V — Taxation and Foreign Exchange — Taxation Applicable to Shareholders." In addition, according to the Individual Income Tax Law and the Regulations for Implementation of The Individual Income Tax Law of The PRC (中華人民共和國個人所得稅法實施條例), the income from the transfer of properties is subject tax under to the Individual Income Tax Law at a rate of 20%. The Regulation on the Implementation of the Individual Income Tax Law also stipulates that the measure used to impose the Individual Income Tax Law for shares transfer shall be determined separately by the Ministry of Finance under the State Council and implemented after an approval is obtained by the State Council. However, such a measure is yet to be publicly implemented to date. Pursuant to Notice On Continuing The Income Tax-Free Policy On the Share Transfer of Individual Holders (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi No. [1998]61) issued on March 30, 1998 and implemented by the Ministry of Finance and SAT on January 1, 1997, the income from the transfer of shares of listed companies by individuals continues to be provisionally exempt from the Individual Income Tax Law. However, at present, there are no laws specifying the tax rate for income from the sales of the shares of listed companies on a stock exchange overseas by a non-PRC resident individual.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company. Pursuant to the Notice Concerning the Withholding of Enterprise Income Tax by PRC Resident Enterprise Issuer on Dividends Distributed to Non-Resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) promulgated by the SAT on November 6, 2008, PRC resident enterprise issuers must withhold enterprise income tax at a rate of 10% for dividends distributed after 2008 to non-resident enterprises. Pursuant to the Reply Concerning Enterprise Income Tax on Dividends Received by Non-Resident Enterprises on B Shares and Other Shares (關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復) promulgated by the SAT on July 24, 2009, PRC resident issuers listed on overseas stock exchanges must withhold enterprise income tax a rate of 10% for dividends distributed after 2008 to non-resident enterprises, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. We will withhold 10% PRC tax from any payment of dividends to our non-PRC enterprise shareholders. For additional information, see "Appendix V — Taxation and Foreign Exchange — PRC Taxation." Under the EIT Law and its implementation regulations, non-resident enterprises that have not established any branch or location within the PRC, or that have established branches or locations within the PRC but whose gains are not related to such branches or locations, are subject to enterprise income tax at a rate of 10% on gains sourced within the PRC, including with respect to the transfer of H shares, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides.

Government control of currency conversion may adversely affect the value of your investments.

All of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. Under China's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies.

However, if the PRC government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, most foreign exchange transactions under capital accounts in the PRC continue not to be freely convertible and to require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity or debt financing or to obtain foreign currencies for capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected, which may adversely affect our business, results of operation and financial condition.

Payment of dividends is subject to restrictions under the PRC laws and regulations.

The PRC laws require that dividends be paid only out of the distributable profits. Distributable profits are our after-tax profits as calculated according to PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to make dividend distributions to our Shareholders, even if our financial statements may indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Moreover, future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. Our subsidiaries and joint ventures in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries and joint ventures for us to pay dividends. Distributions from our subsidiaries and joint ventures may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries or joint ventures may enter into in the future. Failure by our subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including during periods in which we are profitable.

The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and profitability.

The PRC Labor Contract Law and the Implementation Rules on the PRC Labor Contract Law took effect on January 1, 2008 and September 18, 2008, respectively. The PRC Labor Contract Law was further amended on December 28, 2012 and such amendments took effect on July 1, 2013. These labor laws and rules impose stringent requirements on employers in relation to entering into fixed term employment contracts, hiring of temporary employees and dismissal of employees. According to the Labor Contract Law, an employer is obligated to sign a non-fixed term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed term labor contracts or the employee has already worked for the employer for 10 years consecutively. The employer also has to pay compensation to the employee if the employer terminates a non-fixed term labor contract. Unless an employee refuses to extend an expired labor contract, compensation is also required when the labor contract expires and the employer does not extend the labor contract with the employee under the same terms or terms which are better than those in the original labor contract. A minimum wage requirement has also been imposed by the Labor Contract Law. In addition, under the Regulations on Paid Annual Leave for Employees and its implementation measures, which became effective on January 1, 2008 and September 18, 2008, respectively, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to 15 days, depending on the length of the employees' work time. Employees who waive their vacation time at the request of employers shall be compensated at three times their normal daily salaries for each vacation day being waived. Such laws and regulations may increase our labor costs. We cannot assure you that labor disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could significantly disrupt our operations and expansion plans, and thus materially and adversely affect our business, financial condition or results of operation.

We face risks related to natural disasters, health epidemics and other outbreaks of contagious diseases, including avian flu, SARS, H1N1 flu and Ebola fever.

Our business could be adversely affected by natural disasters, avian flu, SARS, H1N1 flu (also known as swine flu), Ebola virus or other epidemics or outbreaks. On May 12, 2008, China experienced an earthquake with a reported magnitude of 8.0 on the Richter scale in Sichuan Province, resulting in the death of tens of thousands of people. Another earthquake and aftershocks struck Sichuan Province in April 2013. There have been recent reports of occurrences of avian flu caused by the H9N7 virus in various parts of China, including a few confirmed human cases. Since April 2009, there have been reports of occurrences of H1N1 flu in Mexico, the United States, China and certain other countries and regions around the world. An outbreak of avian flu or H1N1 flu in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, any recurrence of SARS would also have similar adverse effects. In 2014, the outbreak of Ebola fever in West Africa received considerable worldwide media attention. Experts warn that China is at serious risk of Ebola because of the large numbers of travelers from Africa as well as poor hospital standards. These natural disasters, outbreaks of contagious diseases and other adverse public health developments in China could severely disrupt our business operations and adversely affect our financial condition and results of operation. We have not adopted any written preventive measures or contingency plans to combat any future natural disasters or outbreaks of avian flu, H1N1 flu, SARS, Ebola virus or any other epidemic.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations between us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operation;
- news regarding recruitment or loss of key personnel by us or our competitors;

- announcements of competitive developments, acquisitions or strategic alliances in our industry;

- changes in earnings estimates or recommendations by financial analysts;

- potential litigation or regulatory investigations;

- general market conditions or other developments affecting us or our industry;

- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and

- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or our Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Future sales or perceived sales of a substantial number of our shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The market price of H Shares could decline as a result of future sales of a substantial number of H Shares or other securities relating to H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales or perceived sales of a substantial number of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us. In addition, our Shareholders would experience dilution in their shareholdings upon offer or sale of additional share capital or share capital-linked securities by our Company in future offerings. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a *pro rata* basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

Subject to the approval by the CSRC or the authorized securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, holders of

Domestic Shares may convert their Domestic Shares into H Shares and such Shares could be listed on the Hong Kong Stock Exchange. A class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

Subject to approval by the relevant regulatory authorities in China, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall comply with the rules, regulations and requirements of such stock exchange. No class shareholder vote is required for the listing and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the applicable contractual and/or legal restrictions on share transfers, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such Shares may then be traded on the Hong Kong Stock Exchange as H Shares in accordance with the rules, regulations and requirements of the Hong Kong Stock Exchange. This could further increase the supply of H Shares in the market and could negatively impact the market price of H Shares.

As the Offer Price of our H Shares is higher than our net tangible book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases. Purchasers of H Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.

As the Offer Price of our H Shares is higher than the net tangible assets per share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in *pro forma* adjusted net tangible assets of HK$13.40 per H Share (assuming an Offer Price of HK$12.23 per H Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the *pro forma* adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

The sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers, Controlling Shareholders and Pre-IPO Investors, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares by our existing shareholders, especially by our Directors, executive officers, Controlling Shareholders or Pre-IPO Investors, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future. The Shares held by our Directors, executive officers, Controlling Shareholders and the Pre-IPO Investors are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. However, we cannot assure you that our Directors, executive officers, Controlling Shareholders or Pre-IPO Investors will not dispose of any Shares they may own now or in the future. If this happens, the market price of H Shares could decline.

There can be no assurance if and when we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operation, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under the generally accepted accounting principles in the PRC, the IFRS, our Memorandum and Articles of Association, the PRC Company Law, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend and Dividend Policy."

You should read the entire Prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There has been, prior to the publication of this Prospectus, and there may be, subsequent to the date of this Prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained and may contain, among others, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this Prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this Prospectus and the Application Forms.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert report, contained in this Prospectus.

Certain facts, forecasts and other statistics relating to China and other countries and regions and the home improvement and furnishings retail market in China contained in this

Prospectus have been derived from various government publications, market data providers and other independent third-party sources, including Frost & Sullivan and Jones Lang LaSalle, independent industry consultants, which we believe are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, these facts, forecasts and other statistics have not been independently verified by us, the Underwriters, their respective directors and advisors or any other parties involved in the Global Offering and none of them make any representation as to the accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside China. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Shares.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This usually means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Hong Kong Stock Exchange at its discretion.

Our headquarters and substantially all of our business operations are based, managed and conducted in the PRC. As the executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in the places where our Group has significant operations. Therefore, our Company does not, and in the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong. Currently, all of our executive Directors, Mr. CHE Jianxing, Ms. ZHANG Qi, Ms. CHE Jianfang and Mr. JIANG Xiaozhong are ordinary resident in the PRC.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. We have made the following arrangements in order to maintain effective communication between the Hong Kong Stock Exchange and us:

- we have appointed Mr. CHE Jianxing and Mr. GUO Binghe as our authorized representatives and they will serve as our Company's principal channel of communication with the Hong Kong Stock Exchange and will be readily contactable by the Hong Kong Stock Exchange, and if required, will be able to meet with the Hong Kong Stock Exchange to discuss any matters in relation to our Company on short notice;

- we have provided the authorized representatives and the Hong Kong Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and fax numbers. Both of our authorized representatives have means of contacting all the Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors for any reason;

- each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time when requested by the Hong Kong Stock Exchange; and

- we have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor who will serve as an additional channel of communication between our Company and the Hong Kong Stock Exchange from the Listing Date to the date when our Company distributes our annual reports to our shareholders for the first full financial year immediately after the listing of our H Shares.

WAIVER IN RESPECT OF APPOINTMENT OF COMPANY SECRETARY

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

a) a Member of The Hong Kong Institute of Chartered Secretaries;

b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

a) length of employment with the issuer and other issuers and the roles he played;

b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, and the Takeovers Code;

c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

d) professional qualifications in other jurisdictions.

We have appointed Mr. GUO Binghe as our company secretary. He has been the secretary of the Board of Directors and a vice general manager of our Company since October 2011. Mr. GUO Binghe, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. GUO Binghe will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

- we have appointed Ms. LEUNG Suet Lun who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as an assistant company secretary to work closely with and to provide assistance to Mr. GUO Binghe in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date, so as to enable Mr. GUO Binghe to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary; and

- upon expiry of the three-year period, the qualifications and experience of Mr. GUO Binghe will be re-evaluated. Mr. GUO Binghe is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. LEUNG Suet Lun's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, our Company will evaluate the qualifications and experience of Mr. GUO Binghe and the need for ongoing assistance of Ms. LEUNG Suet Lun. Our Company will then endeavor to demonstrate to the satisfaction of the Hong Kong Stock Exchange that Mr. GUO Binghe, having had the benefit of Ms. LEUNG Suet Lun's assistance for the immediately preceding three years, has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that a further waiver from Rule 3.28 of the Listing Rules will no longer be required by our Company.

WAIVER IN RESPECT OF ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES CONDUCTED AFTER THE TRACK RECORD PERIOD

Pursuant to Rule 4.04(2) of the Listing Rules, we are required to include in our accountants' report the results of any businesses or subsidiaries acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the date of this prospectus. Pursuant to Rule 4.04(4)(a) of the Listing Rules, we are required to include in our accountants' report the balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which our latest audited accounts have been made up in each case as of the end of each of the three financial years to which the latest audited accounts of such business or subsidiary have been made up.

From October to December 2011, we disposed of our equity interests in all of our subsidiaries and associates engaging in the real estate development business to (i) RSI and its designated subsidiaries and (ii) certain other Independent Third Parties. Chengdu Jinniu Shopping Mall was one of the seven Transferred Shopping Malls which were disposed of by us with the relevant Disposed Real Estate Companies in the process of the Disposal of Real Estate Business in 2011. We have an option under the Repurchase Framework Agreements to repurchase Chengdu Jinniu Shopping Mall and the corresponding assets and liabilities from Greenland Jinniu at our sole discretion.

Greenland Jinniu was a joint venture established on a 50:50 basis by our Company and Greenland Chengdu, which is a wholly owned subsidiary of Greenland Holding Group Company Limited, a state-owned real estate development enterprise in the PRC and an Independent Third Party. Pursuant to the Disposal of Real Estate Business, our Company transferred its 50% equity interest in Greenland Jinniu to a company controlled by our Controlling Shareholders. Accordingly, Greenland Jinniu ceased to be accounted as a jointly controlled entity in the Group's financial statements.

Chengdu Jinniu Shopping Mall entered into operation in August 2014. In anticipation of its opening, our Company had entered into a contract management agreement with Greenland Jinniu, pursuant to which our Company would operate and manage Chengdu Jinniu Shopping Mall, pending completion of the repurchase.

As Greenland Jinniu is owned as to 50% by Greenland Chengdu, our repurchase of Chengdu Jinniu Shopping Mall requires Greenland Chengdu's consent and assistance. We have already proposed to Greenland Chengdu our intended repurchase of Chengdu Jinniu Shopping Mall and obtained a positive initial response from Greenland Chengdu. However, we will need to negotiate with Greenland Chengdu on the details of the transaction structure for the intended repurchase, given that (a) our Company does not intend to directly hold shares in

Greenland Jinniu, which partly engages in the real estate business; and (b) if the parties intend to structure the repurchase by way of corporate demerger and equity transfer like the other six Transferred Shopping Malls, Greenland Chengdu will need to go through a series of internal reporting and approval procedures applicable to state-owned assets. As of the latest Practicable Date, we had not yet entered into any definitive agreement with Greenland Chengdu and our Controlling Shareholders in relation to the intended repurchase.

Since our proposed acquisition of the new company to be incorporated to hold Chengdu Jinniu Shopping Mall ("**Chengdu Jinniu Holdco**") had not been completed by the end of the trading record period comprising the three years ended December 31, 2014, it would fall into the scope of "business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up" under Rules 4.04(2) and (4)(a) of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and (4)(a) of the Listing Rules in relation to our proposed acquisition of Chengdu Jinniu Holdco on the following grounds:

- ***Immateriality***: the size of business of the Chengdu Jinniu Holdco and its financial impact on the Group is minimal. According to our best estimates based on the latest unaudited management accounts of Greenland Jinniu prepared in accordance with the PRC GAAP, each of the assets, revenue and profit before tax attributable to Chengdu Jinniu Shopping Mall for the year ended December 31, 2014 is below 5% of the Group's total assets, revenue and profits before tax, respectively, for the same period.

- ***Overly burdensome and impracticable to prepare the financial information***: To the best knowledge of our Directors, Greenland Jinniu has not prepared separate financial statements or accounts in respect of Chengdu Jinniu Shopping Mall on a standalone basis. Greenland Jinniu is held as to 50:50 between Greenland Chengdu and Chengdu Property, a company controlled by our Controlling Shareholders. As such, our Company is not able to exercise control over Greenland Jinniu, nor do our Controlling Shareholders have a majority control over Greenland Jinniu. The board of Greenland Jinniu currently consists of five directors, of which Greenland Chengdu is entitled to appoint three (including the chairman of the board) and Chengdu Property is entitled to appoint two (including the vice chairman of the board). The general manager and the financial officer of Greenland Jinniu are appointed by Greenland Chengdu and the vice general manager and vice financial officer are appointed by Chengdu Property. Despite that our Company has operational control of the Chengdu Jinniu Shopping Mall under the relevant contract management agreement, the overall construction and development of the project land on which Chengdu Jinniu Shopping Mall is located has been principally managed and driven by Greenland Chengdu. Based on Greenland Chengdu's control of the majority of the voting rights at the board of Greenland Jinniu, the Greenland Group has accounted for Greenland Jinniu in its consolidated financial statements as a subsidiary. Chengdu Property does not have significant influence over Greenland Jinniu to the extent of requiring separate financial information regarding Chengdu Jinniu Shopping Mall to be prepared in line with the requirements of Rules 4.04(2) and 4.04(4)(a).

- ***Alternative disclosure***: Having regard to the guidance under the Guidance Letter HKEx-GL32-12 issued by the Hong Kong Stock Exchange, we have disclosed the information that would be required for a discloseable transaction under Chapter 14 of the Listing Rules on our proposed repurchase of Chengdu Jinniu Shopping Mall in this prospectus. For further details of our proposed repurchase of Chengdu Jinniu Shopping Mall, see the sections headed "Relationship with Our Controlling Shareholders", "History and Development" and "Connected Transactions" in this prospectus. We believe that such information is sufficient for providing information for the potential investors to make an informed assessment of our proposed repurchase of Chengdu Jinniu Holdco and its financial impact on our Group.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules upon Listing. Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements (as applicable) in respect of certain non-exempt continuing connected transactions. For details of the non-exempt continuing connected transactions, see the section headed "Connected Transactions" in this prospectus.

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS

Rule 8.08 of the Listing Rules require that there shall be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities shall be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (listed on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50 million.

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Hong Kong Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, pursuant to which, the public float of our Company may fall below 25% of the issued share capital of our Company (assuming the Over-allotment Option is not exercised) or such higher percentage of Shares held by the public (if the Over-allotment Option is fully or partially exercised).

The Hong Kong Stock Exchange has agreed to grant the requested waiver on the conditions that:

(i) the minimum public float of our Company should be at the highest of (a) 15.10%; (b) such percentage of Shares held by the public after completion of the Global Offering; and (c) such percentage of Shares held by the public after the exercise of the Over-allotment Option;

(ii) we will make appropriate disclosure of the lower percentage of public float required by the Hong Kong Stock Exchange in this prospectus;

(iii) we will confirm sufficiency of public float in the successive annual reports of our Company after the Listing; and

(iv) we will implement appropriate measures to ensure continual maintenance of the minimum percentage of public float prescribed by the Hong Kong Stock Exchange.

WAIVER IN RELATION TO CLAWBACK MECHANISM

Under Paragraph 4.2 of Practice Note 18 to the Listing Rules, where an initial public offering includes both a placing tranche and a public subscription tranche, the minimum allocation of shares to the public subscription tranche shall be an initial allocation of 10% of the shares offered in the initial public offering and subject to a clawback mechanism that increases the number of shares available in the public subscription tranche depending on the demand for those shares as set out in the paragraph.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 to the Listing Rules such that, in the event of over-subscription, the alternative clawback mechanism shall be applied to the provisions under Paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists, subject to the condition that the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 10% of the Global Offering and reallocation between the Hong Kong Public Offering and the International Offering as set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation."

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving our information to the public with regard to the Group.

Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on May 7, 2015 for the Global Offering and the making of the application to list our H Shares on the Hong Kong Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

HONG KONG PUBLIC OFFERING, UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 54,358,800 H Shares and the International Offering of initially 489,229,200 H Shares (subject to, in each case, reallocation on the basis as set out in "Structure of the Global Offering").

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Underwriter Representatives (for themselves and on behalf of the Underwriters) and us. The International Offering is managed by the Underwriter Representatives and is expected to be underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about June 19, 2015, subject to agreement on the Offer Price between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

If, for any reason, the Offer Price is not agreed between the Company and the Underwriters' Representatives (for themselves and on behalf of the Underwriters) on or before June 25, 2015, or such later date or time as may be agreed between the Underwriter Representatives (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed. Further details of the Underwriters and the underwriting arrangements are set out in "Underwriting".

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering," and the procedures for applying for our H Shares are set out in "How to Apply for the Hong Kong Offer Shares" and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Underwriters' Representatives (for themselves and on behalf of the Underwriters) and us on or around June 19, 2015, and in any event no later than June 25, 2015.

If the Underwriters' Representatives (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before June 25, 2015 or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF H SHARES

Each person acquiring the H Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the H Shares to, confirm that he is aware of the restrictions on offers and sales of the H Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, no public offering or sale of H Shares is being made, directly or indirectly, in China or the U.S.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares, including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option. Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on June 26, 2015. Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each our Shareholders that our H Shares are freely transferable by the H Shares' holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering".

H SHARE REGISTER AND STAMP DUTY

All the H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members maintained in Hong Kong. We will maintain the Company's principal register of members at our current registered office in China.

Dealings in the H Shares registered in the H Share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. CHE Jianxing (車建興)	Room 201, No. 15, Lane 758 Bei Jing Xi Road Jing'an District Shanghai PRC	PRC
Ms. ZHANG Qi (張琪)	Room 802 No. 231, Dong Zhu An Bang Road Chang Ning District Shanghai PRC	PRC
Ms. CHE Jianfang (車建芳)	No. 19-1, Kang Jia Tang Lin Yuan Village Hong Mei Street Tian Ning District Changzhou, Jiangsu PRC	PRC
Mr. JIANG Xiaozhong (蔣小忠)	Room 603 No. 34, Lane 368 Qing Yu Road Pu Tuo District, Shanghai PRC	PRC
Non-Executive Directors		
Mr. XU Guofeng (徐國峰)	Room 102, Unit C Block 34, Qing Long Yuan Tian Ning District Changzhou, Jiangsu PRC	PRC
Ms. CHEN Shuhong (陳淑紅)	Room 201 No. 15, Lane 758 Bei Jing Xi Road Jing'an District Shanghai PRC	PRC
Mr. Joseph Raymond GAGNON	306 Holyoke Road Greensboro North Carolina 27406 U.S.	United States

Name	Address	Nationality
Mr. ZHANG Qiqi (張其奇)	No. 61, Lane 88 Wen Yu Road Song Jiang District Shanghai PRC	PRC
Independent Non-Executive Directors		
Mr. ZHOU Qinye (周勤業)	Room 603 No. 27, Lane 580 Zheng Li Road Yang Pu District Shanghai PRC	PRC
Mr. LI Zhenning (李振寧)	Room 601, Unit 1 28/F, Yu Zhong Dong Li Xi Cheng District Beijing PRC	PRC
Mr. DING Yuan (丁遠)	Room 401 Block 6 No. 777, Bi Yun Road Shanghai PRC	France
Mr. LEE Kwan Hung (李均雄)	Flat D 26/F Block 2 Ronsdale Garden 25 Tai Hang Drive Tai Hang Hong Kong Island Hong Kong	PRC (Hong Kong)
SUPERVISORS		
Mr. PAN Ning (潘寧)	Room 601, Unit A Block 15, Lijing Garden Tianning District Changzhou City Jiangsu PRC	PRC
Ms. NG Ellen Hoi Ying (吳凱盈)	Room G, 30/F Block 8 The Belcher's 89 Pok Fu Lam Road Hong Kong	Canada
Ms. CHAO Yanping (巢豔萍)	Room 601, Unit D Block 5 Xintang Garden Tianning District Changzhou, Jiangsu PRC	PRC

PARTIES INVOLVED IN THE GLOBAL OFFERING

Please refer to "Directors, Supervisors and Senior Management" in this prospectus for further information with respect to our directors and supervisors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Global Coordinators	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square 8 Connaught Place Central Hong Kong

Joint Bookrunners

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Citigroup Global Markets Asia Limited *(in relation to the Hong Kong Public Offering)*
50th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited *(in relation to the International Offering)*
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

CMB International Capital Limited
Units 1803-4,
18/F, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Quam Securities Company Limited
18th and 19th Floors, China Building
29 Queen's Road Central
Hong Kong

Cinda International Securities Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

CIMB Securities Limited
Unit 7706-08
Level 77, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

BNP Paribas Securities (Asia) Limited
59/F-63/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Joint Lead Managers	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Citigroup Global Markets Asia Limited *(in relation to the Hong Kong Public Offering)* 50th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
	Citigroup Global Markets Limited *(in relation to the International Offering)* Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB United Kingdom
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square 8 Connaught Place Central Hong Kong
	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong

Quam Securities Company Limited
18th and 19th Floors, China Building
29 Queen's Road Central
Hong Kong

Cinda International Securities Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

CIMB Securities Limited
Unit 7706-08
Level 77, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

BNP Paribas Securities (Asia) Limited
59/F-63/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
Unit 3501-7, 3513-14, 35/F
Cosco Tower
183 Queen's Road Central
Hong Kong

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

DBS Asia Capital Limited
17th Floor, The Center
99 Queen's Road Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and United States law
Davis Polk & Wardwell
Hong Kong Solicitors
The Hong Kong Club Building
3A Chater Road
Hong Kong

As to the PRC law
Llinks Law Offices
19/F One Lujiazui
68 Yin Cheng Road Middle
Shanghai 200120
PRC

Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States law* Paul Hastings 21-22/F Bank of China Tower 1 Garden Road Hong Kong *As to the PRC law* Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing PRC
Auditor and Reporting Accountant	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong
Independent Industry Consultant	Frost & Sullivan 28/F Dawning Center Tower A No. 500 Hongbaoshi Road Changning District Shanghai PRC Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F, Three Pacific Place 1 Queen's Road East Hong Kong
Property Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F, Three Pacific Place 1 Queen's Road East Hong Kong
Receiving Bank(s)	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong
Compliance Advisor	Anglo Chinese Corporate Finance, Limited 40/F, Two Exchange Square 8 Connaught Place Central Hong Kong

Registered office	Suite F801, 6/F No. 518, Linyu Road Pudong New District Shanghai PRC
Headquarters in the PRC	9/F Red Star World Trade Building No. 598, Nujiang Road North Putuo District Shanghai PRC
Principal place of business in Hong Kong	36/F, Tower 2 Times Square 1 Matheson Street Causeway Bay, Hong Kong
Company's website	www.chinaredstar.com (This website and the information contained on this website do not form part of this prospectus)
Company secretary	Mr. GUO Binghe (郭丙合) Room 404, No. 9 Lane 910, Dingxiang Road Pudong New District Shanghai PRC
Assistant company secretary	Ms. LEUNG Suet Lun (梁雪綸) *(HKICPA)* 36/F, Tower 2 Times Square 1 Matheson Street Causeway Bay, Hong Kong
Authorized representatives	Mr. CHE Jianxing (車建興) Room 201, No. 15, Lane 758 Bei Jing Xi Road Jing'an District Shanghai PRC Mr. GUO Binghe (郭丙合) Room 404, No. 9, Lane 910 Ding Xiang Road Pudong New District Shanghai PRC

CORPORATE INFORMATION

Strategy and Investment Committee	Mr. CHE Jianxing (車建興) (Chairman) Ms. ZHANG Qi (張琪) Mr. ZHANG Qiqi (張其奇) Mr. LI Zhenning (李振寧) Mr. JIANG Xiaozhong (蔣小忠)
Audit Committee	Mr. DING Yuan (丁遠) (Chairman) Mr. LI Zhenning (李振寧) Mr. ZHOU Qinye (周勤業)
Remuneration and Evaluation Committee	Mr. ZHOU Qinye (周勤業) (Chairman) Mr. CHE Jianxing (車建興) Mr. LI Zhenning (李振寧)
Nomination Committee	Mr. LI Zhenning (李振寧) (Chairman) Mr. CHE Jianxing (車建興) Mr. LEE Kwan Hung (李均雄)
Compliance advisor	Anglo Chinese Corporate Finance, Limited
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Principal bankers	Industrial and Commercial Bank of China Shanghai Branch Banking Department No. 24 Zhongshan Dongyi Road Shanghai, PRC Minsheng Bank Shanghai South Branch No. 550 Xujiahui Road Shanghai, PRC Bank of Communication Shanghai West Branch No. 350 Jiangning Road Shanghai, PRC Bank of China Wuxi Xishan Branch No. 82 Xiuhuzhong Road Wuxi, PRC

Except as otherwise provided in this prospectus, the information and statistics set out in this section have been extracted from various publications as well as industry reports we commissioned from independent industry consultants, Frost & Sullivan and Jones Lang LaSalle. We believe that the sources of such information are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted rendering such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, representatives, affiliates or other advisors or any other persons involved in the Global Offering, and no representation is given as to its accuracy. We have engaged Frost & Sullivan and Jones Lang LaSalle to prepare the reports for use in whole or in part in this prospectus. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the F&S Report or the date of JLL Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We have commissioned Frost & Sullivan, an independent consulting firm with relevant consulting firm industry experience, to conduct an analysis of, and to report on, the global and China home improvement and furnishings markets. The report we commissioned, or the F&S Report, has been prepared by Frost & Sullivan independent of our influence. We paid Frost & Sullivan a commission fee of RMB1,000,000, which we consider reflects market rates. Our payment of such fee is not contingent upon the results of the report or the analysis therein.

Founded in 1961, Frost & Sullivan is an independent global consulting firm, offering industry research and market strategies and providing growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environmental and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom, among others.

The F&S Report includes information related to the global and China home improvement and furnishings markets. Frost & Sullivan's independent research was undertaken through both primary and secondary research. Primary research involves discussing industry status with leading industry participants and industry experts. Secondary research involves reviewing company reports, independent research reports and Frost & Sullivan's own research databases. Future market size is projected based on historical market size, macroeconomic data and relevant industry drivers. Market size and competitor sales performance in terms of retail sales value take into account sales through all distribution channels.

The F&S Report has been compiled based on the following assumptions: (i) China's economy shall maintain steady growth in the next decade; (ii) China's social, economic, and political environment shall remain stable during the forecast period; (iii) market drivers such as economic growth and increasing demand from emerging economies, globalization and relevant impacts on costs and consumer behaviors, innovation and technological developments in home improvement and furnishings industry shall drive the growth of global home improvement and furnishings market; (iv) market drivers such as increasing housing and refurnishing demand, a rising middle class and their increased willingness to spend on quality, comfort and convenience, the global economic recovery and the positive impact on China's export market for home improvement and furnishings products, channel development and better reach to the vast consumer base, a better regulated competitive environment and increased industry concentration, and local manufacturers' increasing innovation capability shall drive the growth of China's home improvement and furnishings market.

REPORT COMMISSIONED FROM JONES LANG LASALLE

We have commissioned Jones Lang LaSalle, an independent advisory firm with relevant industry experience, to conduct an analysis of, and to report on, the overall PRC property market and the property markets of home improvement and furnishings shopping mall in selected cities in China. The report we commissioned, or the JLL Report, has been prepared by Jones Lang LaSalle independent of our influence. We paid Jones Lang LaSalle a commission fee of RMB750,000, which we consider reflects market rates. Our payment of such fee is not contingent upon the results of the report or the analysis therein.

Jones Lang LaSalle is a professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. Jones Lang LaSalle operates in 70 countries from more than 1,000 locations worldwide.

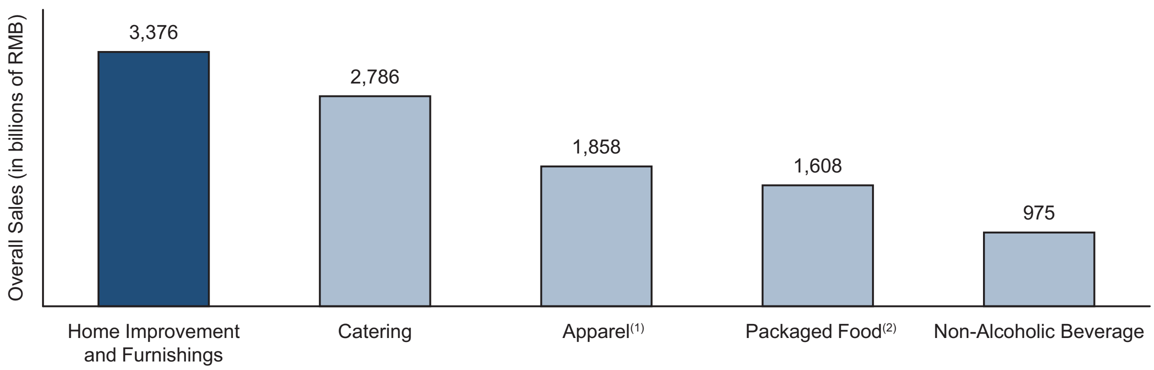
The JLL Report has been compiled based on desk research of specialized industry literature, government and regulatory sources, online data sources, third-party reports and surveys. It contains information derived from other sources relating to the economy and property market of China and relevant cities, including China's National Statistics Bureau and its branches in Shanghai, Nanjing, Changzhou, Beijing, Tianjin, Shenyang, Chengdu, Chongqing, other government authorities and China Real Estate Index System, a Chinese property research institution widely accepted in the PRC property industry. Jones Lang LaSalle has also conducted numerous interviews with local developers, buyers and potential buyers, local marketing agents and market observers and utilized its own databases.

The JLL Report has been compiled based on the following assumptions: (i) all documents provided by the Company are true and correct; (ii) all published data by the Statistics Bureaus of China are true and correct; and (iii) where JLL subscribes data from well-known public institutions, it relies upon the apparent integrity and expertise of such institutions.

HOME IMPROVEMENT AND FURNISHINGS INDUSTRY IN CHINA

Overview

The home improvement and furnishings industry is a major consumption category in China, with sales reaching RMB3,375.8bn in 2014. The industry is larger than many established consumer sectors such as catering, apparel, packaged food and non-alcoholic beverage. The following chart illustrates the industry size of major consumer goods and services in China in 2014:



Note:

(1) includes men's apparel, women's apparel, sportswear, underwear and children's apparel.

(2) includes bakery products, dairy products, condiments, confectionery, and other snacks food.

Source: Frost & Sullivan

The home improvement and furnishings industry is divided into the consumer and the business segments. The consumer segment represented 62.3% of the overall market in 2014. This segment primarily consists of households and individuals purchasing home improvement and furnishings products for their own use. In contrast, the business segment consisting of central procurement by real estate developers and wholesale purchase by contractors represented 37.7% of the overall market in 2014.

Major Products

The home improvement and furnishings industry covers an extensive range of product categories, which are primarily classified into three major subsectors:

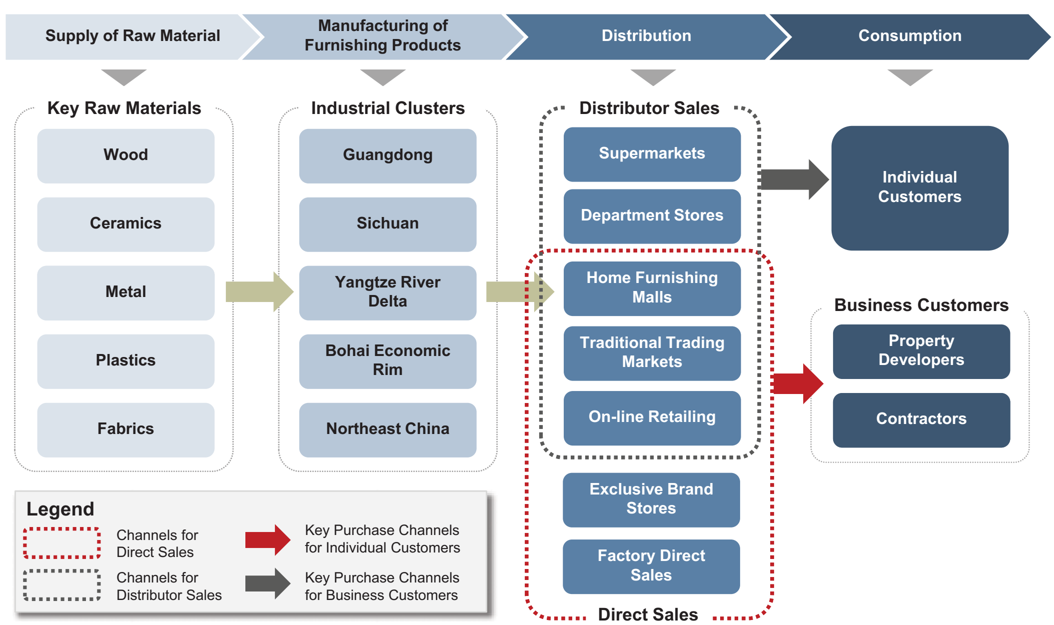
- furniture;
- home decoration, including consumables such as home textiles, tableware, kitchenware, small electrical appliances (excluding large electrical appliances such as televisions, air conditioners, refrigerators), daily hardware as well as daily home decorations; and
- light building materials, such as lighting, flooring and coatings.

Among the three major categories, furniture and home decoration products collectively accounted for 66.1% of China's overall home improvement and furnishings retail market in

2014. Furniture is the largest subsector by retail sales value, which is reflective of its importance as a major durable necessity in daily life. As disposable income and living standards continue to respectively increase and improve in China, the upward trajectory for furniture and home decoration demand is expected to continue. By comparison, light building materials accounted for 33.9% of China's overall home improvement and furnishings retail market in 2014. Demand for light building materials is tied to new home sales, and is generally more cyclical than furniture and home decoration demand.

Industry Value Chain

Distribution is of the most importance along the home improvement and furnishings value chain, which encompasses raw material suppliers, manufacturers and distributors. Raw materials such as wood, plastic and metal are commoditized and widely available. Similarly, manufacturers of home improvement and furnishings products are numerous, often small-scaled and are primarily original equipment manufacturers, or OEMs. In 2014, there were over 14,000 home improvement and furnishings manufacturers in China, most of them located along coastal export hubs. For those that are domestic focused, some manufacture and sell products under their own brands. These brands, however, tend to have limited recognition among consumers given limited marketing expertise and budget, as well as the nature of these products as typically low frequency and low quantity purchases. Distribution represents the downstream segment of the home improvement and furnishings industry. Modern retail chains, the most difficult distribution channels, build and extract the bulk of the economics from the value chain. The following chart illustrates the home improvement and furnishings value chain in China:



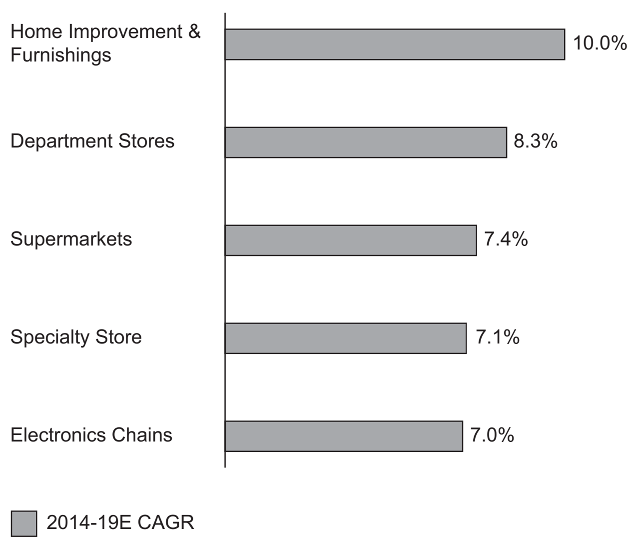
Source: Frost & Sullivan

HOME IMPROVEMENT AND FURNISHINGS RETAIL MARKET IN CHINA

Market Size and Growth Profile

In line with the growth of the overall home improvement and furnishings market, China's home improvement and furnishings retail market has also witnessed rapid growth. From 2009 to 2014, China's home improvement and furnishings retail market increased from RMB1,040.9 billion to RMB2,116.5 billion in terms of retail sales value, representing a CAGR of 15.3%. Benefiting from the sound macro-economy and expected steady growth in China's overall home improvement and furnishings market, the home improvement and furnishings retail market is estimated to maintain a steady growth with a CAGR of 10.0% and amount to RMB3,416.3 billion by 2019. By comparison, other established consumer retail markets are only expected to achieve single digit growth rates.

The following chart illustrates the growth rate of established consumer retail markets in China for the period as indicated below:



Source: Frost & Sullivan

Despite the significant size of the home improvement and furnishings industry in China, the country's per capita expenditure only reached US$403.4 in 2014. By comparison, per capita expenditure of home improvement and furnishings products in developed economies far exceeded China, with the United States at US$968.4 and the United Kingdom at US$865.1. The significant gap between per capita expenditure in China and more mature economies highlights the potential for future growth of the home improvement and furnishings industry.

Major Drivers

Macro level factors

GDP and income growth. Economic and national income growth are key drivers of consumption including expenditures on home improvement and furnishings products. From 2009 to 2014, China's consumers have experienced a 10.9% CAGR in disposable income, which has boosted demand for goods and services, including those that are home related. As income levels continue to rise, demand for larger living space and higher living standards will continue to boost demand for home improvement and furnishings products.

Rapid urbanization. Rapid urbanization leads to significant population movement, which increases the demand for home improvement and furnishings products as migrants settle into new locations. China has undergone significant urbanization over the past six years with a steadily growing urban population that reached 749.2 million in 2014, exceeding the country's rural population of 618.7 million. In 2014, China's urbanization rate reached 54.8%, a record high since the establishment of the PRC. China's urban population is expected to maintain a CAGR of 3.6% from 2014 to 2019, reaching 893.8 million by 2019. Similarly, China's urbanization rate is expected to record a commensurate increase to 63.8% by 2019. Rapid urbanization and the resulting population movement are expected to remain a key driver for home improvement and furnishings products.

Refurbishing and furnishing needs from existing and new home owners. Home improvement and furnishings needs are primarily driven by refurbishing for existing home owners and by furnishing for new home purchasers. Many households in China that are seeking to upgrade their living environment have focused on refurbishing their existing homes instead of simply purchasing new homes given escalating prices for residential real estate. The home refurbishment cycle is typically six to eight years in China, and this market segment has led to growth in recurring demand for home improvement and furnishings products. Furthermore, new modern residential developments in China typically come in "bare shell" and require furnishing. The 6.3% CAGR increase in GFA completed of new modern housing over the past five years has boosted demand for home improvement and furnishings products. Annual GFA sold for modern residential housing has increased from 862 million sq.m. in 2009 to 1,052 million sq.m. in 2014. As the stock of modern residential housing continues to increase, demand for home improvement and furnishings products from existing homeowners and new home buyers is expected to grow.

Upgrading needs fueled by growing lifestyle aspirations and focus on quality, innovation and environmental credentials. China's home improvement and furnishings market is expected to benefit from the rising middle-class consumers, who are more educated, environmentally aware, and with strong purchasing power. The burgeoning middle-class consumers are expected to be the major engine of consumer spending in the future. These consumers are focused on enhancements in their quality of life, self-identity and social status and emphasize product quality, environmental credentials, innovation and overall consumer experience. Industry players who are able to cater to evolving consumer tastes by providing innovative, high quality and green products will continue to benefit from significant growth in consumer demand. With increasing sophistication and disposable income, consumers are increasingly purchasing higher ticket items, and this trend is expected to continue, which will provide an uplift to overall industry sales. In addition, the growing demand for greater consumer convenience, such as a one-stop shopping experience with delivery arrangements, online retailing and after-sales service will likely benefit widely recognized, chain operators.

Increasing demand for retail space. Manufacturers of home improvement and furnishings products are increasingly expanding into multiple product categories, which has led to an increase in demand for home improvement and furnishings related retail space. As consumer demand for product choice and variety continues to increase, manufacturers have responded by expanding the range and breadth of their product offerings. The expansion in product range and categories is expected to continue, which will have a positive effect on the demand for home improvement and furnishings retail space.

Industry Characteristics

DIFM model suits China better than DIY model. Unlike western home improvement and furnishings retailers such as Home Depot, which focus on offering semi-finished products and tools to enable customers to complete the work at home, Chinese customers prefer to purchase finished products with minimum or no additional work at home. This difference in preference of the "do-it-yourself" (DIY) model over the "do-it-for-me" (DIFM) model is primarily caused by China's relatively lower labor cost and the rapid economic development which increases people's pace of life and drives them to opt for convenience. Chinese culture also plays an important role as the DIFM model is generally perceived to be more premium in China than the DIY model. For instance, Home Depot, the leading home improvement and furnishings retailer in the United States, announced its exit from China amid losses in 2012. Kingfisher, the leading home improvement retailer in the United Kingdom, announced a majority stake sale of its B&Q China operations in 2014.

Given the prevalence of DIFM in China, customers value a holistic service offering, from working with designer/contractor on customized products/solutions to browsing and ordering, often via a down payment only. As a result, only a physical retail network can succeed. This trend is expected to further develop and a well-delivered holistic service offering is expected to become more crucial in determining home improvement and furnishings retailers' competitiveness. Physical one-stop home improvement and furnishings malls are expected to benefit greatly from this trend as it facilitates a holistic service offering integrating the processes of product selection, experience and trials, the handling of customization requests, order placing, delivery and assorting arrangement. DIY does not fit China's market and DIFM one-stop malls have been proven to fit the market.

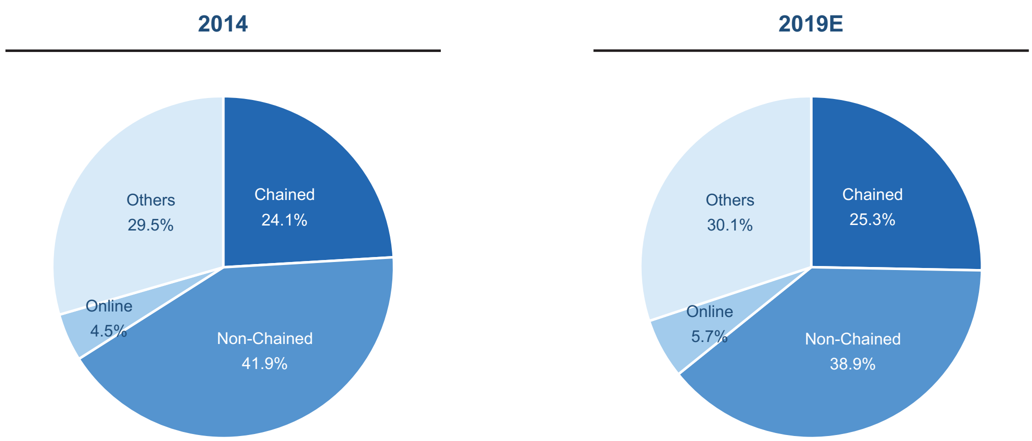
Weak product brands and strong distribution channels. Home improvement and furnishings products are typically a low-frequency and low quantity purchase, which makes it very costly for product manufacturers to build out their own distribution channel or invest heavily in their own brands. Hence, modern chain mall operators who aggregate diverse product categories and brands are growing their presence. By creating a one-stop shop to satisfy consumers' home improvement and furnishings needs across all product categories, modern mall operators attract sufficient foot traffic and achieve a large enough scale to justify heavy investments in branding and marketing. The end result is that consumers recognize and trust distribution channels over individual product brands. This unique industry characteristic has allowed modern home improvement and furnishings malls to operate differently compared to their general merchandise retailing peers; home improvement and furnishings malls do not rely on anchor tenants and do not offer discounts to any tenants as none have strong brands nor the ability to attract foot traffic on their own.

Physical network is key to O2O strategy. As e-commerce becomes increasingly popular in recent years, many home improvement and furnishings retailers have started to launch online shopping and O2O functions. Given the characteristics of the home improvement and furnishings industry including the importance of physical touch, visualization, logistics fulfillment, installation and customized service, e-commerce is most likely to succeed when combined with a physical network. Unlike other consumer retail industries, pure play online only platforms are less likely to capture market share as they are unable to deliver the experience that consumers expect when shopping for home improvement and furnishing products. O2O platforms, combining a comprehensive online and offline offering, are expected to be the future of home improvement and furnishings retailing, providing seamless service, product details, payments and after sales services via one consistent interface.

Retail Market Analysis

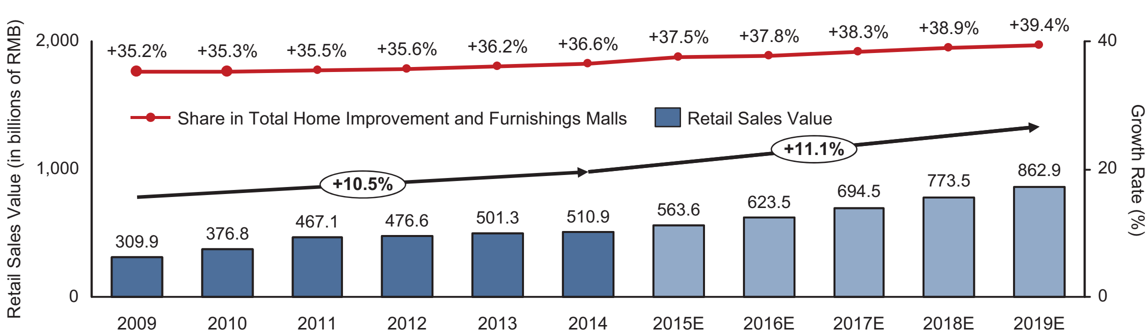
Retail Channels

The following chart illustrates the expected change in market share among the various retail channels within the home improvement and furnishings industry in terms of sales turnover:



Source: Frost & Sullivan

Chain home improvement and furnishings shopping mall. Chain home improvement and furnishings shopping malls provide specialized and one-stop shopping services and comprehensive product portfolios and also possess high brand reputations. At the same time, chain home improvement and furnishings shopping malls also require large capital investment and operation and management capability. In China, well-known chain home improvement and furnishings shopping malls include Red Star Macalline, Easyhome and Jeshing Group. In 2014, chain home improvement and furnishings shopping malls accounted for approximately 36.6% of market share in total home improvement and furnishing malls.



Source: Frost & Sullivan

Non-chain home improvement and furnishings shopping mall. Non-chain home improvement and furnishings shopping malls are typically smaller one-off home improvement and furnishings malls which lack the product range and consumer trust associated with their chain counterparts. They are typically located in lower tier local markets. These smaller non-chain operators are expected to grow at a lower pace and to lose market share to large chain mall operators. In 2014, non-chain home improvement and furnishings shopping malls accounted for approximately 41.9% of market share.

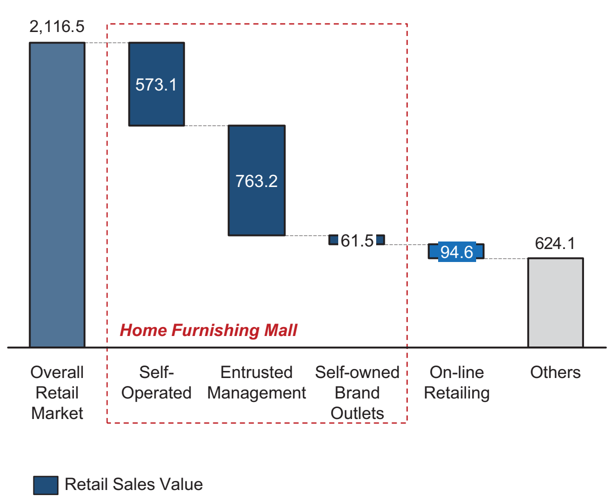
Online retailing. With the increasing popularity and penetration of Internet and mobile devices, online retailing has become a popular sales channel in recent years. In 2014, online retailing accounted for approximately 5% of market share in China's overall home improvement and furnishings retail market. Online retailing enables customers to source and order home improvement and furnishings products anywhere through personal computer or tablets. Home improvement and furnishings has become one of the major categories on online shopping lists. Numerous online B2C platforms as well as offline retailers begin to establish a specialized website for home improvement and furnishings products. Typical online websites for home improvement and furnishings products include Meilele, Jia.com. Tmall.com and JD.com have also expanded into home improvement and furnishings retail sector. Having said that, the bulk of products sold via online only websites are small home decorative items. Larger products with higher ticket size as well as products that require customized service are still predominantly sold through offline channels.

Others. There are other sales channels for home improvement and furnishings products, including traditional channels such as home improvement and furnishings sales streets as well as channels such as supermarkets, department stores and exclusive brand stores. These diversified sales channels offer a range of options to purchase different kinds of home improvement and furnishings products and accounted for approximately 30% of market share in China's overall home improvement and furnishings retail market in 2014.

Operating Model

Home improvement and furnishings shopping malls are operated under three types of operating models: self-operated outlets, contract managed outlets and self-owned brand outlets. As the home improvement and furnishings retail industry grows rapidly, an increasing number of shopping malls are operated under contract management arrangements and contract managed shopping malls contributed the largest share to the retail sales value of home improvement and furnishings malls in 2014 according to Frost & Sullivan.

The following chart illustrates the home improvement and furnishings retail market breakdown by operating models in 2014:



Source: Frost & Sullivan

The following table illustrates the advantages and disadvantages of each operating model:

	Self-operated (self-owned)	Self-operated (non-self-owned)	Contract Managed
Advantages	• Appreciation in land value further benefits refinancing and expansion	• Strong stability during lease term	• No initial investment and rapid return
	• Significant stability, more defensive during downturns	• Lower initial investment than self-owned model and short payback period	• Able to expand rapidly and increase market share and brand reputation in short term
Disadvantages	• Significant initial investment and long payback period	• Property cannot be used for financing	• Contract renewal risks
	• Slowest expansion due to significant initial investment	• Operating risk exists when lease expires, susceptible to rent hikes and relocation risks	• Disagreement with partners could impact operations

Entry Barriers

Brand reputation. Brand reputation is also important to home improvement and furnishings shopping malls. Given the large ticket size and low-frequency nature of home improvement and furnishings purchases, consumers prefer well-known home improvement and furnishings shopping malls over less recognized ones. Likewise, consumers are concerned with the mixed quality and materials across manufacturers, and ability to claim against the manufacturer directly in case of disputes. Consumers also prefer brands and products that have been vetted by reputable mall operators. Brand reputation relies on years of management which cannot be easily caught up by a new participant even with heavy spending on branding.

Scale effects and bargaining power. The home improvement and furnishings retail model significantly relies on scale effects. Successful home improvement and furnishings retailers usually operate a large number of shopping malls, which home improvement and furnishings merchants prefer as a distribution channel. As a result, a home improvement and furnishings retailer with more and larger shopping malls has stronger bargaining power to negotiate with home improvement and furnishings merchants.

Operational experience and tenant relationship. The operation and management of home improvement and furnishings shopping malls is complex and requires professional management personnel who possess a combination of product technology, management expertise, tenant relationship management, modern marketing techniques and logistics management. New participants in the home improvement and furnishings retail industry face a steep learning curve difficult to conquer. Furthermore, home improvement and furnishings is a large and highly fragmented industry with tens of thousands of manufacturers and distributors across multiple categories. Some channel operators only have the capability to attract local manufacturers or in a particular category, such as bathroom products. The more diversity an operator can assemble in both tenant mix and merchandize, the more attractive the malls are to end customers, hence tenant sourcing is a significant barrier of entry.

Limited availability of prime large-scale retail real estate in Tier I and Tier II Cities. Since the home improvement and furnishings retail market is highly customer-oriented, the availability of prime real estate in the neighborhood as well as convenient transportation are crucial factors of success. As the real estate market has developed for years, the prime locations for new home improvement and furnishings shopping malls have become increasingly scarce in Tier I and Tier II Cities. As land price has been significantly increasing, in particular in Tier I Cities, the relocation cost for urban center areas is quite high at the moment, which results in the existence of certain to-be-demolished buildings in such urban center areas which real estate developers cannot afford to demolish.

Investment. The home improvement and furnishings retail industry is capital intensive. Land purchase or lease, mall construction and promotional renovation and operations require substantial initial investment. In addition, investment for network expansion to gain competitiveness is also costly.

Recent Industry Developments

Upgrading from non-chain wholesale market to modern one-stop shopping mall. As the home improvement and furnishings market continues to develop, consumers are becoming increasingly discerning as it relates to product and service offerings. As a result, consumers are migrating away from non-chain wholesale market and upgrading to modern one-stop shopping mall channels. For low frequency but large ticket size items in particular, consumers are switching to well-known home improvement and furnishings shopping malls who offer quality assurance and a full suite of pre- and post-sales services. Consumers realize that products sold at non-chain wholesale markets do not carry the same quality assurances and product guarantees as those sold in chain malls, and have thus been upgrading to modern retail channels for home improvement and furnishings products.

Further market consolidation by market leaders. The home improvement and furnishings retail mall industry is highly fragmented, with the largest player occupying a market share of 3.9%. In recent years, home improvement and furnishings retailers have expanded their sales network to achieve economies of scale. Leading home improvement and furnishings retailers leverage their advantages in brand influence, supplier resources and experienced management teams to achieve fast development and gain higher market share. In addition, as the purchasing power in lower-tier cities and towns continues to grow, more high-end home furnishings manufacturers and distributors are expanding their channels to better cover these growing markets. When the brands also expand their geographic presence, they increasingly rely on national chain retailors to support their national expansion. In the future, leading home improvement and furnishings retailers are expected to further expand through industry consolidation, and home improvement and furnishings retail channels are expected to be further concentrated.

Channel sinking into lower tier cities. Consumers in Tier III and Other Cities have had less exposure to modern home improvement and furnishings retail formats. Open air markets and smaller malls have historically been the predominant retail channel in these markets. By comparison, chain retail malls represented only 15.7% of total retail malls in 2014 in Tier III and Other Cities. However, increasing local income levels and purchasing power are expected to drive home improvement and furnishings product sales from the basic, pure necessity segment to better quality, lifestyle focused products. Hence, chain retail mall operators are expected to increasingly penetrate into Tier III and Other Cities, with chain retail malls expected to occupy 18.8% of total retail malls by 2019.

Key Market Constraints

Aging population resulting in lowering rigid housing and furnishings demand. With a large population and the previous one-child policy, China's population has been aging rapidly. It is expected that starting from 2015 the pace will further accelerate, and by 2020 residents of 60 years old and above will constitute more than 17% of the total population in China. With less young population, the rigid housing and furnishings demand will decrease, which restricts the growth of China's home improvement and furnishings market.

Government regulation of real estate market causes short-term volatility. In recent years, to prevent overheating of the real estate market and inhibit speculative investments, the PRC government has adopted administrative intervention on the real estate market several times, which directly leads to the decline of house prices and sales volume. China's home improvement and furnishings retail market has also been negatively affected. In the future, government regulation is expected to continue to directly affect the real estate market.

Competitive Landscape in China

China's home improvement and furnishings retail market is dominated by mall operators and is highly segmented. As compared to domestic industry participants, DIY style foreign competitors only occupy a small portion of the market share. For example, IKEA and B&Q, largest DIY style foreign competitors in China, accounted for 0.5% and 0.2% of China's home improvement and furnishings retail mall market in 2014 respectively.

In 2014, the top five home improvement and furnishings retailers, including Red Star Macalline, Easyhome, Jinsheng Group, Yuexing Group and Wuhan Ouyada, contributed a total retail turnover of RMB126.8 billion, accounting for 9.1% of total market share. In 2014, Red Star Macalline had a retail turnover of RMB55.0 billion, ranking the first. Segmenting the overall market further into chain and non-chain home improvement and furnishings retail, Red Star clearly leads the chain retail format with a market share of 10.8% by retail turnover.

The following table illustrates the operation size of the top five home improvement and furnishings retailers in 2014:

	红星·美凯龙 MACALLINE	居然之家 Easyhome	JESHING 金盛集团	月星集团 YUEXING GROUP	Ayd 欧亚达集团
Total Number of Malls (2014)	158	106	15	16	20
Total Operating Areas (2014 in millions of m^2)	10.77	6.97	1.95	1.36	1.53

Source: Frost & Sullivan

Branding is of high importance in the home improvement and furnishings retail market, the nature of which is strong distribution channel brands and weak product brands. The following chart reflects the brand awareness among the home improvement and furnishing malls in 2014 according to the China Brand Research Center, sponsored by the Ministry of Industry and Information Technology of the PRC:

Brand Awareness Rank	Brand Name	Brand Chinese Name
1	Red Star Macaline	红星美凯龙
2	B&Q	百安居
3	Easyhome	居然之家
4	IKEA	宜家
5	OrientHome	东方家园
6	Homelike	家居乐
7	Homemart	好美家
8	Kinhom	金海马

Note: the China Brand Research Center is directly affiliated to the China Brand Research Center supported by the Ministry of Industry and Information Technology of the PRC. The brand awareness research is conducted via random sampling method nationwide with a coverage of around 30 cities in China and over 13,000 individual samples with different background.

Source: China Brand Research Center, Ministry of Industry and Information Technology of the PRC

Competitive Dynamics on City Level

The following cities represent the most important regional markets in China's home improvement and furnishings retail industry, with a large number of shopping malls and operating areas and high occupancy rates and rental income. The sampling of such cities also covers Tier I, II and III Cities, which presents a fair and balanced review of nationwide home improvement and furnishings retail.

Tier I Cities

Shanghai

The home improvement and furnishings shopping mall market in Shanghai had a total GFA of 1,672,000 sq.m. as of December 31, 2014. The market is highly competitive with major market players including Red Star Macalline, JSWB, Yuexing, Cimen and Home Value. Red Star Macalline's rent is relatively high among market players in Shanghai. All six shopping malls of Red Star Macalline in Shanghai maintain an occupancy rate of over 99%.

Beijing

The home improvement and furnishings shopping mall market in Beijing had a total GFA of 2,700,000. By end of 2014, 23 large-scale home improvement and furnishings shopping malls were opened in Beijing. Along with Beijing's rapidly developing property market and mature urban planning, there will barely be a new property or land for a large-scale home improvement and furnishings shopping mall in downtown area or inside the fourth ring. Every chain retailers are aiming at the suburban home improvement and furnishings market as their new target. Beijing as the capital has a relatively high living standard, where consumers favor famous brands and environmentally friendly products. Therefore, high-end furniture brands are willing to join famous brand shopping malls to achieve a win-win situation. Rent of home improvement and furnishings shopping malls in Beijing ranges widely, which depends on location, visibility, reputation and merchandise of tenants. Most prime home improvement and furnishings retail properties in Beijing have reached a high occupancy rate, reflecting Beijing's mature commercial atmosphere.

Tier II Cities

Chongqing

The home improvement and furnishings shopping mall market in Chongqing had a total GFA of 1,500,000 sq.m.. An additional GFA of 300,000 sq.m. is expected in the next three years. The rental price of home improvement and furnishings shopping malls in Chongqing varies depending on location, visibility, reputation or merchandise of tenants. Most home improvement and furnishings shopping malls in Jiangbei District have reached a high occupancy rate as a result of its mature commercial atmosphere.

Chengdu

Home improvement and furnishing shopping malls in Chengdu have been growing since 2009 along with the dramatic national real estate boom. The total supply had achieved approximately 1,600,000 sq.m. by 2014. The average ground floor monthly rent of high-end home improvement and furnishings shopping malls in the city center that reaches high-end customers remains stable as most new shopping malls target medium to lower end customers, and locate far from the city center. For similar reasons, occupancy rates of these malls remain at a relatively high level.

Tianjin

The total GFA of home improvement and furnishings shopping mall property in Tianjin grew significantly from 2008 to 2012 and reached approximately 1,400,000 sq.m. by 2014. The rental level of home improvement and furnishings shopping malls in Tianjin varies depending on retailers' brand, property location and shopping mall reputation. Occupancy rates for home improvement and furnishings shopping malls is quite high in Tianjin. Generally, shopping malls in urban areas have a higher occupancy rate than those located in outer circles of urban Tianjin.

Nanjing

The total GFA of home improvement and furnishings shopping malls has been growing rapidly in Nanjing, reaching 1,579,000 sq.m. in 2014. Yuexing is considered the largest competitor for Red Star Macalline in Nanjing.

Shenyang

The home improvement and furnishings shopping mall market in Shenyang had a total GFA of 732,000 sq.m. Easyhome and Heungkong maintain a high rental level above average because of their brand awareness. Red Star Macalline's monthly rent varies from RMB48 to

RMB165 per sq.m. due to different locations of the malls and historic rental discount provided to tenants. All the home improvement and furnishings retailers had a high occupancy rate. Two Red Star Macalline's shopping malls even reached an occupancy rate of over 99%.

Tier III Cities

Changzhou

The total GFA of the home improvement and furnishings shopping malls in Changzhou was 716,000 sq.m. as of December 31, 2014. Red Star Macalline accounted for 65% of market share in the home improvement and furnishings market in Changzhou as of December 31, 2014. Red Star Macalline achieved an occupancy rate of over 99% in all its four malls in Changzhou.

Regulatory Overview

A summary of certain major laws and regulations in relation to our business is set forth below. Information contained herein should not be construed as an all-inclusive summary of laws or regulations applicable to us.

Home Furnishing Circulation

The Notice of the Twelfth Five-year Plan of Domestic Trading Development (國內貿易發展"十二五"規劃的通知) issued by the General Office of the State Council on September 1, 2012 sets up the goal of significantly increasing the modernization of circulation, including increasing trading through e-commerce by 30% or more per annum, growing online retail sales rapidly, significantly improving the organization of circulation and forming a batch of circulation enterprises with high competitiveness.

The Opinions of the State Council on Deepening the Reform to Speed up the Development of Circulation Industry (國務院關於深化流通體制改革加快流通產業發展的意見), which were issued by the State Council on August 3, 2012, put forward the goals of actively fostering large-scale circulation enterprises, supporting circulation enterprises with the strength to conduct cross-industry and cross-regional mergers and reorganizations, proposing policy support to broaden the financing channels of circulation enterprises and support listing and financing, setting up financial companies and issuing corporate bonds, medium-term notes and debt-financing tools of eligible large circulation enterprises.

The Several Opinions of the State Council to Promote the Development of Circulation Industry (國務院關於促進流通業發展的若干意見), which were issued by the State Council on June 9, 2005, look to promote the restructuring of state-owned circulation enterprises, speed up the development of large circulation enterprise groups, promote the fast development of chain operations, and encourage the development of logistics distribution centers, etc. The Opinions are beneficial to facilitating the integration of China's retail industry, improving the industrial concentration and enhancing our ability to compete with foreign investment.

The Opinions to Cultivate Large-scale Circulation Companies and Enterprises (關於培育流通領域大公司大企業集團的意見), which were jointly issued by several governmental authorities on July 7, 2004, look to guide all kinds of capital in participating in the development of circulation enterprises, promote the reform of property rights system, energetically develop modern circulation organization forms and ways of distribution, and make efforts to cultivate large-scale circulation enterprises with famous brands, independent intellectual property rights, outstanding main business, strong core competitiveness and sustainable development.

The PRC Company Law

Corporate entities incorporated in the PRC are governed by the Company Law of the PRC **("PRC Company Law")**, which was promulgated by the Standing Committee ("**SCNPC**") of the National People's Congress ("**NPC**") on December 29, 1993 and came into effect on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, and December 28, 2013. Pursuant to the PRC Company Law, companies incorporated in the PRC are classified into categories, namely limited liability companies and joint stock companies. The PRC Company Law shall also apply to the foreign-invested limited liability companies and joint stock companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

Foreign Investment

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, taxation, corporate governance, and labor matters, etc. of equity joint ventures established by and between foreign companies, enterprises and other economic entities or individuals, within the territory of the PRC, and Chinese companies, enterprises or other economic entities are regulated by the Sino-foreign Equity Joint Ventures Law of the PRC, which was promulgated by NPC on July 1, 1979 and subsequently amended on April 4, 1990 and March 15, 2001, and the Regulations for the Implementation of the Sino-foreign Equity Joint Ventures Law of the PRC (中華人民共和國中外合資經營企業法實施條例), which were promulgated by the State Council on September 20, 1983 and subsequently amended on January 15, 1986, December 21, 1987, July 22, 2001, January 8, 2011 and February 19, 2014. The establishment procedures, approval procedures, registered capital requirement, foreign exchange, taxation, corporate governance, and labor matters, etc. of contractual joint ventures established by and between foreign companies, enterprises and other economic entities or individuals, within the territory of the PRC, and Chinese companies, enterprises or other economic entities are regulated by the Sino-foreign Contractual Joint Ventures Law of the PRC, which was promulgated by NPC on April 13, 1988 and amended on October 31, 2000, and the Regulations for the Implementation of the Sino-foreign Contractual Joint Ventures Law of the PRC (中華人民共和國中外合作經營企業法實施條例), which were promulgated by the original Ministry of Foreign Trade and Economic Cooperation on September 4, 1995 and amended by the Decision of the State Council on Repealing and Revising Certain Administrative Regulations on February 19, 2014.

Any investment conducted by foreign investors and foreign enterprises in the PRC shall be subject to the Catalogue of Industries for the Guidance of Foreign Investment (2015 Revision) (外商投資產業指導目錄(2015年修訂)) ("**Guidance Catalogue**"), the latest version of which was jointly promulgated by the Ministry of Commerce and the National Development and Reform Commission on March 10, 2015 and came into effect on April 10, 2015. According to the Provisions for Guiding the Foreign Investment Direction (effective on April 1, 2002), the Guidance Catalogue categorizes industries into the Encouraged Foreign Investment Industries, the Restricted Foreign Investment Industries and the Prohibited Foreign Investment Industries. Industries not listed in the Guidance Catalogue shall be classified as the Permitted Foreign Investment Industries. According to the Guidance Catalogue, our core business (including operation of shopping mall, management and professional consulting services) falls within the permitted category for foreign investment.

Dividend Distribution

The principal laws and regulations governing distribution of dividends paid by foreign-invested companies in the PRC are included within the PRC Company Law. The foreign-invested companies in the PRC may only pay dividends from accumulated after-tax profit, if any, subject to the PRC accounting standards and regulations. In addition, statutory and optional reserve funds shall be withdrawn in accordance with the provisions of the PRC Company Law. A company shall allocate no less than 10% to its statutory reserve fund. Allocation to the company's statutory reserve fund may be waived once the cumulative amount of funds therein exceeds 50% of the company's registered capital. The proportion of optional reserve funds to be withdrawn shall be determined by the company on its own accord. These reserves are not distributable as cash dividends.

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC ("**Product Quality Law**"), which was promulgated by SCNPC on February 22, 1993, became effective on September 1, 1993 and was amended on July 8, 2000. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law. In the event of a violation of any legal provisions of the Product Quality Law, producers and sellers may be fined, suspended or stripped of business licenses, and where the circumstances are serious, criminal liability shall be pursued. Consumers or other victims suffering personal injuries or property damage resulting from defects in commodities may demand compensations either from the sellers or from the manufacturers. If the liability lies with the manufacturers, the sellers shall have the right to recover the compensations from the manufacturers after paying the compensations, or vice versa.

According to the Administrative Regulations for Compulsory Product Certification (強制性產品認證管理規定), which were promulgated by the General Administration of Quality Supervision, Inspections and Guarantine of the PRC on July 3, 2009 and came into effect on September 1, 2009, the specified products under the regulations may not be delivered, sold, imported or used in other business activities until they are certified and labeled with a certification mark. For products that are subject to compulsory product certification, the State implements unified product catalogues, unified compulsory requirements, standards and compliance assessment procedures in technical specifications, unified certification marks and unified charging standards. Producers or sellers or importers of products included in the catalogues shall entrust certification bodies designated by the Certification and Accreditation Administration to certify the products produced, sold or imported thereof.

Consumer Protection

The rights and interests of consumers in purchasing and using commodities or receiving services for daily consumption, or business activities of business operators in their supply of commodities produced and sold by them or services to consumers, are governed by the Consumer Protection Law of the PRC ("**Consumer Protection Law**"), which was promulgated by SCNPC on October 31, 1993, and amended subsequently on August 27, 2009 and October 25, 2013.

According to the Consumer Protection Law, consumers whose legitimate rights and interests are infringed upon in their purchase or use of commodities may demand compensation from the sellers concerned. In case the liability is on the manufacturers or other sellers who supply the commodities to the said sellers, the said sellers shall have the right to recover the compensation from the manufacturers or the other sellers after paying the compensation. Consumers or other victims suffering personal injuries or property damage resulting from defects of commodities may demand compensation either from the sellers or from the manufacturers. If the liability is on the manufacturers, the sellers shall have the right to recover the compensation from the manufacturers after paying the compensation; if the liability is on the sellers, the manufacturers shall have the right to recover the compensation from the sellers after paying the compensation. A consumer whose legitimate rights and interests are harmed in the purchase of goods or receipt of services rendered from a trade fair or a leased counter may seek compensation from the seller or the service provider. Upon conclusion of the trade fair or expiry of the lease period of the counter, the consumer may seek compensation from the organizer of the trade fair or the lessor of the counter. Upon compensation by the organizer of the trade fair or the lessor of the counter, the organizer of the trade fair or the lessor of the counter shall have the right to recover the compensation from the seller or the service provider.

According to the Tort Law of the PRC, which was promulgated by SCNPC on December 26, 2009 and became effective on July 1, 2010, manufacturers shall be responsible for compensating the damages of the person or property caused by the defect of products. Sellers shall be responsible for compensation if the damages to the property or person are caused by defects resulting from the fault of sellers. If the seller is unable to name the producer or supplier of the defective product, the seller shall bear tort liability. The injured person may demand indemnification from the producer of the product or from the seller of the product. If the defect in the product is caused by the producer, the seller shall have the right, after paying indemnification, to recover the same from the producer. If the defect in the product is caused by the fault of the seller, the producer shall have the right, after paying indemnification, to recover the same from the seller.

According to the Supreme People's Court's Interpretation on Certain Issues Concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury (最高人民法院關於審理人身損害賠償案件適用法律若干問題的解釋) promulgated by the Supreme People's Court on December 26, 2003, a natural person, legal person or other organization engaging in the business of hotel, catering, entertainment and the like or carrying out other social activities, which fails to perform duty of care and security within reasonable limits and thereby causes another person to suffer a personal injury, shall bear the corresponding liability for compensation.

Environmental Protection

Pursuant to the Environmental Protection Law of the PRC, which was promulgated by SCNPC on December 26, 1989, amended on April 24, 2014 and became effective on January 1, 2015, pollutant-discharging enterprises, institutions and other manufacturing operators shall adopt measures to prevent and treat waste gas, wastewater, waste residue, medical waste, dust, malodorous gas, radioactive substances generated in manufacturing, construction or any other activities as well as environmental pollution and hazards such as noise, vibration, ray radiation, electromagnetic radiation etc. and shall establish an environmental protection accountability system to specify the responsibilities of the person(s)-in-charge and the relevant personnel of the organization. Pollutant-discharging enterprises, institutions and other manufacturing operators shall pay sewage fees pursuant to the relevant provisions of the State. Different penalties, including fines, suspensions of operation, announcements and criminal responsibility, shall be imposed against persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination.

Our company shall abide by the Prevention and Control of Water Pollution Law of the PRC, the Prevention and Control of Atmospheric Pollution Law of the PRC, the Prevention and Control of Noise Pollution Law of the PRC, the Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC, the Environmental Impact Assessment Law of the PRC, the Administrative Regulations on Environmental Protection for Acceptance Examination upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge, and environmental impact assessment should be performed and approval shall be obtained before the project is constructed.

Lease of Properties

Both the Provisional Regulations Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas of the PRC (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) and the Administration of Urban Real Estate Law of the PRC permit the leasing of granted land use rights and of the buildings or houses erected on the land upon certain conditions. Pursuant to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), which were promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and became effective on February 1, 2011, parties thereto shall register and file with the local property administration authority within thirty days of the signing of the lease contract. Those who fail to register may be ordered to rectify the failure within a specific time period or otherwise fined.

Under the Contract Law of the PRC promulgated by the NPC on March 15, 1999, the term of a leasing contract shall not exceed 20 years. Any change of ownership during the lease term to the leasing properties does not affect the validity of the leasing contract.

Surveying and Designing of Construction Projects

The Regulations on the Administration of Surveying and Designing of Construction Projects (建設工程勘察設計管理條例), which were promulgated on September 25, 2000 by the State Council, provide a qualification control system to enterprises engaging in surveying or designing activities of construction projects. The competent administrative departments for construction and the relevant departments, such as for communication and water, of the people's governments at or above the county level shall implement the supervision and control over the surveying and designing activities of construction projects in accordance with the provisions of these Regulations. The enterprises for the surveying or designing of construction projects must conduct the surveying or designing of construction projects according to law, strictly implement the compulsory standards for construction projects, and be responsible for the surveying or designing quality of construction projects. The surveying or designing enterprises shall be engaged for the surveying or designing of construction projects within the approved scope of their respective qualifications.

Construction

According to the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry (建築業企業資質管理規定), which were promulgated on January 22, 2015 by the Ministry of Housing and Urban-Rural Development and came into effect on March 1, 2015, an enterprise in the construction industry shall apply for its qualification on the basis of its qualification conditions, such as capital, assets, specialized technicians, technologies, equipment and the construction projects completed, and may only engage in construction activities within its qualification scope after passing the qualification examination and obtaining the appropriate qualification certificate.

Fire Control

Pursuant to the Fire Prevention Law of the PRC, which was promulgated by the SCNPC on April 29, 1998, amended on October 28, 2009 and came into effect on May 1, 2009, public gathering places shall pass a fire prevention safety inspection conducted by the local public security fire-fighting department before the commencement of business operations.

Administration of Trading Places

Pursuant to the Guidance on Setting Up Credit Rating Supervision System of Commodity Trading Markets (關於建立商品交易市場信用分類監管制度的指導意見) published by the State Administration for Industry and Commerce of the PRC on September 29, 2007, the administrative departments for industry and commerce set forth standards, divide trading markets into different credit categories, and supervise markets on corresponding methods based on the credit status of owners of trading markets and operators in the trading markets, their daily business activities and records of noncompliance.

Pursuant to the Guidance on Strengthening the Standardized Administration of Commodity Trading Markets (國家工商總局關於加強商品交易市場規範管理的指導意見) published by the State Administration for Industry and Commerce of the PRC on December 25, 2013, local departments shall lead operators of trading markets to take responsibilities including maintaining the business order of markets, protecting legal rights and interests of consumers, and guaranteeing the quality of accountability of commodities.

Labor

According to the Labor Law of the PRC promulgated on July 5, 1994 that became effective on January 1, 1995, workers are entitled to fair employment, choice of occupation, labor remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours per day and no more than 44 hours per week on average. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation, and provide employees with a working environment that meets the national work safety and sanitation standards.

The Labor Contract Law of the PRC was promulgated by SCNPC on June 29, 2007 and amended on December 28, 2012, and its implementation regulations were implemented on September 18, 2008 (collectively, "**Labor Contract Law**"). According to the Labor Contract Law, labor contracts must be executed in writing to establish labor relationships between employers and employees. Employees, who fulfill certain criteria (including having worked for the same employer for 10 years or more), may demand that employers execute non-fixed-term labor contracts. Wages paid by employers may not be lower than the local minimum wage. Both employers and employees must perform their respective obligations stipulated in the labor contracts. Where workers are provided by a staffing company, the staffing company is the employer and performs the legal obligations of an employer toward the dispatched workers, including, among others, entering into a labor contact with a fixed term of more than two years with the workers and paying remuneration for their labor. The staffing company must conclude a labor dispatch agreement with the entities that receive labor services. In the event of a violation of any legal provisions of the Labor Contract Law, administrative penalties may be imposed on employers by the relevant PRC governmental authorities in charge of labor administration (including warnings, rectification orders, fines, orders for payment of wages and compensation to employees, revocation of business licenses and other penalties).

The Employment Promotion Law of the PRC, which was promulgated by SCNPC on August 30, 2007 and became effective on January 1, 2008, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, companies are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

Pursuant to the Social Insurance Law of the PRC ("**Social Insurance Law**") promulgated by SCNPC on October 28, 2010, which became effective on July 1, 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to the pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the Social Insurance Law, pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within the specified time period, a fine or one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day it is overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Accumulation Fund (住房公積金管理條例) effective on April 3, 1999, and amended on March 24, 2002, an employer (including a foreign invested company) shall undertake the registration with the administrative center of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative center of housing provident funds will impose an order for completion within prescribed time limit. If such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. Furthermore, if an employer, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative center of housing provident funds will impose an order for payment within a prescribed time limit, and if such employer further fails to make payment within the aforesaid time limit, the center shall have the right to apply for compulsory enforcement in court.

HISTORY

Our Corporate History

Our origin can be traced back to 1992 when one of our Controlling Shareholders, Mr. CHE Jianxing, founded Changzhou Red Star Furniture Store* (常州市紅星家俱城) with his personal funds. In 1994, Changzhou Red Star Furniture Group Company* (常州紅星家俱集團公司) was established as a collective enterprise by Changzhou Red Star Furniture Store* (常州市紅星家俱城), Changzhou Red Star Furniture General Factory* (常州市紅星家俱總廠) and Changzhou Home Furnishing Wholesale Center (常州建材家俱批發中心). Changzhou Home Furnishing Wholesale Center is a collective enterprise founded by Mr. CHE with his personal funds. Changzhou Red Star Furniture General Factory was established by a primary school of Changzhou City and contracted to and operated by Mr. CHE.

In 1999, pursuant to the reform of collective enterprises in the PRC, Changzhou Red Star Furniture Group Company was transformed into a private company directly held as to 90% by Mr. CHE Jianxing and 10% by Ms. CHE Jianfang in accordance with the PRC laws and was renamed as "Red Star Furniture Group Co., Ltd.* (紅星家俱集團有限公司)".

In June 2007, Mr. CHE Jianxing established our Company (then named as Shanghai Red Star Macalline Home Living and Decorating Company Limited* (上海紅星美凱龍家居家飾品有限公司)) and Tianjin Red Star through Red Star Furniture Group and RSI.

In November 2007, Red Star Furniture Group transferred its entire equity interests in each of our Company and Tianjin Red Star to RSI, after which our Company and Tianjin Red Star each became a direct wholly owned subsidiary of RSI.

During the period from 2007 to 2011, Red Star Furniture Group gradually transferred its business to Tianjin Red Star and our Company.

In 2009, Tianjin Red Star merged into our Company and was subsequently de-registered in accordance with the PRC laws in 2010.

On January 6, 2011, our Company was converted into a sino-foreign joint stock limited company under the PRC laws and renamed as Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司).

Development of Our Home Improvement and Furnishings Shopping Mall Business

During the period from 1994 to 2007, we were principally engaged in operating and managing home improvement and furnishings shopping malls through Red Star Furniture Group. During the period from 2007 to 2009, Red Star Furniture Group gradually transferred its home improvement and furnishings shopping malls and the corresponding assets and liabilities to Tianjin Red Star and our Company. Since the merger of Tianjin Red Star and our Company in 2009, our Company has been the sole platform of the home improvement and furnishings shopping mall business within our Group. For further details of the merger, see "— Major Changes in Our Shareholding Structure — Merger of Our Company and Tianjin Red Star" below. In addition, Tianjin Red Star and our Company historically had also been engaged in the real estate development business which was subsequently disposed of by us in 2011. For further details of the disposal, see "— Business Reorganization – Disposal of Real Estate Business" below.

Our business development originated from Changzhou City, Jiangsu Province. From 1997, we started to develop our Portfolio Shopping Malls outside Changzhou City and engage third party contractors to construct our first shopping mall in Nanjing, Jiangsu Province. As of December 31, 2014, we operated 52 Portfolio Shopping Malls with a total operating area of approximately 4,033,450 sq.m. in 30 cities in China.

From 2007, we expanded our business into the management and operation of shopping malls in our own brand name under contract management arrangements and entered into the first shopping mall management agreement with our partners. As of December 31, 2014, we operated 106 Managed Shopping Malls with a total operating area of approximately 6,719,395 sq.m in our brand name under contract management arrangements in 92 cities in China.

From October to December 2011, we disposed of our equity interests in all of our subsidiaries and associates engaging in the real estate development business to (i) RSI and its designated subsidiaries and (ii) certain other Independent Third Parties. Since then, we have primarily engaged in the operation and management of home improvement and furnishings shopping malls. For further details of the disposal of our real estate business, see "— Business Reorganization" below.

From 2012, we started to expand into new businesses, including O2O business, consumer financing, home design, pre-paid cards, bulk procurement and delivery and logistics.

BUSINESS MILESTONES

The following table sets forth various milestones in the history of our corporate and business development:

Year	Milestone
1992	• We opened our first home improvement and furnishing shopping mall in Changzhou, Jiangsu Province.
2000	• We launched our "Red Star Macalline" brand and opened Shanghai Zhenbei Mall in Shanghai, which was the first shopping mall under our "Red Star Macalline" brand.
2002	• We expanded our business to North China with the opening of our first Portfolio Shopping Mall in Beijing.
2006	• We expanded our business to West China by the opening of our first Portfolio Shopping Mall in Chongqing .
2007	• Our Company was established as a limited liability company in the PRC under the name of Shanghai Red Star Macalline Home Living and Decorating Company Limited* (上海紅星美凱龍家居家飾品有限公司).
	• We entered into the first shopping mall management agreement with our partners.
2008	• Warburg Pincus, through Candlewood and Springwood, made a capital contribution in U.S. dollars equivalent to RMB495 million to Tianjin Red Star.
2009	• Warburg Pincus, through Candlewood and Springwood, made a capital contribution in U.S. dollars equivalent to RMB500 million to our Company.
2010	• Warburg Pincus, through Lianyungang Fairbay, together with Ping'an Pharmacy and the other nine investment companies, made further investments in our Company.

Year	Milestone
2011	• Our Company was converted into a sino-foreign joint stock limited company and renamed as Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). • We completed the disposal of our real estate development business and have focused on the operation and management of home improvement and furnishings shopping malls since then.
2012	• We opened our 100th home improvement and furnishings shopping mall, following which we became the first company operating 100 home improvement and furnishings shopping malls in the home improvement and furnishings shopping mall industry. • We made our first presence at the Milan International Furniture Fair.
2013	• We opened Shanghai Pudong Jinqiao Mall, our first ninth-generation shopping mall, which offers an updated shopping environment and high-end products, and contains more artistic elements in its decoration. • We started to expand into new businesses, including home design, pre-paid cards and bulk procurement.
2014	• We expanded our operations across 100 cities in China. • We opened our 150th home improvement and furnishings shopping mall. • We further expanded into new businesses of consumer financing, and delivery and logistics.
2015	• We launched our nationwide M Style membership program and O2O business. • Warburg Pincus, through Candlewood and Springwood, made further investment in our Company in U.S. dollars equivalent to RMB433 million by way of subscription of new Shares issued by our Company.

MAJOR CHANGES IN OUR SHAREHOLDING STRUCTURE

Initial Investment by Candlewood and Springwood

On November 1, 2007, Candlewood and Springwood, being the affiliates of Warburg Pincus, entered into a capital increase and subscription agreement with Tianjin Red Star, RSI, Mr. CHE Jianxing and Ms. CHE Jianfang, pursuant to which Candlewood and Springwood made a capital contribution in U.S. dollars equivalent to RMB495 million to Tianjin Red Star, out of which approximately RMB11.9 million was paid up as registered capital and approximately RMB483.1 million was paid into the capital reserve of Tianjin Red Star. The capital contribution was fully made in February 2008. After the capital contribution, the registered capital of Tianjin Red Star increased to RMB51,880,674, which was held as to 77.10% by RSI, 14.46% by Candlewood and 8.44% by Springwood.

On November 21, 2008, Candlewood and Springwood entered into a capital increase and subscription agreement with our Company, RSI, Mr. CHE Jianxing and Ms. CHE Jianfang, pursuant to which Candlewood and Springwood made a capital contribution in U.S. dollars equivalent to RMB500 million to our Company, out of which approximately RMB24.6 million was paid up as registered capital and approximately RMB475.4 million was paid into the capital reserve of our Company. The capital contribution was fully made by two instalments in December 2008 and January 2009. After the capital contribution, the registered capital of our Company increased to RMB144,578,313, which was held as to 83% by RSI, 10.73% by Candlewood and 6.27% by Springwood.

With the investment by Candlewood and Springwood, each of our Company and Tianjin Red Star became a sino-foreign cooperative joint venture.

For further details of the terms of the investment by Candlewood and Springwood, see "— Pre-IPO Investments" below.

Merger of Our Company and Tianjin Red Star

On August 8, 2009, our Company, Tianjin Red Star, RSI, Mr. CHE Jianxing, Ms. CHE Jianfang, Candlewood and Springwood entered into an agreement, pursuant to which Tianjin Red Star merged into our Company. Tianjin Red Star was subsequently de-registered according to the PRC laws in 2010. After the merger, the registered capital of our Company increased to RMB196,458,987. The shareholding structure of our Company remained unchanged.

Investment by the Minority Shareholders

In June 2010 and July 2010, our Company increased its registered capital from RMB196,458,987 to RMB222,419,638 and then to RMB228,286,603 with additional capital contribution made by a total number of 14 new investors, including (i) ten investment companies which are Independent Third Parties (the "Minority Shareholders"), including Ping'an Pharmacy, (ii) Lianyungang Fairbay, which is an affiliate of Warburg Pincus, and (iii) three companies beneficially owned by key employees of our Group at the time of investment, namely Shanghai Meilong, Shanghai Hongmei and Shanghai Xingkai. For further information on the investment by Ping'an Pharmacy, see "— Pre-IPO Investments" below.

Conversion into a Joint Stock Limited Liability Company

On January 6, 2011, our Company was converted into a sino-foreign investment joint stock limited liability company in accordance with the PRC laws and renamed as Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). Upon the conversion, our Company had a registered capital of RMB3,000 million comprising 3,000,000,000 shares with a nominal value of RMB1.00 each, which were subscribed by all 17 existing shareholders in proportion to their respective equity interests in our Company before such conversion.

The shareholding structure of our Company immediately after the conversion was as follows:

Shareholder	Number of Shares Held	Approximate % of Shareholding
RSI	2,142,845,312	71.43
Candlewood	277,136,972	9.24
Springwood	161,759,059	5.39
Lianyungang Fairbay	27,661,518	0.92
Shanghai Meilong	56,849,998	1.90
Shanghai Hongmei	12,659,994	0.42
Shanghai Xingkai	7,589,999	0.25

Shareholder	Number of Shares Held	Approximate Percentage of Shareholding (%)
the Minority Shareholders		
• Ping'an Pharmacy	3,688,206	0.12
• Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership)* (北京瑞邦貝特創業投資中心 (有限合夥))	129,087,063	4.30
• Mianyang Science and Technology Park Industry Fund (Limited Partnership)* (綿陽科技城產業投資基金 (有限合夥))	55,323,023	1.85
• Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership)* (天津錦凱股權投資基金合夥企業 (有限合夥))	49,790,727	1.66
• Shanghai Yinping Investment Management Company Limited* (上海寅平投資管理有限公司)	29,505,621	0.98
• Beijing Yaxiang Xingtai Investment Company Limited* (北京亞祥興泰投資有限公司) (subsequently known as Lhasa Yaxiang Xingtai Investment Company Limited* (拉薩亞祥興泰投資有限公司))	18,441,003	0.62
• Shanghai Junyi Investment Consultancy Company Limited* (上海筠怡投資諮詢有限公司)	11,617,830	0.39
• Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership)* (北京百年德誠創業投資中心 (有限合夥))	9,220,502	0.31
• WHWH Group Company Limited* (萬好萬家集團有限公司)	5,532,309	0.18
• Nantong Qianjun Construction Material Company Limited* (南通乾駿建築材料有限公司)	1,290,864	0.04
Total	3,000,000,000	100.00

Share Transfers after the Conversion

In April 2012, each of Shanghai Meilong, Shanghai Hongmei and Shanghai Xingkai transferred its equity interests in our Company to each of Shanghai Jinghai, Shanghai Hongmei Investment and Shanghai Kaixing (the "**Employees Entities**"), respectively. The Employees Entities were beneficially owned by the same group of key employees of our Group with the same shareholding structure as Shanghai Meilong, Shanghai Hongmei and Shanghai Xingkai at the time of share transfer. In the same month, RSI transferred 35,400,000 Shares in our Company to Mianyang Science and Technology Park Industry Fund (Limited Partnership)* (綿陽科技城產業投資基金 (有限合夥)), one of the Minority Shareholders, for a consideration of approximately RMB200.6 million. Such consideration was determined with reference to, amongst other things, profit attributable to the owners of our Company for the previous year, equity attributable to the owners of our Company as of the end of the previous year, market conditions and our market position and was settled in May 2012.

Further Investment by Candlewood and Springwood

On January 4, 2015, Candlewood and Springwood entered into a capital increase and subscription agreement with our Company, RSI, the Employees Entities, Lianyungang Fairbay and the Minority Shareholders, pursuant to which Candlewood and Springwood further subscribed for 60,917,952 Shares and 19,411,086 Shares for RMB5.39 each. The total consideration amounted to approximately RMB433 million, out of which RMB80,329,038 was paid up as registered capital and approximately RMB352.6 million was paid into the capital reserve of our Company. The capital contribution was fully completed on February 12, 2015. After the capital contribution, the registered capital of our Company increased from RMB3,000 million to RMB3,080,329,038.

Acquisition of the Minority Interests

In February 2015, Lianyungang Fairbay and the Minority Shareholders (excluding Ping'an Pharmacy), transferred all their equity interests in our Company to RSI at a total consideration of approximately RMB2,019.5 million. Such consideration was determined with reference to, amongst other things, profit attributable to the owners of our Company for the previous year, equity attributable to the owners of our Company as of the end of the previous year, market conditions and our market position and was settled on February 15, 2015.

As of the Latest Practicable Date, the shareholding structure of our Company was as follows:

Shareholder	Number of Shares Held	Approximate percentage of Shareholding (%)
RSI	2,480,315,772	80.52
Candlewood	338,054,924	10.97
Springwood	181,170,145	5.88
Employee Entities		
• Shanghai Jinghai	56,849,998	1.85
• Shanghai Hongmei Investment	12,659,994	0.41
• Shanghai Kaixing	7,589,999	0.25
Ping'an Pharmacy	3,688,206	0.12
Total	3,080,329,038	100

As the general partners of the Employee Entities are either our core connected person or their associates, all the Shares held by the Employee Entities shall not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Our PRC legal advisors, Llinks Law Offices, have confirmed that all the changes in relation to the share capital and shareholding structure of our Company since its establishment, including but not limited to its establishment, the transfers of equity interests, the increase of registered capital, the merger of our Company and Tianjin Red Star, and the conversion of our Company into a sino-foreign investment joint stock company, have complied with all applicable PRC laws and regulations and have obtained all necessary approvals and consents for such corporate changes as required under the applicable PRC laws and regulations.

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we had conducted our businesses through our 118 operating subsidiaries incorporated in the PRC. Due to the project-specific nature of our business, we establish individual project companies mainly for the purpose of the holding, development and operation of each home improvement and furnishings shopping mall. The following table sets forth the details of our principal subsidiaries which were material to our Group's financial performance and operating status during the Track Record Period, having regard to, amongst other things, their contribution to our Group's consolidated financial results during the Track Record Period, prospects for future development and roles in our operation:

No.	Name of Subsidiary	Place of Incorporation	Date of Establishment	Registered Capital (in millions of RMB)	Percentage of Our Shareholding (%)	Identities and percentage of Shareholding of Other Shareholders (if applicable) (%)	Principal Business Activities
1.	Beijing Red Star Macalline Shibo Furniture Plaza Company Limited* (北京紅星美凱龍世博傢俱廣場有限公司)	Beijing, PRC	November 12, 2004	29.99	100%	N/A	Shopping mall project company
2.	Shanghai Shanhai Art Furniture Company Limited* (上海山海藝術家俱有限公司)	Shanghai, PRC	May 18, 2005	247.5	98%	2% was held by Shanghai Shanhai Enterprise (Group) Company Limited* (上海山海企業(集團)有限公司), an Independent Third Party	Shopping mall project company
3.	Shanghai Red Star Macalline Home Furnishing City Company Limited* (上海紅星美凱龍裝飾傢俱城有限公司)	Shanghai, PRC	April 11, 2000	50	94%	3% was held by Shanghai Xinchangzheng (Group) Company Limited* (上海新長征(集團)有限公司) and 3% was held by Ms. JIN Yan (金燕), each an Independent Third Party	Shopping mall project company
4.	Shanghai Red Star Macalline Global Home Living Company Limited* (上海紅星美凱龍全球家居有限公司)	Shanghai, PRC	July 11, 2005	150	100%	N/A	Shopping mall project company

No.	Name of Subsidiary	Place of Incorporation	Date of Establishment	Registered Capital (in millions of RMB)	Percentage of Our Shareholding (%)	Identities and percentage of Shareholding of Other Shareholders (if applicable) (%)	Principal Business Activities
5.	Shenyang Red Star Macalline Home Living Company Limited* (瀋陽紅星美凱龍家居有限公司)	Shenyang, PRC	November 18, 2011	30	100%	N/A	Shopping mall project company
6.	Zhengzhou Red Star Macalline International Home Living Company Limited* (鄭州紅星美凱龍國際家居有限公司)	Zhengzhou, PRC	June 24, 2005	30	51%	49% was held by Zhejiang Mingdu Investment Company Limited* (浙江名都投資有限公司), an Independent Third Party	Shopping mall project company
7.	Nanjing Mingdu Home Living Plaza Company Limited* (南京名都家居廣場有限公司)	Nanjing, PRC	October 11, 2006	80	100%	N/A	Shopping mall project company

BUSINESS REORGANIZATION

Disposal of Real Estate Business

Our Group historically engaged in our Core Operations as well as the real estate development business. With a view to continuing to focus on our Core Operations and in light of the strengthened control and regulation of the real estate development industry by the PRC government, we disposed of all of our equity interests in the companies engaging in the real estate development business to (i) RSI and its designated subsidiaries and (ii) certain other Independent Third Parties from October 2011 to December 2011. Since the completion of the Disposal of Real Estate Business, RSI has been holding the real estate business disposed of by us through RSED and its subsidiaries and our Group has ceased to engage in any real estate development business. For further details of the business delineation between our Group and our Controlling Shareholders, see "Relationship with Our Controlling Shareholders — Delineation of Business" in this prospectus.

In respect of the Disposal of Real Estate Business to RSI and its designated subsidiaries, we received (i) cash consideration of approximately RMB740 million; and (ii) 100% equity interests in Xingkai Chengpeng, which was transferred from Xingkai Zhongcheng in exchange for our disposal of the equity interests in the relevant Disposed Real Estate Companies. For the equity exchange, we also paid an amount of approximately RMB52.65 million to Xingkai Zhongcheng. In addition, we received cash consideration of approximately RMB49.25 million from the Independent Third Parties who acquired certain of the real estate development business disposed of by us. Such consideration was determined with reference to the book value of the relevant equity interest. The financial impact of the

Disposal of Real Estate Business was accounted for and reflected in our Group's consolidated financial statements for the year ended December 31, 2011. Following the completion of the Disposal of Real Estate Business in 2011, the financial results of the Disposed Real Estate Companies ceased to be accounted in our Group's consolidated financial statements.

Our PRC legal advisors, Llinks Law Offices, have confirmed that the Disposal of Real Estate Business has been completed and settled in accordance with all applicable PRC laws and regulations and we have obtained all the necessary approvals and consents for the disposal as required under the applicable PRC laws and regulations.

Repurchase of the Transferred Shopping Malls

Background Information

At the time of the disposal, seven of the Disposed Real Estate Companies, namely Huayun Trade, Changchun Property, Yunnan Property, Shenyang Jingsen, Dalian Investment, Xinglong Property and Greenland Jinniu, held the Transferred Shopping Malls. The Transferred Shopping Malls, then either in operation or at the stage of construction-in-process, were transferred with the relevant Disposed Real Estate Companies to RSI and its designated subsidiaries.

The Repurchase Framework Agreements

In order to consolidate our Core Operations and minimize potential competition and conflict of interests with our Controlling Shareholders, our Company entered into the Repurchase Framework Agreements relating to our repurchase of the Transferred Shopping Malls from the relevant Disposed Real Estate Companies.

Pursuant to the Repurchase Framework Agreements, we (i) are under a legally binding obligation to repurchase (a) Huayun Shopping Mall, Changchun Shopping Mall and Shenyang Shopping Mall and (b) the Repurchased Portion of Yunnan Shopping Mall, as the other 23.4% of the property right is owned by the other existing shareholders of Yunnan Property (the repurchases referred to in (a) and (b) together the "**Definitive Repurchase**"); and (ii) have been granted an option to repurchase Dalian Shopping Mall, Xinglong Shopping Mall and Chengdu Jinniu Shopping Mall at our sole discretion (the "**Optional Repurchase**"), from the relevant Disposed Real Estate Companies. We may proceed with our repurchase of the Transferred Shopping Malls in any one or a combination of the proposed transaction structures as set out in the Repurchase Framework Agreements or in any alternative manner best oriented to our economic interests. Xingkai Zhongcheng has undertaken to use its best efforts to assist us in completing the repurchase.

In respect of the Optional Repurchase, our Company, through Xingkai Chengpeng, entered into the definitive repurchase agreements with RSED and Shanghai Red Star Macalline Real Estate Company Limited (上海紅星美凱龍房地產有限公司) in October 2012 and December 2013, respectively, to repurchase Dalian Shopping Mall and Xinglong Shopping Mall in anticipation of the opening of the construction of these Transferred Shopping Malls.

As of the Latest Practicable Date, we had not exercised our right to the Optional Repurchase of Chengdu Jinniu Shopping Mall. As Greenland Jinniu is owned as to 50% by Greenland Chengdu, the Company's repurchase of Chengdu Jinniu Shopping Mall requires Greenland Chengdu's consent and assistance. The Company has already proposed to

Greenland Chengdu its intended repurchase of Chengdu Jinniu Shopping Mall and obtained a positive initial response from Greenland Chengdu, but has not yet entered into any definitive agreement with Greenland Chengdu and the controlling shareholder in relation to the intended repurchase. For the reasons for not entering into any definitive agreement to repurchase the Chengdu Jinniu Shopping Mall, see "Relationship with Our Controlling Shareholders — Interests Retained by Our Controlling Shareholders in Restricted Business — A. Greenland Jinniu — Reasons for Non-inclusion of Chengdu Jinniu Shopping Mall" in this prospectus.

Transaction Structure

We have structured our repurchase of Huayun Shopping Mall, Changchun Shopping Mall, Shenyang Shopping Mall, the Repurchased Portion of Yunnan Shopping Mall, Dalian Shopping Mall and Xinglong Shopping Mall by way of: (i) the demerger of the relevant Disposed Real Estate Company by way of statutory demerger under the PRC Company Law, with the surviving company to retain the real estate development business and the relevant Transferred Shopping Mall (either in entirety or in the Repurchased Portion, as the case may be) to be transferred to the new company (the "**Shopping Mall Holdco**"), and (ii) our acquisition of the entire equity interest in the new company.

Consideration

The total consideration for the repurchase of the four Transferred Shopping Malls subject to the Definitive Repurchase was approximately RMB2,210.8 million. The total consideration for the repurchase of Dalian Shopping Mall and Xinglong Shopping Mall was approximately RMB1,411.0 million. Such consideration was determined with reference to the land acquisition cost and construction cost of the relevant Transferred Shopping Malls and our Company's shareholding percentage in the relevant Disposed Real Estate Companies at the time of the disposal. As of the Latest Practicable Date, we had paid all the consideration for the repurchase of the six Transferred Shopping Malls with our internal funds.

Financial Results of the Transferred Shopping Malls

In view of (a) our legally binding obligation as to the Definitive Repurchase of Huayun Shopping Mall, Changchun Shopping Mall, Shenyang Shopping Mall and the Repurchased Portion of the property right of Yunnan Shopping Mall, and (b) our exercise of the option to repurchase Dalian Shopping Mall and Xinglong Shopping Mall, the financial results of these six Transferred Shopping Malls (i.e., the assets, liabilities, income and expenses that are directly attributable to these six Transferred Shopping Malls) have remained consolidated into our Group's financial statements since their disposal and throughout the Track Record Period. For the accounting basis for the consolidation of the financial results of the relevant Transferred Shopping Malls, see Note 2 of the Accountants' Report in "Appendix I — Accountants' Report" in this prospectus.

Greenland Jinniu was a joint venture established on a 50:50 basis by our Company and Greenland Chengdu, which is a wholly owned subsidiary of Greenland Holding Group Company Limited, a state-owned property development enterprise in the PRC and an Independent Third Party. Pursuant to the Disposal of Real Estate Business, we transferred our 50% equity interest in Greenland Jinniu to Xingkai Zhongcheng. Accordingly, Greenland Jinniu ceased to be accounted as a joint control entity in our Group's consolidated financial statements.

Operation and Management of the Transferred Shopping Malls and Assets

We have entered into a contract management arrangement with each of the relevant Disposed Real Estate Companies to operate and manage all the Transferred Shopping Malls under our "Red Star Macalline" brand before the completion of the repurchase.

Since (i) we have either completed the repurchase, or been in the process of repurchasing Huayun Shopping Mall, Changchun Shopping Mall, the Repurchased Portion of Yunnan Shopping Mall, Shenyang Shopping Mall, Dalian Shopping Mall and Xinglong Shopping Mall; and (ii) the financial results of these six Transferred Shopping Malls have remained consolidated into our Group's financial statements since their disposal and throughout the Track Record Period, we regard these six Transferred Shopping Malls effectively as our Portfolio Shopping Malls and, therefore, we do not charge consultation and management fees for our management and operation of these six Transferred Shopping Malls (with respect to the Repurchased Portion in the case of Yunnan Shopping Mall) under our contract management arrangements with the relevant Disposed Real Estate Companies. As we currently expect that our repurchase of Changchun Shopping Mall, the Repurchased Portion of Yunnan Shopping Mall, Dalian Shopping Mall and Xinglong Shopping Mall will not be completed prior to the Listing, our contract management arrangements in respect of these Transferred Shopping Malls will constitute continuing connected transactions under Chapter 14A of the Listing Rules. For further details, see "Connected Transactions — Contract Management Agreements relating to the Four Transferred Shopping Malls" in this prospectus.

The property rights to Yunnan Shopping Mall are owned as to 76.6% by Yunnan Property and 23.4% by Yunnan Jiace Automobile Sales Service Co. Ltd.* (雲南嘉策汽車銷售服務有限公司) ("**Yunan Jiace**"), an Independent Third Party. Accordingly, we have entered into a ten-year contract management arrangement with Yunan Jiace relating to our operation and management of Yunnan Shopping Mall, under which we charge Yunnan Jiace an annual management fee, which is reflective of its 23.4% ownership in Yunnan Shopping Mall.

Since (a) the financial results attributable to Chengdu Jinniu Shopping Mall are not consolidated into our Groups' financial statements as those of a consolidated subsidiary of our Group; and (b) we have not exercised our right to the Optional Repurchase of Chengdu Jinniu Shopping Mall, we regard Chengdu Jinniu Shopping Mall effectively as one of our Managed Shopping Malls under contract management and therefore charge consultation and management fees for managing and operating Chengdu Jinniu Shopping Mall under our contract management agreement with Greenland Jinniu. For further details of our contract management agreement with Greenland Jinniu, see "Connected Transactions — Contract management agreement with Greenland Jinniu" in this prospectus.

Current Status of the Repurchase

Among the six Transferred Shopping Malls in respect of which our repurchase process has already commenced, we had completed the repurchase of Huayun Shopping Mall and Shenyang Shopping Mall and the relevant Shopping Mall Holdcos had each become a consolidated subsidiary of our Group as of the Latest Practicable Date. In respect of Changchun Shopping Mall, the Repurchased Portion of Yunnan Shopping Mall, Xinglong Shopping Mall and Dalian Shopping Mall, our Company has been going through the filing, reporting and approval procedures required for the corporate demerger, equity transfer and updating of relevant AIC registration, as the case may be. As of the Latest Practicable Date, (i) all the relevant procedures for the corporate demerger, equity transfer and the updating of relevant AIC registration for our repurchase of Changchun Shopping Mall had been substantially completed, pending issue of the building ownership certificate by the relevant government authorities. From an accounting perspective, our Company regards the repurchase of Changchun Shopping Mall to be complete and the relevant Shopping Mall Holdco has been accounted for as a subsidiary in the Group's consolidated financial statements. However, in terms of legal ownership, before issue of the updated building ownership certificate, the legal title to the shopping mall remains with Changchun Property; (ii) the relevant corporate demerger procedures in respect of Yunnan Property had been substantially completed and we were going through the equity transfer process in relation to the newly incorporated Shopping Mall Holdco; and (iii) the relevant corporate demerger procedures had not been completed in respect of Dalian Investment and Xinglong Property. Our Directors currently expect to complete the repurchase of all the four Transferred Shopping Malls, including Changchun Shopping Mall, Yunnan Shopping Mall (with respect to the Repurchased Portion), Dalian Shopping Mall and Xinglong Shopping Mall by the end of 2015. However, as discussed above, such expected timetable is based on our Directors' best estimate having made all necessary enquiries, and is subject to unpredictable circumstances.

The repurchase of the four Transferred Shopping Malls has gone through a lengthy process due to the following reasons:

(i). other than Yunnan Shopping Mall, the other three of the four Transferred Shopping Malls were still under construction at the time of the Disposal of Real Estate Business in late 2011. The definitive agreements for the repurchase of these shopping malls were entered into between our Company and the relevant Disposed Real Estate Companies at a later stage when the relevant shopping mall was about to enter into operation. Furthermore, the actual repurchase process would not commence until construction of the relevant Transferred Shopping Mall is fully complete and the relevant building ownership certificate has been obtained;

(ii). our Company and the relevant Disposed Real Estate Companies must go through the filing, reporting and approval procedures required for the corporate demerger, equity transfer and updating of relevant AIC registration, as the case may be. Before completion of the repurchase, the necessary regulatory approvals, consents and permits must be in place. The time taken to obtain these is unpredictable and may have a significant effect on the proposed timetable for completion. In addition to governmental approvals for the corporate demerger, the relevant consents, permits and approvals may also need to be updated for health and safety, water, sewerage, waste disposal, fire certification, gas and electricity for each of the Transferred Shopping Malls; and

(iii). the most unpredictable element among all the procedures stated above is the issue of the certificate of real estate ownership in respect of the Transferred Shopping Malls. Each of our Transferred Shopping Malls is situated on and forms a constituent part of an overall real estate development project on a parcel of project land. The project land consists of various properties under construction and the construction progress of each of these properties differs from one another. Despite our Transferred Shopping Malls have been completed and in operation, they will not be issued their own building ownership certificates before the overall project development on the project land is fully complete and the area mapping over the entire completed project land is conducted. The parties to the Repurchase

Framework Agreements have to wait for the completion of the entire project land before commencing the repurchase process relating to the Transferred Shopping Mall constructed thereon.

Our PRC legal advisors, Llinks Law Offices, (i) have confirmed that our repurchase of Huayun Shopping Mall and Shenyang Shopping Mall has been completed and settled in accordance with all applicable PRC laws and regulations and we have obtained all the necessary approvals and consents for the repurchase as required under the applicable PRC laws and regulations; and (ii) have advised that it did not identify any substantial legal obstacles for the completion of our repurchase of the remaining four Transferred Shopping Malls, subject to (a) all necessary consents and approvals required under applicable PRC laws and regulations and legally binding instruments being obtained, and (b) all requisite taxes and charges being paid by our Company.

PRE-IPO INVESTMENTS

A. Candlewood and Springwood

As of the Latest Practicable Date, Candlewood held 338,054,924 Shares in our Company, representing 10.97% of our total issued share capital. Springwood held 181,170,145 Shares in our Company, representing 5.88% of our total issue share capital. Each of Candlewood and Springwood has made three rounds of investment in our Company in 2008, 2009 and 2015, respectively. For details of each round of the investment made by Candlewood and Springwood, see "— Major Changes in Our Shareholding Structure — Initial Investment by Candlewood and Springwood" and " — Further Investment by Candlewood and Springwood" above.

Each of Candlewood and Springwood is a society with restricted liability incorporated under the laws of Barbados and an affiliate of Warburg Pincus. Warburg Pincus is a global private equity firm. Prior to their investment in our Company, each of Candlewood and Springwood was an Independent Third Party. The investment of Warburg Pincus provided additional capital for our Group's business expansion.

The following table sets forth the principal terms of the pre-IPO investments by Candlewood and Springwood:

	Investment in Tianjin Red Star in 2008	Investment in Our Company in 2009	Capital Increase in Our Company in 2015
Date of Closing of the Investment	March 12, 2008	March 6, 2009	February 12, 2015
Percentage of Interest Acquired/ Number of Shares Purchased	Candlewood: 14.46% Springwood: 8.44% (immediately after the capital increase)	Candlewood: 10.73% Springwood: 6.27% (immediately after the capital increase)	Candlewood: 60,917,952 Shares Springwood: 19,411,086 Shares
Amount of Consideration Paid	Candlewood: • Approximately US$35.5 million was settled on February 19, 2008 Springwood: • Approximately US$20.7 million was settled on February 19, 2008	Candlewood: • Approximately US$46.2 million was settled on December 31, 2008 • US$4,695 was settled on January 15, 2009 Springwood: • Approximately US$26.96 million was settled on December 31, 2008 • US$2,785 was settled on January 15, 2009	Candlewood: • Approximately US$53.5 million was settled on February 12, 2015 Springwood: • Approximately US$17.1 million was settled on February 12, 2015
Cost Per Share Paid by the Investors and Discount to the IPO Price	RMB2.27(note), representing a discount of approximately 81.4% to the mid-point of the indicative Offer Price range of HK$11.18 to HK$13.28	RMB2.27(note), representing a discount of approximately 81.4% to the mid-point of the indicative Offer Price range of HK$11.18 to HK$13.28	RMB5.39, representing a discount of approximately 55.9% to the mid-point of the indicative Offer Price range of HK$11.18 to HK$13.28
Basis of Determination of the Consideration	The consideration for each investment was determined with reference to, amongst other things, profit attributable to the owners of our Company for the previous year, equity attributable to the owners of our Company as of the end of the previous year, market conditions and our market position		
Use of Proceeds	capital expenditure for the construction of our shopping malls and general working capital As of the Latest Practicable Date, the net proceeds had been fully utilized.	capital expenditure for the construction of our shopping malls and general working capital As of the Latest Practicable Date, the net proceeds had been fully utilized.	general working capital As of the Latest Practicable Date, the net proceeds had been fully utilized.

	Investment in Tianjin Red Star in 2008	Investment in Our Company in 2009	Capital Increase in Our Company in 2015
Shareholding in our Company upon Listing (assuming that the Over-allotment Option is not exercised)	Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, each of Candlewood and Springwood will hold 338,054,924 Shares and 181,170,145 Shares, representing 9.33% and 5.00% of our total issued share capital, respectively.		
Lock-up	All the Shares held by Candlewood and Springwood shall not be transferrable within one year from the Listing Date as required under the PRC Company Law. For further details, see "Share Capital — Our Shares" in this prospectus.		
Special Rights	• ***Right of first refusal*** If any shareholder proposes to sell any of its Shares, each of Candlewood and Springwood has an option to purchase all or any portion of the Shares to be transferred. If two or more shareholders exercise the option, such shareholders shall purchase the Shares to be transferred in portion to their respective existing shareholding interest in our Company. RSI cannot transfer any of its interest in our Company without prior written consent from each of Candlewood and Springwood. Notwithstanding the foregoing, RSI may transfer not more than 5% of the total issued share capital of our Company before the initial public offering of our Company provided that each of Candlewood and Springwood has a priority right to purchase the interest to be transferred. The other existing shareholders of our Company have agreed to waive their right of first refusal in this regard. • ***Information and inspection rights*** Candlewood and Springwood have the right to receive the financial information, operation reports, annual budgets, business plans, information on material litigation and arbitration, and other information reasonably requested by any of them, as well as the right to examine our facilities, books and records, and discuss the business and operation of our Group with our directors, senior management, the employees, legal advisors and investment banks. Subject to certain conditions, Candlewood and Springwood also have the right to appoint an international reputable audit firm to conduct an audit on our Group. • ***Nomination rights*** Candlewood and Springwood are entitled to nominate (i) two out of twelve directors to the board of directors of our Company, (ii) one director to be a member of the audit committee of our Company, and (iii) one out of three supervisors to the supervisory committee of our Company. Subject to the appointment by the board of directors of our Company, the person responsible for the financial matters of our Company shall be nominated by the general manager of our Company based on the recommendation by Candlewood and Springwood.		

In the event of liquidation, Candlewood and Springwood are entitled to nominate two out of five members of the liquidation team and a third liquidation team member shall be agreed by Candlewood, Springwood and RSI. Candlewood and Springwood have the right to appoint the head of liquidation team from the 366th day after the commencement of the liquidation.

- ***Veto rights***

  Certain corporate actions of our Company require approval by a director nominated by Candlewood and/or Springwood. With certain exceptions, such actions, amongst others, include:

  - merger and acquisition or any other corporate restructuring, formation of joint ventures or partnerships or any other similar plan, establishment of subsidiaries or investment in any entity (either by way of equity or debt), provided that such action is not included in the approved annual budgets of our Company and exceeds a prescribed amount;
  - transfer, lease or disposal of assets exceeding a prescribed amount in a single transaction or a series of transactions unless the transaction(s) has been included in the approved annual budgets;
  - annual budget of our Company and any amendment to or deviation from the annual budget exceeding a prescribed amount;
  - business plan, capital expenditure, assets acquisition and financing activities exceeding a prescribed amount;
  - provision of guarantee to any individual or entity outside our Group that exceeds a prescribed amount;
  - entering into of transaction(s) where the terms of the transaction(s) are not on arm's length basis or the transaction(s) exceeds a prescribed amount and the amendments of the terms of such transaction(s);
  - change of the name of a group company, the business nature or scope of a group company, or extension of the term of existence of a group company;
  - appointment or removal of senior management members of a group company (other than those subject to shareholders' approval) or material changes to the terms and conditions of their employment;
  - the initiation of any legal action or arbitration by a group company, the reach of settlement in such action where the liabilities of a group company exceed a prescribed amount and do not have insurance coverage;
  - engagement of assets manager that has not been approved in the annual budget of our Company;
  - designation of the signatory of any bank account of our Company;

	Investment in Tianjin Red Star in 2008	Investment in Our Company in 2009	Capital Increase in Our Company in 2015

- engagement of any business that is outside the business scope of our Company;
- provision of working capital reserve or any other reserve that has not been included in the approved annual budget of our Company;
- material change to the accounting policies of a group company; and
- change in insurance category or amount and the making of any investment with insurance compensation or settlement received from expropriation of assets that exceeds a prescribed amount.

All of the above special rights of Candlewood and Springwood will expire immediately upon Listing.

Note: The cost per Share paid by Candlewood and Springwood was calculated based on the aggregate amount of investments made by Candlewood and Springwood in 2008 and 2009 and the total number of Shares alloted to them upon completion of the conversion of our Company into a sino-foreign joint stock limited liability company in January 2011 given (i) each of Tianjin Red Star and our Company was a limited liability company and did not have any share capital at the time of investment in March 2008 and March 2009, (ii) Tianjin Red Star merged into our Company in December 2009. and (iii) both Candlewood and Springwood are affiliates of Warburg Pincus.

As Candlewood and Springwood will in aggregate hold approximately 14.33% of the total issued share capital of our Company immediately following the Global Offering, assuming the Over-allotment Option is not exercised, Candlewood and Springwood will collectively be a substantial shareholder of our Company upon the Listing and is therefore a connected person of our Company. Accordingly, all the Shares held by Candlewood and Springwood shall not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

B. Ping'an Pharmacy

As of the Latest Practicable Date, Ping'an Pharmacy held 3,688,206 Shares in our Company, representing 0.12% of our total issued share capital. Ping'an Pharmacy was among the Minority Shareholders who made investments in our Company in 2010. For details of the investment made by Ping'an Pharmacy, see "— Major Changes in Our Shareholding Structure — Investment by the Minority Shareholders" above.

Ping'an Pharmacy is a limited company established under the laws of the PRC. The company is primarily engaged in the sales of medicines and medical appliances and is wholly owned by Ms. LI Huifen (李慧芬). Prior to its investment in our Company, each of Ms. LI Huifen (李慧芬) and Ping'an Pharmacy was an Independent Third Party. The investment of Ping'an Pharmacy provided additional capital for our Group's business expansion.

The following table sets forth the principal terms of the pre-IPO investment by Ping'an Pharmacy:

Date of Closing of the Investment	June 1, 2010
Percentage of Interest Acquired	0.12% (immediately after the capital increase)
Amount of Consideration Paid	RMB20 million was settled on May 20, 2010

Cost Per Share Paid by the Investors and Discount to the IPO Price	RMB5.42[note], representing a discount of approximately 55.7% to the mid-point of the indicative Offer Price range of HK$11.18 to HK$13.28
Basis of Determination of the Consideration	The consideration was determined with reference to, amongst other things, profit attributable to the owners of our Company for the previous year, equity attributable to the owners of our Company as of the end of the previous year, market conditions and our market position.
Use of Proceeds	capital expenditure for the construction of our shopping malls and general working capital As of the Latest Practicable Date, the net proceeds had been fully utilized.
Shareholding in our Company upon Listing (assuming that the Over-allotment Option is not exercised)	Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, Ping'an Pharmacy will hold 3,688,206 Shares representing 0.10% of our total issued share capital.
Lock-up	Ping'an Pharmacy shall not transfer any of its Shares in our Company during the three years from May 26, 2010. Such restriction already expired on May 26, 2013. All the Shares held by Ping'an Pharmacy shall not be transferred within one year from the Listing Date as required under the PRC Company Law. For further details, see "Share Capital — Our Shares" in this prospectus.
Special Rights	• ***Right of first refusal*** If any shareholder proposes to sell any of its Shares, Ping'an Pharmacy has an option to purchase all or any portion of the Shares to be transferred. If two or more shareholders exercise the option, such shareholders shall purchase the Shares to be transferred in portion to their respective existing shareholding interest in our Company. • ***Information and inspection rights*** Ping'an Pharmacy has the right to receive the financial information and operation reports of our Group on a quarterly and annual basis. All of the above special rights of Ping'an Pharmacy will expire immediately upon Listing.

Note: The cost per Share paid by Ping'an Pharmacy was calculated based on the amount of investment made by Ping'an Pharmacy in 2010 and the number of Shares alloted to it upon completion of the conversion of our Company into a sino-foreign joint stock limited liability company in January 2011 given our Company was a limited liability company and did not have any share capital at the time of investment in June 2010.

As Ping'an Pharmacy will hold less than 10% of the total issued share capital of our Company immediately following the Global Offering, assuming the Over-allotment Option is not exercised, it will not be a substantial shareholder of our Company upon the Listing and is therefore not a connected person of our Company. Accordingly, all the Shares held by Ping'an Pharmacy shall be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Joint Sponsors' Confirmation

The Joint Sponsors have confirmed that the Pre-IPO Investments are under normal commercial terms and in compliance with the Interim Guidance on Pre-IPO Investments issued by the Hong Kong Stock Exchange on October 13, 2010, the Guidance Letter HKEx-GL43-12 (issued in October 2012 and updated in July 2013) and the Guidance Letter HKEx-GL44-12 (issued in October 2012).

ISSUANCE OF MID-TERM NOTES

In August 2012 and August 2013, we registered with the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) for the issuance of mid-term notes (the "**2012 MTNs**" and "**2013 MTNs**," respectively) in the PRC of an aggregate principal amount up to RMB1,500 million and RMB1,000 million, respectively. In August 2013, we registered with the National Association of Financial Market Institutional Investors for the issuance of private placement notes (the "**PPN**") in the PRC of an aggregate principal amount up to RMB4,000 million in a period of two years from August 5, 2013. Details of the 2012 MTNs, 2013 MTNs and the first tranche of the PPN were as follows:

Short Name	Principal Amount (in millions of RMB)	Par Value (RMB)	Interest Rate (% per annum)	Term	Time of Issuance
MTN1	600	100	5.44	three years	August 2012
MTN2	900	100	6.11	five years	December 2012
MTN001	500	100	7.50	five years	September 2013
MTN002	500	100	7.50	three years	December 2013
14 Macalline PPN001 (14美凱龍PPN001)	1,000	100	8.00	three years	December 2014

The proceeds from our issuance of the 2012 MTNs, 2013 MTNs and the first tranche of the PPN have been or will be used for repayment of our bank loans and for general corporate purposes. For further details of the 2012 MTNs, 2013 MTNs and the first tranche of the PPN, see Note 37 of the Accountants' Report in "Appendix I — Accountants' Report" in this prospectus.

APPLICATION FOR LISTING IN THE PRC

We filed an application with the CSRC for the listing of our Shares on the Shanghai Stock Exchange in December 2012 (the "**A-Share Listing Application**"). CSRC formally accepted the A-Share Listing Application on December 28, 2012 but did not proceed to the stage of "providing responses (已反饋)". After submitting the A-Share Listing Application, we received enquiries from the CSRC in relation to a range of matters, including, among others, the Group's business operation, financial condition, quality and internal control, tax and legal compliance and outstanding legal proceedings, to which we and the parties involved in the

A-Share Listing Application provided responses. The CSRC did not make further enquiries after receiving the responses. Having considered our business development and financing plans and due to the number of applications for listing on the A-share market pending for review by the CSRC, our Company decided to seek a listing on the Hong Kong Stock Exchange instead and did not provide updated information in relation to our A-Share Listing Application to the CSRC. Accordingly, the status of our A-Share Listing Application was changed from "Accepted (已受理)" to "Suspension (中止)" in January 2015. On March 23, 2015, we filed an application to CSRC to withdraw our A-Share Listing Application. On March 27, 2015, we received formal notice from the CSRC in relation to the termination of our A-Share Listing Application.

With the termination of the A-Share Listing Application, the engagements between our Company and the relevant advisors in relation to the listing of our Shares on the Shanghai Stock Exchange have ceased. The sole sponsor for our A-Share Listing Application, which was the principal channel of communication between the PRC regulators and us, and the reporting accountants for our A-Share Listing Application have confirmed that they had no disagreement with our Company and that there was no matter that needed to be brought to our attention with respect to the cessation of the A-Share Listing Application.

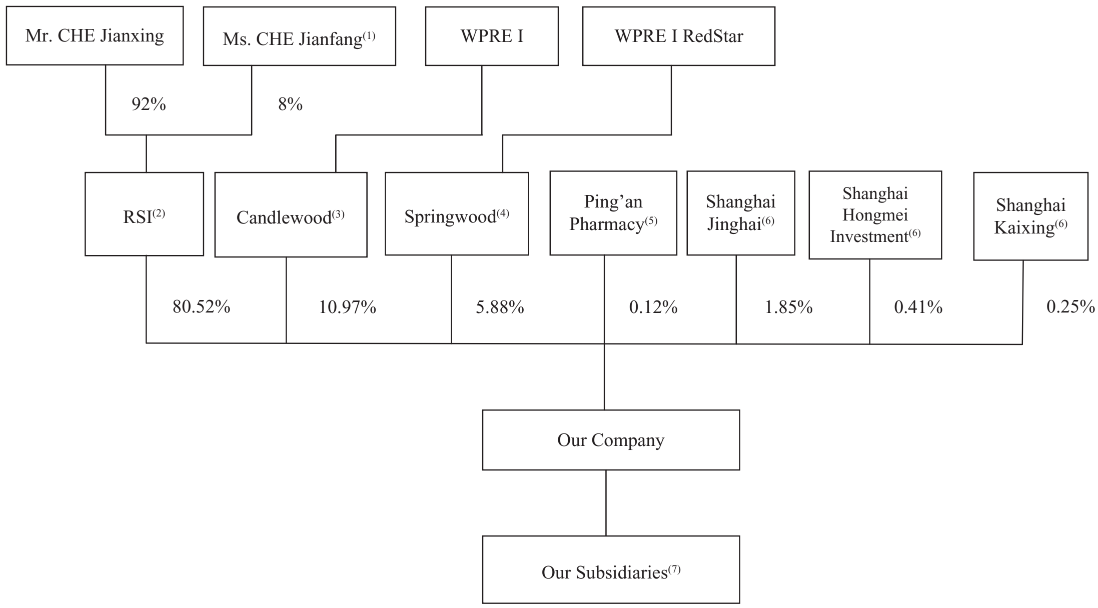
Having considered the above, save for the information as disclosed in this prospectus, we and the Joint Sponsors are not aware of (i) any other matters relating to the A-Share Listing Application that are relevant to the Listing and should be reasonably be highlighted in this prospectus for investors to form an informed assessment of our Company, (ii) any enquiries from the CSRC relating to the A-Share Listing Application that would lead to a rejection by the CSRC of such listing application or would otherwise affect our Company's suitability for listing on the Hong Kong Stock Exchange, (iii) any other matters relating to the A-Share Listing Application that might have implications on our Company's suitability for listing on the Hong Kong Stock Exchange or on the accuracy and completeness of information disclosed in this prospectus, and (iv) any other matters that ought to be brought to the attention of the regulators and the investors in Hong Kong in relation to the A-Share Listing Application.

We submitted an application for listing on the Hong Kong Stock Exchange to the CSRC on March 13, 2015 and received approval from the CSRC for the Global Offering and the making of the application to list our H Shares on the Hong Kong Stock Exchange on May 7, 2015. In granting such consent, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus.

OUR CORPORATE STRUCTURE

As of the Latest Practicable Date and prior to the Global Offering, our Company had issued 3,080,329,038 Shares and had a registered capital of RMB3,080,329,038.

The shareholding structure and corporate structure of our Company as of the Latest Practicable Date were as follows:



Notes:

(1) Ms. CHE Jianfang is Mr. CHE Jianxing's sister.

(2) 135,910,236 out of the 2,480,315,772 Shares held by RSI (representing approximately 4.41% of the total number of issued Shares prior to the completion of the Global Offering) are subject to the charge granted by RSI in favor of AVIC Capital Co., Ltd. (中航信託股份有限公司). 372,870,460 out of the 2,480,315,772 Shares held by RSI (representing approximately 12.10% of the total number of issued Shares prior to the completion of the Global Offering) are subject to the charge granted by RSI in favor of Shanghai Pudong Development Bank Co. Ltd. Putuo Branch (上海浦東發展銀行股份有限公司普陀支行). For further details of the share charges, see "Substantial Shareholders — Share Charges by the Controlling Shareholders" in this prospectus.

(3) Candlewood is a society with restricted liability incorporated in Barbados with WPRE I as its sole quota-holder. 277,136,972 out of the 338,054,924 Shares held by Candlewood (representing approximately 9.0% of the total number of issued Shares prior to the completion of the Global Offering) are subject to the charge granted by Candlewood in favor of Bank of China Limited Macau Branch in February 2015. For further details of the share charge, see "Substantial Shareholders — Share Charge by Candlewood and Springwood" in this prospectus.

(4) Springwood is a society with restricted liability incorporated in Barbados with WPRE I Redstar as its sole quota-holder. 161,759,059 out of the 181,170,145 Shares held by Springwood (representing approximately 5.25% of the total number of issued Shares prior to the completion of the Global Offering) are subject to the charge granted by Springwood in favor of Bank of China Limited Macau Branch in February 2015. For further details of the share charge, see "Substantial Shareholders — Share Charge by Candlewood and Springwood" in this prospectus.

(5) Ping'an Pharmacy is wholly owned by Ms. LI Huifen (李慧芬), an Independent Third Party.

(6) Each of Shanghai Jinghai, Shanghai Hongmei Investment and Shanghai Kaixing is beneficially owned by the key employees of our Group.

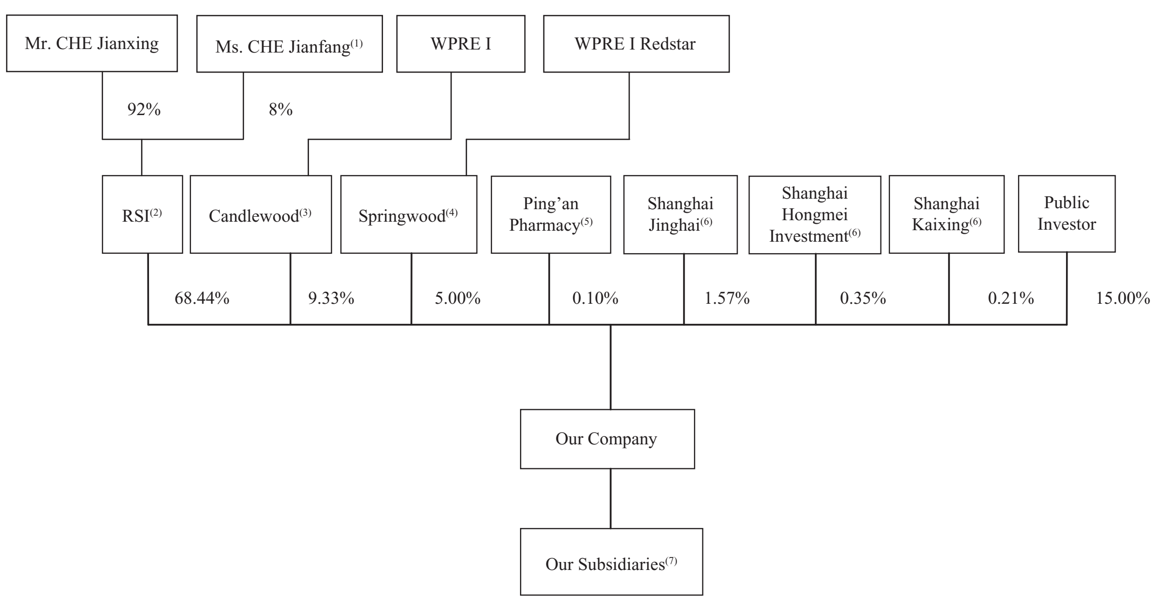
(7) As of the Latest Practicable Date, 35 out of our 118 subsidiaries were not wholly owned by us. Further details of the other third parties' shareholding interests in our non-wholly owned subsidiaries are set out as follows:

No.	Name of Non-wholly-owned Subsidiary	Identities and % of Shareholding of Other Shareholders
1.	Shanghai Red Star Macalline Home Furnishing City Company Limited* (上海紅星美凱龍裝飾家具城有限公司)	3% was held by Shanghai Xinchangzheng (Group) Company Limited* (上海新長征(集團)有限公司) and 3% was held by Ms. JIN Yan (金燕), each an Independent Third Party
2.	Shanghai Shanhai Art Furniture Company Limited* (上海山海藝術家具有限公司)	2% was held by Shanghai Shanhai Enterprise (Group) Company Limited* (上海山海企業(集團)有限公司), an Independent Third Party
3.	Shanghai Hongxin Oukai Home Living Company Limited* (上海虹欣歐凱家居有限公司)	50% was held by Shanghai Hongxin Industrial Company Limited* (上海虹欣實業有限公司), an Independent Third Party
4.	Shanghai Red Star Macalline Home Living Market Management Company Limited* (上海紅星美凱龍家居市場經營管理有限公司)	10% was held by Ms. JIN Yan (金燕), an Independent Third Party
5.	Shanghai Jinlilong Home Decorating Design Company Limited* (上海津麗龍裝飾設計工程有限公司)	20% was held by Mr. TIAN Fengsheng (田豐盛), an Independent Third Party
6.	Shanghai Fengdilong Home Decorating Design Company Limited* (上海峰迪瀧裝飾設計工程有限公司)	20% was held by Mr. FAN Qiushi (範求實), an Independent Third Party
7.	Shanghai Jiading Construction Home Decorating Design Company Limited* (上海家鼎建築裝飾設計工程有限公司)	20% was held by Mr. QIU Weidong (邱衛東), an Independent Third Party
8.	Shanghai Yongdian Home Decorating Design Company Limited* (上海永典裝飾設計工程有限公司)	30% was held by Mr. YU Yang (于洋), an Independent Third Party
9.	Shanghai Jingwang Home Decorating Design Company Limited* (上海景旺裝飾設計工程有限公司)	35% was held by Mr. LIU Tongwang (劉同旺), an Independent Third Party
10.	Shanghai Zhenxing Home Decorating Company Limited* (上海臻星裝飾工程有限公司)	30% was held by Mr. LV Jiming (呂吉明), an Independent Third Party
11.	Shanghai Jingdu Investment Company Limited* (上海晶都投資有限公司)	49% was held by Shijiazhuang Mingdu Property Development Company Limited* (石家莊名都房地產開發有限公司), an Independent Third Party
12.	Beijing Xingkai Jingzhou Furniture Plaza Company Limited* (北京星凱京洲家具廣場有限公司)	49% was held by Beijing Roman Furniture Plaza Company Limited* (北京羅馬諦家居廣場有限公司), an Independent Third Party
13.	Beijing Century Europe and America Business Investment Company Limited* (北京世紀歐美商業投資有限公司)	20% was held by Beijing Chaoyang North Garden Industry Company* (北京市朝陽北花園工商公司), an Independent Third Party
14.	Beijing Hehe Juzhong Advertising Company Limited* (北京和合聚眾廣告傳媒有限公司)	15% was held by Mr. WANG Zhangjun (王俊傑) and 15% was held by Mr. GUO Xiaowei (郭小偉), each an Independent Third Party
15.	Changzhou Hongyang Home Living Plaza Company Limited* (常州紅陽家居生活廣場有限公司)	49% was held by Changzhou Wujing Sanyang Shopping Centre Company Limited* (常州市武進三陽購物中心有限公司), an Independent Third Party

No.	Name of Non-wholly-owned Subsidiary	Identities and % of Shareholding of Other Shareholders
16.	Red Star Macalline Shibo (Tianjin) Home Living Plaza Company Limited* (紅星美凱龍世博 (天津) 家居生活廣場有限公司)	49% was held by Zhejiang Mingdu Dongli Trade Company Limited* (浙江名都東麗商貿有限公司), an Independent Third Party
17.	Tianjin Red Star Macalline International Home Living Expo Company Limited* (天津紅星美凱龍國際家居博覽有限公司)	35% was held by Tianjin Quanyechang (Group) Company Limited* (天津勸業場 (集團) 股份有限公司), an Independent Third Party
18.	Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited* (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	45% was held by Chongqing Zhongkun Property Development Company Limited* (重慶中坤房地產開發有限公司), an Independent Third Party
19.	Chongqing Jiahuan Home Decorating Design Company Limited* (重慶家欣裝飾設計工程有限公司)	30% was held by Mr. HE Liuwei (何柳葦), an Independent Third Party
20.	Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited* (成都長益紅星美凱龍家居市場經營管理有限公司)	50% was held by Chengdu Great Wall Industrial Group Company Limited* (成都長城實業集團有限公司), an Independent Third Party
21.	Chengdu Xinwu Home Decorating Design Company Limited* (成都心屋裝飾工程設計有限公司)	35% was held by Mr. YU Hua (喻華), an Independent Third Party
22.	Chengdu Shangdingju Home Decorating Company Limited* (成都尚鼎居裝飾工程有限公司)	30% was held by Ms. ZHAO Yuhong (趙玉紅), an Independent Third Party
23.	Changsha Yali Home Decorating Design Company Limited* (長沙雅禮裝飾設計工程有限公司)	30% was held by Mr. WANG Huibin (王惠斌), an Independent Third Party
24.	Zhengzhou Red Star Macalline International Home Living Company Limited* (鄭州紅星美凱龍國際家居有限公司)	49% was held by Zhejiang Mingdu Investment Company Limited* (浙江名都投資有限公司), an Independent Third Party
25.	Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited* (鄭州紅星美凱龍全球家居生活廣場經營管理有限公司)	49% was held by Zhejiang Mingdu Investment Company Limited* (浙江名都投資有限公司), an Independent Third Party
26.	Wuhan Red Star Macalline Zhengda Logistics Company Limited* (武漢紅星美凱龍正達物流有限公司)	42% was held by Wuhan Zhengda Logistics Company Limited* (武漢市正達物流有限公司), an Independent Third Party
27.	Shenyang Mingdu Furniture Plaza Company Limited* (瀋陽名都家居廣場有限公司)	40% was held by Zhejiang Borui Holding Group Company Limited* (浙江博瑞控股集團有限公司), an Independent Third Party
28.	Jinan Red Star Macalline Shibo Home Living Plaza Company Limited* (濟南紅星美凱龍世博家居生活廣場有限公司)	30% was held by Shandong Lotus Group Company Limited* (山東芙蓉集團有限公司), an Independent Third Party
29.	Yantai Red Star Macalline Home Living Company Limited* (煙台紅星美凱龍家居有限公司)	49% was held by Yantai Leisure Yacht Company Limited* (煙臺樂天遊艇俱樂部有限公司), an Independent Third Party
30.	Panjin Red Star Macalline Global Home Living Plaza Company Limited* (盤錦紅星美凱龍全球家居生活廣場有限公司)	49% was held by Panjin Huayuan Construction Investment Company Limited* (盤錦華源建設投資有限公司), an Independent Third Party
31.	Changchun Red Star Macalline Shibo Home Living Plaza Company Limited* (長春紅星美凱龍世博家居生活廣場有限公司)	30% was held by Mr. LIU Peng (劉鵬), an Independent Third Party

No.	Name of Non-wholly-owned Subsidiary	Identities and % of Shareholding of Other Shareholders
32.	Changchun Xingmei Home Decorating Company Limited* (長春星美家裝飾工程有限公司)	30% was held by Mr. SUN Tiezeng (孫鐵增), an Independent Third Party
33.	Xi'an Red Star Macalline Home Living Plaza Company Limited* (西安紅星美凱龍家居生活廣場有限公司)	25% was held by Shaanxi Weihua Industrial Company Limited* (陝西煒華實業有限公司), an Independent Third Party
34.	Daqing Red Star Macalline Shibo Home Living Company Limited* (大慶紅星美凱龍世博家居有限公司)	30% was held by Daqing Xusheng Property Development Company Limited* (大慶旭生房地產開發有限公司), an Independent Third Party
35.	Langfang Kaihong Home Living Plaza Company Limited* (廊坊市凱宏家居廣場有限公司)	30% was held by Langfang Property Development Company Limited* (廊坊市城區房地產開發有限公司), an Independent Third Party

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the shareholding structure and corporate structure of our Company are as follows:



Notes:

(1) Ms. CHE Jianfang is Mr. CHE Jianxing's sister.

(2) 135,910,236 out of the 2,480,315,772 Shares held by RSI (representing approximately 3.75% of the total number of issued Shares immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised) are subject to the charge granted by RSI in favor of AVIC Capital Co., Ltd. (中航信託股份有限公司). 372,870,460 out of the 2,480,315,772 Shares held by RSI (representing approximately 10.29% of the total number of issued Shares immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised) are subject to the charge granted by RSI in favor of Shanghai Pudong Development Bank Co. Ltd. Putuo Branch (上海浦東發展銀行股份有限公司普陀支行). For further details of the share charges, see "Substantial Shareholders — Share Charges by the Controlling Shareholders" in this prospectus.

(3) Candlewood is a society with restricted liability incorporated in Barbados with WPRE I as its sole quota-holder. 277,136,972 out of the 338,054,924 Shares held by Candlewood (representing approximately 7.65% of the total number of

issued Shares immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised) are subject to the charge granted by Candlewood in favor of Bank of China Limited Macau Branch in February 2015. For further details of the share charge, see “Substantial Shareholders — Share Charge by Candlewood and Springwood” in this prospectus.

(4) Springwood is a society with restricted liability incorporated in Barbados with WPRE I Redstar as its sole quota-holder. 161,759,059 out of the 181,170,145 Shares held by Springwood (representing approximately 4.46% of the total number of issued Shares immediately following completion of the Global Offering assuming that the Over-allotment Option is not exercised) are subject to the charge granted by Springwood in favor of Bank of China Limited Macau Branch in February 2015. For further details of the share charge, see “Substantial Shareholders — Share Charge by Candlewood and Springwood” in this prospectus.

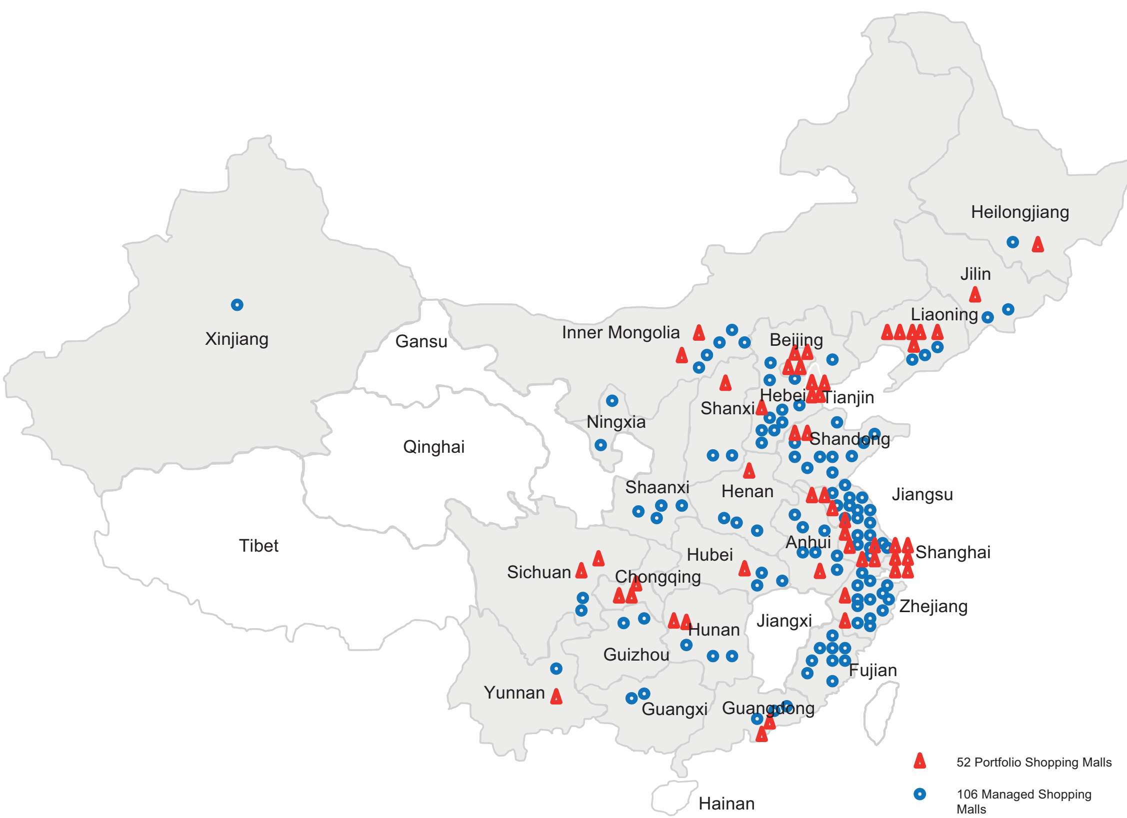
(5) Ping’an Pharmacy is wholly owned by Ms. LI Huifen (李慧芬), an Independent Third Party.

(6) Each of Shanghai Jinghai, Shanghai Hongmei Investment and Shanghai Kaixng is beneficially owned by the key employees of our Group.

(7) Please refer to note (7) to the preceding corporate chart as of the Latest Practicable Date under “— Our Corporate Structure” above.

OVERVIEW

We are the leading home improvement and furnishings shopping mall operator in China with the largest operating area, the largest number of shopping malls and the broadest geographic coverage, according to Frost & Sullivan. As of December 31, 2014, we operated 158 shopping malls with a total operating area of approximately 10,752,853 sq.m. in 115 cities in 26 provinces in China, hosting over 18,000 product brands. According to Frost & Sullivan, in 2014, we had a 10.8% market share in the chain home improvement and furnishings retail mall sector and a 3.9% mall sector market share, the largest in China's rapidly growing home improvement and furnishings retail industry in terms of retail turnover. We have 25 pipeline Portfolio Shopping Malls with a total estimated GFA of approximately 3,460,438 sq.m., and 359 pipeline Managed Shopping Malls with a total estimated GFA of approximately 20,471,000 sq.m. Among our pipeline Managed Shopping Malls, 39 had secured land parcels and were expected to open by the end of 2015 and 152 had secured land parcels and were expected to open after 2015. The following map illustrates our geographic footprint as of December 31, 2014.



In 1994, we opened our first home improvement and furnishings shopping mall in Changzhou, Jiangsu Province. In 2000, we launched our "Red Star Macalline" brand and opened our first branded home improvement and furnishings shopping mall in Shanghai, which was also one of the first branded home improvement and furnishings shopping malls in China, and established ourselves as a pioneer in China's modern home improvement and furnishings retail market. According to Frost & Sullivan, China's home improvement and furnishings retail market has been one of the fastest growing sectors of China's home improvement and furnishings industry and is expected to continue growing at a CAGR of 10.0% over the next five years and achieve further channel consolidation. We believe that our prominent market leadership and unparalleled geographic coverage will enable us to effectively capitalize on this growth opportunity.

We have established an attractive third-party platform that connects brands and customers together within our shopping malls, continuously tailors the brand and product offerings to cater to changing customer needs, and provides a superior one-stop shopping experience. Tenants in our shopping malls enjoy a full range of operational and managerial services, including designated shopping space, staff training, marketing and promotion, daily management and customer services. We also ensure customers receive standardized quality services across our platform, including a 30-day product return policy, free and informative shopping guides and home design consultation. Our leading market position, differentiated customer service, nationwide footprint, commitment to operational excellence and nationally recognized "Red Star Macalline" brand, together with our comprehensive and effective platform, constitute our unique competitive advantages over our competitors. Moreover, we draw on such core strengths to expand our service offerings into new sectors of the home improvement and furnishings value chain, such as home design, consumer financing and pre-paid cards, delivery and logistics, and bulk procurement.

Our unique business model of operating both Portfolio Shopping Malls and Managed Shopping Malls allows us to rapidly expand and further penetrate our target markets. We strategically open most of our Portfolio Shopping Malls in Tier I and Tier II Cities where we receive recurring and predictable operating income including rent and management fees. Leveraging our years of experience in shopping mall operation, we also provide contract management services to owners of our Managed Shopping Malls, and operate our partners' home improvement and furnishings shopping malls under our brand name and receive consultation and management fee payments in return. As of December 31, 2014, we operated 52 Portfolio Shopping Malls with a total operating area of approximately 4,033,458 sq.m. and 106 Managed Shopping Malls with a total operating area of approximately 6,719,395 sq.m. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, revenues generated from our owned/leased Portfolio Shopping Malls contributed 73.4%, 66.0%, 61.5%, 69.3% and 66.2% of our total revenue, respectively, and revenues generated from our Managed Shopping Malls contributed 26.6%, 33.2%, 35.1%, 28.4% and 30.9% of our total revenue, respectively. Our two-pronged business model with both asset-heavy and asset-light approaches enables us to reinforce our market leading position in most developed areas and benefit from land appreciation, while at the same time rapidly expand our footprint in Tier III and Other Cities without significant capital expenditures.

We have a proven track record of growth and profitability. Our revenue increased from RMB5,253.7 million in 2012 to RMB6,360.7 million in 2013 and RMB7,935.1 million in 2014, representing a CAGR of 22.9%. Our revenue increased from RMB1,703.0 million for the three months ended March 31, 2014 to RMB1,943.1 million for the three months ended March 31, 2015. Our gross profit increased from RMB3,801.5 million in 2012 to RMB4,571.1 million in 2013 and RMB5,881.1 million in 2014, representing a CAGR of 24.4%. Our gross profit increased from RMB1,192.5 million for the three months ended March 31, 2014 to RMB1,430.8 million for the three months ended March 31, 2015. Our gross profit margin was 72.4% in 2012, remained stable at 71.9% in 2013 and further increased to 74.1% in 2014.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths distinguish us from our competitors:

Undisputed market leader with a nationwide retail network

Undisputed market leader in China. We commanded a market leading 10.8% share by retail turnover of the chain home improvement and furnishings market in China in 2014, according to Frost & Sullivan. In certain Tier I and II Cities such as Shanghai and Tianjin, we ranked No. 1 by mall space according to Jones Lang LaSalle. We operated the largest national home improvement and furnishings retail network in China and were the only player in the industry with a nationwide presence across 115 cities in 26 provinces. Our 158 shopping malls span across an aggregate operating area of approximately 10,752,853 sq.m. as of December 31, 2014. According to Frost & Sullivan, our shopping mall count outnumbered the combined shopping mall counts of the No. 2 to No. 4 players in the home improvement and furnishings retail industry. Our retail network also carries a large selection of home improvement and furnishings products in China with over 18,000 brands. The gross merchandise sales in our shopping malls are among the highest in the industry, according to Frost & Sullivan. Despite our undisputed market leadership, we only controlled a market share of 10.8% by sales of the chain home improvement and furnishings retail market, 3.9% of the mall sector and 2.6% in terms of total retail turnover in China in 2014, according to Frost & Sullivan, leaving us with significant room to grow and obtain market share from other industry players.

Significant competitive advantages as a result of our market leadership. The size of our operations and the scale of our nationwide network are unparalleled in the industry, helping position us as one of the most important retail platforms connecting vendors and customers. Our market leadership brings us the following unique competitive advantages:

- *Direct access to the most relevant customers.* We are one the top choices for customers. Being the No. 1 brand in the market, we attract the largest number of customers and generate higher transaction volume. Our platform provides instant access to national distribution and targeted customer flow, which is compelling to our tenants.

- *Greatest reach across the country.* We operate one of only two nationwide home improvement and furnishings networks with deep market penetration, enabling our tenants to access the broadest set of markets in China.

- *Operating leverage and economies of scale.* Our scale enables us to continually invest in our operations and enhance our competitive positioning, while ensuring cost efficiencies through bulk procurement, centralized expense management and cost sharing across a substantial base.

- *Unparalleled market insights.* Our nationwide reach enables us to gain first-hand knowledge of the latest consumer trends and market developments, allowing us and in turn our brand partners to be among the best informed in our industry.

- *Natural diversification.* Our national platform across 115 cities in 26 provinces with over 18,000 product brands creates a natural hedge against geographic and merchandise risks.

Proven staying power against international competitors. Our retail platform has proven to be an enduring business model even in the face of competition from established multinational competitors. For instance, Home Depot, the leading home improvement retailer in the United States, announced its exit from China amid losses in 2012. Kingfisher, the leading home improvement retailer in the United Kingdom, announced a majority stake sale of its B&Q China operations in 2014. By comparison, we achieved record revenues and net income every year during the Track Record Period. Our significant competitive advantages have enabled us to deliver one of the industry's most enviable records of growth and profitability. During the Track Record Period, we generated annual revenue growth of over 20% and maintained gross margins of over 70%.

China's most recognized and award-winning brand in the home improvement and furnishings industry

Our "Red Star Macalline" brand ranked No. 1 in the home improvement and furnishings category for three consecutive years from 2012 to 2014, according to the China Brand Research Center, sponsored by the Ministry of Industry and Information Technology of the PRC. We believe our industry leading brand attracts higher foot traffic, and enables us to charge higher rents and fees at both our Portfolio Shopping Malls and Managed Shopping Malls. The strength of our brand also makes it easier to penetrate into new local markets and to extend into attractive related businesses.

Customers' trust in our brand rather than individual product brands. Unlike the general merchandise retail market in which product brands have greater recognition than retail channels, we believe the home improvement and furnishings industry is characterized by strong retail channel brands rather than product brands. Home improvement and furnishings products span a wide variety of categories and are low frequency and small quantity purchases.

As such, individual product brands often lack the scale, resources and incentive to pursue significant marketing activities in an economical way. Their lack of scale also constrains them from projecting the same credibility and from offering the same level of after-sales service as we do.

By comparison, we set high quality standards for our tenants, carry a wide range of genuine products, and provide centralized returns and warranties.

We believe chain retail channels like ours derive premium returns from the home improvement and furnishings value chain because of our ability to consolidate a large number of fragmented and lesser-known product brands and make them available to consumers in a credible channel, which significantly differs from the general merchandise industry where product brands dominate.

Given the strength of retail channels over individual product brands, we face minimal anchor tenant concentration risk and do not offer rental discounts to even our largest tenants. In fact, our top ten largest tenants represented only 1.8% of our total revenues in 2014.

Effective marketing capability. We are focused on investing and continually building our brand on a national scale, ensuring our brand consistently ranks No. 1 in our industry. Our marketing expenses reached RMB591.3 million in 2014, which is higher than most of our competitors, according to Frost & Sullivan.

We are one of the few home improvement and furnishings mall operators to implement national marketing campaigns, including advertisements on China's Central Television (CCTV), which we believe is unique among our competitors. We also employ a variety of innovative marketing initiatives including creation of home-themed short films, targeted marketing campaigns on social media channels, sponsorship of home design art events and use of celebrity spokespersons. Our centralized marketing function leverages our national scale to achieve cost synergies while implementing consistent nationwide marketing messages. By comparison, our competitors generally tend to rely solely on regional and local promotional activities.

Award winning brand. Our effective and powerful marketing capabilities have helped us win industry awards. In 2013, we were recognized as the Top Brand in the China Building Materials Retail Industry by the China Building Materials Retail Association.

The Trademark Office of SAIC has also designated us as a "China Well-Known Brand."

We believe our nationally recognized brand name clearly differentiates us from our competitors and helps attract new customers and Managed Shopping Mall partners on a sustained basis.

Differentiated shopping experience through exceptional service and quality

We actively manage and control all aspects of the shopping experience at our shopping malls to ensure that our customers receive a differentiated service offering that is superior to our competitors. The value we provide to retail customers has enabled us to become the market leader in the home improvement and furnishings industry.

Attractive shopping environment. We believe our appeal to customers begins with our premium design and decoration, which brings immediate credibility to the product offerings within our malls. The internal layout further enhances the customer experience with defined product categories located in clearly marked sections within the malls. We also focus on consumer conveniences, such as providing ample free parking space and strategically locating our malls along or near city highways or freeways to ensure enhanced visibility and easy access.

Maximum merchandise selection. We fulfill our customers' home improvement and furnishings needs by providing a one-stop shopping experience. We believe our product selection is unrivalled, making us stand out in the highly fragmented home improvement and furnishings industry in China. Our shopping malls carry over 18,000 brands, which have been vetted by us under stringent standards, appealing to customers who would otherwise visit multiple individual retail locations to obtain the same product breadth.

Differentiated service offering. We serve as the primary point of contact for retail customers within each of our 158 home improvement and furnishings malls. Products sold at our shopping malls carry clearly marked prices and our discount policy generally does not allow for a discount of more than 30% off the marked retail prices, which significantly reduces the time our customers spend on bargaining with our tenants. When retail customers seek returns or refunds for products purchased, their claims are handled directly by our centralized returns and refunds desk. Our returns policy permits product returns within 30 days of purchase, with refunds normally completed within seven days of a return. Because we serve as the primary point of contact, retail customers shop at our shopping malls knowing that returns will be accepted and refunds will be processed promptly.

Highly engaged customer relationship management supported by market-leading membership program. As the largest operator of home improvement and furnishings malls in China, we have first-hand knowledge of the latest consumer trends and consumption habits.

We commenced our membership program on January 1, 2015. Within two months of the launch, over 790,000 members registered with our M Style membership program. Once registered, a member is eligible for sales and marketing activities, discounts and exclusive designer benefits. We believe our attractive promotions and benefits help build brand loyalty and help motivate customers to spend a large portion of their home improvement and furnishings budget within our network. Our M Style membership program provides us with a proprietary database to conduct lower-cost, targeted marketing and messaging to our members, which complements our other marketing methods. As we continue to build out our "big data" analytics capabilities, we can track our members and other customers' consumption patterns and preferences and tailor our offerings to their needs. We also share our market intelligence with our tenants, helping them enhance their offerings continually. This in turn creates a virtuous cycle with better product offerings and higher customer traffic in our malls.

Dominant third party platform with significant scarcity value in the home improvement and furnishings ecosystem

Our home improvement and furnishings retail platform is the premier retail channel in China's home improvement and furnishings value chain. We operate our platform for third parties and do not engage in direct sales, compete with our vendor partners or hold inventory. We believe our ability to connect vendors and consumers, both of which are numerous but individually small in scale, places us at the center of the value chain. We believe there is significant scarcity value to controlling one of the only two national home improvement and furnishings retail channels, as we continue to seek ways to utilize our market insights and monetize our customer flow.

Symbiotic relationship with our tenants. We have developed strong relationships with our tenants characterized by an alignment of interests and mutual success. Our close relationships with our tenants are highlighted by the fact that our shopping malls account for a significant portion of their total sales. For example, in 2014, we accounted for approximately 18.7% of the total retail sales of leading sofa brand, Cheers, approximately 20.5% of the total retail sales of leading mattress brand, Sleemon, and approximately 18.5% of the total retail sales of leading kitchen furnishings brand, Zbom.

Our model allows our tenants to successfully grow their businesses through access to our national retail platform. Some of our tenant relationships date back years to when the tenants were still small "family" businesses. These tenants have grown with us and have become significant in their own right. At the same time, our loyal tenant base has enabled us to achieve premium rents and high occupancy ratios. The following highlights our symbiotic relationship with our tenants:

- *Nationwide distribution.* Our tenants leverage our network to gain access to targeted foot traffic. At the same time, our malls attract customers because of the diverse and relevant product range offered by our tenants.

- *Immediate credibility.* The credibility of our industry leading brand name benefits our tenants, inspiring trust and confidence among retail customers who would not otherwise know of their products. We also count on our tenants for maintaining our image by offering products that are genuine and high quality.

- *Sharing market insights.* Our database derives its value from high quality data input provided by our tenants. At the same time, we share our market insights and analyses with tenants based on "big data" analytics. As of April 30, 2015, we provided data analysis and strategic consulting services to 47 brands.

- *Actionable growth path with reduced risk profile.* Our methodical approach to network expansion allows our tenants to build their footprint alongside ours within familiar settings and systems. At the same time, our tenants' active participation has enabled us to fill our malls rapidly and open new malls at over 90% occupancy in general.

Monetizing the customer flow. Our value proposition to tenants enables us to monetize the customer flow, including enhancing our bargaining power in negotiating exhibition space agreements and enabling us to obtain more favorable terms from our tenants, such as year-long leases which allow us to adjust tenant mix and rates each year. The value and importance of our platform is highlighted by the fact that our shopping malls consistently report high occupancy rates. The average occupancy rates of our Portfolio Shopping Malls were approximately 90%, 97% and 96% as of December 31, 2012, 2013 and 2014, respectively.

Reduced risk profile from operating a third-party platform. As a third-party retail platform, we have minimal brand, design, product, sourcing or merchandising risks. Our tenants are responsible for their own inventory management and sale of products. Our platform extends across 115 cities in 26 provinces and over 18,000 product brands, which creates a natural hedge against geographic and merchandising risks. Given such diversification, we do not rely on any one of our tenants or any single shopping mall for our business performance. Furthermore, as we carry minimal inventory, we are able to reinvest our capital resources in expanding our platform and new strategic growth initiatives.

Our two-pronged expansion model is highly effective and difficult to replicate

Portfolio Shopping Malls secure presence in strategic locations and predictable rent growth. Most of our Portfolio Shopping Malls are strategically located in prime locations in Tier I Cities and selected Tier II Cities in China, a feature that is difficult for our competitors to replicate. We owned approximately 65.4% of the underlying properties of our Portfolio Shopping Malls as of March 31, 2015, which is among the highest in the chain home improvement and furnishings industry, according to Frost & Sullivan. Ownership of the underlying properties allows us to anchor our brand with high visibility sites in prime locations that would otherwise not be available if we did not own them. It helps ensure operational flexibility and avoids disputes with landlords who could extract the bulk of the economic value through increases in rent. Rent and management fees generated from our Portfolio Shopping Malls are recurring and predictable, with highly visible growth prospects. For the year ended December 31, 2013, our Portfolio Shopping Malls that had been in operation for at least 24 months as of December 31, 2013, details of which are included in the section headed "Glossary of Technical Terms", have generated an aggregate revenue of approximately RMB4,027.5 million, representing a same mall growth of 4.7% as compared to the aggregate revenue of approximately RMB3,845.8 million from such malls for the year ended December 31, 2012. For the year ended December 31, 2014, our Portfolio Shopping Malls that had been in operation for at least 24 months as of December 31, 2014, details of which are included in the section headed "Glossary of Technical Terms", have generated an aggregate revenue of approximately RMB4,699.1 million, representing a same mall growth of 8.4% as compared to the aggregate revenue of approximately RMB4,336.3 million from such malls for the year ended December 31, 2013. Our cash flows and margins are also more resilient during market downturns because of our ownership of the underlying properties. As of March 31, 2015, we had 25 new Portfolio Shopping Malls with a total GFA of approximately 3,460,438 sq.m., implying a significant growth in our Portfolio Shopping Mall operating area once they come online. The high quality and recurring earnings from our Portfolio Shopping Malls enable us to access long-term financing at favorable terms. Our Portfolio Shopping Malls also help showcase our premium operations to potential tenants, Managed Shopping Mall partners and local governments.

Managed Shopping Malls enable rapid expansion with limited capital outlay. Capitalizing on our established brand, mature business processes and deep tenant pool, we adopt an asset-light approach through our Managed Shopping Mall business model to expand our footprint rapidly in Tier III and Other Cities. Our ability to open shopping malls quickly and increase our penetration across the country allow us to establish our presence in many cities ahead of our competitors. In addition to its strategic value, our fee income model for our Managed Shopping Mall business carries high margins and low risks as mall operating costs are passed through to our Managed Shopping Mall partners. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our Managed Shopping Mall segment achieved gross margins of 70.3%, 74.7%, 75.8%, 64.7% and 67.2% in 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, respectively. In addition to high quality earnings, we also have significant visibility with respect to the growth prospects of the Managed Shopping Mall segment. As of December 31, 2014, among our 359 pipeline Managed Shopping Malls, 39 had secured land parcels and were expected to open by the end of 2015 and 152 had secured land parcels and were expected to open after 2015.

Hybrid expansion model is difficult to replicate. We believe our hybrid expansion model creates a high barrier to entry. Our existing Portfolio Shopping Mall footprint is difficult to replace because of the difficulty in sourcing prime locations at Tier I and II Cities. Our Managed Shopping Mall segment benefits from our strong branding, consistent reliability and quality, deeply entrenched industry relationships and an ample reserve of talent. In addition, we have a proven system that encompasses the entire process of selecting and securing land, developing shopping malls, sourcing tenants and operating shopping malls. Our Managed Shopping Mall partners choose to collaborate with us because we have proven that we can achieve results and create value for our partners. We believe building such a track record requires time and is difficult to replicate. We believe our hybrid expansion model is one of a kind in our industry, and our success has helped create a virtuous growth cycle which is difficult to replicate.

Visionary, innovative and experienced management team led by our Chairman, Mr. CHE Jianxing

Our visionary management team contributes a wealth of experience and in-depth industry knowledge to our business and operations. Our founder, Chairman and one of our Controlling Shareholders, Mr. CHE Jianxing, is a visionary entrepreneur and business leader with national recognition and influence in China's home improvement and furnishings retail industry. Mr. Che founded our business more than 20 years ago, and in doing so created the modern home improvement and furnishings retail model in China and transformed the market landscape. Since then he has contributed over 20 years of industry experience and invaluable expertise in shopping mall development and operations to our Company. He holds key roles in various industry organizations, serving as a member of the Executive Committee of the All-China Federation of Industry and Commerce and a member of the Shanghai Municipal Committee of Chinese People's Political Consultative Conference. He was also awarded "China's Outstanding Entrepreneur" and "Work Model of Jiangsu Province" in recognition of his tremendous contribution to the industry and society at large.

Our senior management team consists of a group of reputable industry experts with an average of over ten years of industry experience and average tenure of over six years at our Company. They have witnessed, promoted and shaped the development of the modern home improvement and furnishings retail industry in China. Led by our senior management, we are the first one-stop shopping mall and the first national shopping mall chain in the home improvement and furnishings retail industry in China. We are also the first home improvement and furnishings enterprise in China with in-house capabilities for the entire process of developing and managing shopping malls.

Our market leadership and growth prospects have appealed to renowned international investors, including Warburg Pincus, who has been a strategic partner.

OUR STRATEGIES

We aim to execute the following strategies to increase our market share and strengthen our position as an industry leader in China's home improvement and furnishings sector.

Drive growth and performance of our existing shopping mall network through proactive management

One of our primary goals is to continue improving the economics of our existing shopping mall network. We plan to drive growth and performance at our existing malls through the following:

- *Upgrade mall infrastructure and facilities.* We plan to continually upgrade our infrastructure and facilities, such as food courts, rest areas and clear signage to further improve our customers' shopping experience and attract more foot traffic.

- *Data analysis.* We plan to proactively manage our tenant base through insights gained from our nationwide shopping mall network. Our Star Cloud system has been rolled out across our Portfolio Shopping Mall and Managed Shopping Mall network, and we plan to conduct further analysis on the "big data" collected.

- *Optimize tenant mix and promote new revenue streams.* We constantly monitor the performance of our tenants and adjust their mix and location accordingly to increase rental revenue. We intend to continually develop new non-rental revenue sources, such as the placement of advertising on our facades and the creation of additional exhibition space in open areas.

- *Marketing.* We intend to attract higher levels of customer traffic and shopping mall sales productivity through more targeted marketing and promotions, which we believe is particularly important due to the low frequency nature of home improvement and furnishings purchases.

- *Local management incentives.* To motivate our front end mall management teams, we structure their bonuses to be linked to mall-level economics and collection rates, and award them with a portion of the profit that exceeds the mall budget.

For the year ended December 31, 2013, our Portfolio Shopping Malls that had been in operation for at least 24 months as of December 31, 2013, details of which are included in the section headed "Glossary of Technical Terms", have generated an aggregate revenue of approximately RMB4,027.5 million, representing a same mall growth of 4.7% as compared to the aggregate revenue of approximately RMB3,845.8 million from such malls for the year ended December 31, 2012. For the year ended December 31, 2014, our Portfolio Shopping Malls that had been in operation for at least 24 months as of December 31, 2014, details of which are included in the section headed "Glossary of Technical Terms", have generated an aggregate revenue of approximately RMB4,699.1 million, representing a same mall growth of

8.4% as compared to the aggregate revenue of approximately RMB4,336.3 million from such malls for the year ended December 31, 2013. In the future, we plan to proactively drive growth and performance at our existing malls.

Solidify our market leadership by strategically expanding our shopping mall network

We expect to capitalize on secular growth trends in the home improvement and furnishings industry by strategically opening new shopping malls in selected cities in China with attractive market attributes. Specifically, according to our feasibility analysis of each city in China based on population size and growth rate, demographic trends, local income level and consumption power, we believe the home improvement and furnishings markets of approximately 2,500 cities across China are still underpenetrated and could support the business flow of at least one modern, branded shopping mall. We have shortlisted the cities we plan to expand into in the next three years based on city size, population, disposable income, and local market competition, and we expect to continue to explore business opportunities with potential local partners. We have also sent research teams to these cities to investigate prime locations for site selection and land acquisition, and we intend to systematically expand into these markets in the future.

In Tier I and Tier II Cities, we plan to strengthen our Portfolio Shopping Mall network by selectively developing new shopping malls at prime locations. As of December 31, 2014, we had 25 pipeline Portfolio Shopping Malls. We expect to incur substantial capital expenditures in aggregate amount of approximately RMB10,614.1 million in connection with these projects since December 31, 2014 based on our current estimates, out of which RMB4,014.7 million is expected to be incurred in 2015. We plan to finance such capital expenditures with cash from operations, additional bank borrowings, as well as a portion of the proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds."

Tier III and Other Cities present attractive market opportunities as evidenced by the low penetration rate of 15.7% for chain home improvement and furnishings shopping malls, according to Frost & Sullivan. In addition, we believe we could have a first mover advantage and capitalize on attractive competitive dynamics in these relatively underpenetrated markets. We plan to rapidly penetrate these markets through our asset-light strategy, which will enable us to broaden our mall network, while generating rapid growth and high returns on capital without straining our balance sheet and cash flow generation capabilities. In addition, we expect to benefit from higher management fees and capture growth in local markets by linking management fees to rental income at our Managed Shopping Malls to share increases in rental payments. As of December 31, 2014, among our 359 pipeline Managed Shopping Malls, 39 had secured land parcels and were expected to open by the end of 2015 and 152 had secured land parcels and were expected to open after 2015. Our business partners had already secured land parcels upon signing of the contract management agreements with respect to 139 out of these 191 pipeline Managed Shopping Malls, and it took approximately nine months on average for the remaining 52 malls to secure land parcels after signing.

Furthermore, the home improvement and furnishings retail market is still highly fragmented with chain operators making up only 24.1% of the total market as of December 31, 2014 and our Company as the largest player with 3.9% of the total market share. With our low gearing ratio of 30.9%, strong recurring operating cash flows and significant untapped financing capability, we believe we are well positioned to benefit from consolidation in the market. Accordingly, we plan to identify acquisition targets to increase our market share.

Penetrate into additional market segments with multi-format and multi-brand offerings

Targeting smaller cities, we are launching a "mini mall" format of 15,000 to 30,000 sq.m., which is smaller than our standard shopping mall size while more compatible with cities with smaller populations and lower disposable income. We believe our "mini malls" can further penetrate the markets in less developed cities to establish a leading position and complete our geographic coverage.

In addition to our core brand "Red Star Macalline," we have introduced a variety of other branded shopping malls to capture the increasingly diverse home improvement and furnishings consumer base in China. Our flagship brand "Red Star Macalline" continues to target the mid- to high-end customer segment. At the same time, we have introduced a mix of existing and new brands to better cater to customer niches without diluting our core brand. For instance, we have obtained a 30-year license from JiSheng Wellborn, which is a well-known brand targeting ultrahigh-end customers. By comparison, we plan to attract a fashion-focused and younger customer demographics through our new in-house developed "Red Star Ogloria (紅星 • 歐麗洛雅)" brand, with the first such shopping mall expected to open by the end of 2016. In the future, we plan to acquire operating licenses or pursue outright acquisitions of home improvement and furnishings shopping malls or brands as opportunities arise.

Full roll-out of our O2O platform to provide customers with an omni-channel retailing experience

We focus constantly on driving our industry leadership in customer experience, and our online platform is an important strategic initiative to enhance our channel capabilities and overall customer offering. The home improvement and furnishings industry is characterized by unique and tailored product offerings where physical touch remains a valued aspect of the purchase decision. Hence, an online strategy will most likely be successful when combined with a physical mall network. Our online platform is designed around the customer experience and our strategy is to leverage our shopping mall network to offer a synchronized shopping experience for our consumers.

Our online strategy began in 2012, and has been a consistent core focus for us. Since 2012, we have invested over RMB110.0 million in various B2C and group discount initiatives through two of our subsidiaries, Shanghai Red Star Macalline Jiapinhui E-commerce Company Limited and Shanghai Hongmei E-commerce Company Limited, and we have successfully generated revenues of RMB0.8 million, RMB3.5 million, RMB60.7 million, RMB4.2 million and RMB10.2 million from such two subsidiaries in 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, respectively. In addition to our existing online offerings, We have also focused on our mobile O2O application launched in March 2015 for selected shopping malls in Tier I Cities. We expect to roll out the application across our nationwide shopping mall network by the end of 2015. After a complete roll out, we will expand into new service offerings including access to an interior design database, ancillary services to retail customers and data analytics for tenants.

Our O2O mobile application serves as an additional channel to connect our tenants and retail customers. Our application provides our retail customers with an interactive shopping experience by allowing them to view design scenes for home decoration ideas, conduct preliminary and ongoing research on brands and products, write reviews, communicate with our tenants, and purchase products online. This is highly complementary to our physical store network, which provides a venue for customers to see and touch products and receive personal customer service from onsite staff. Our mobile application benefits tenants by providing them with a new additional point of contact with potential customers. At the same time, we believe our mobile application enhances our customer stickiness, increases their conversion rate from prospective customers to actual customers and allows us to conduct targeted marketing to our customers. The first-hand consumer data collected through our O2O application will further improve our analysis and research on customer tastes and industry trends, which provide us and our tenants with valuable market intelligence. Our strategy is to be our customers' first port of call as they begin their home decoration research process, and to serve as their primary interface through the purchase lifecycle through an omni-channel approach.

Penetrate into attractive related product and service offerings

Our national retail platform provides us with access to the country's largest database of home improvement and furnishings tenants and customers. We collect valuable data and develop insights on the overall industry and our customers. As a result, we plan to leverage our understanding of the industry and customers to extend into attractive related product and service offerings.

Consumer and vendor financing. As an operator of a third-party retail platform, we have unique insights with respect to the financing needs and credit worthiness of customers and tenants operating within our systems. Because of the high ticket size of home improvement and furnishings products, our customers are typically in need of financing. Similarly, some of our tenants may from time to time require financing for their rental expenses and procurement costs. Leveraging the information contained in our database, we are expanding into consumer and vendor financing services. As a first step, we established a consumer financing joint venture with Haier and Greentown in December 2014. The joint venture offers consumer loans and related consulting, brokerage and insurance services. In the future, we plan to obtain our own consumer financing license. We expect other strategic partnerships in the future to include joint ventures with insurance companies to promote sales of household property insurance products, and with commercial banks to expand the existing portfolio of jointly branded credit and pre-paid cards. We also plan to acquire a third-party online payment platform to strengthen our online business.

Logistics and fulfillment services. Leveraging our existing nationwide footprint, we plan to develop a comprehensive logistics and fulfillment service, including delivery, warehousing and assembly, specifically targeted at the home improvement and furnishings industry. We believe centralized logistics and fulfillment services helps the vendors to better manage their inventory and further reduce delivery costs. The customers also benefit from standardized delivery services with quality assurance. Our goal is to become the number one logistics provider to all participants in the home improvement and furnishings industry including manufacturers, distributors, retailers and end customers. We believe this service would provide significant benefits to all participants in the home improvement and furnishings industry. We plan to provide a better experience for our customers by standardizing the process of delivery, tracking and assembly. This industry is currently serviced by numerous small scale providers who are inconsistent in terms of quality and have limited access to information technology. Our ability to aggregate orders and deliveries, and negotiate services in bulk, enable us to provide a value-added service offering. Our logistics and fulfillment services can also enhance the stickiness of home improvement and furnishings manufacturers and vendors to our shopping mall business. Furthermore, we expect our logistics capacity to support our online business growth. We have begun operations at our pilot logistics center in Shijiazhuang, Hebei Province, and plan to open 15 to 20 new logistics centers by the end of 2015.

Home design and decoration services. We are also entering into the home design business, which is the upstream segment of the home improvement and furnishings value chain. We plan to continue selecting experienced home design professionals, investing in their home design start-ups and endorsing their business with our premier brand. In exchange, the start-ups agree to purchase from our shopping malls no less than 80% of their or their customer's annual home improvement and furnishings expenditures. We believe these start-ups have the potential to increase our gross sales with existing customers as well as new customers.

Bulk procurement. In addition to our traditional focus on retail customers, we are also expanding into bulk procurement services to penetrate the professional customer segment, which grossed over RMB1.2 trillion in 2014, according to Frost & Sullivan. Our bulk procurement services connect home improvement and furnishings suppliers and vendors with construction contractors and real estate developers. Our focus is on small- to mid-sized developers who do not have the scale to set up their own centralized procurement departments. We also expect to explore business opportunities among our Managed Shopping Mall partners who are usually themselves real estate developers who may be receptive to this service.

Enhance operational efficiency by rolling out information technology systems and commercialize "big data" gained from our vast retail network

As an industry pioneer, we are committed to integrating cutting-edge technology into our daily operations and management. We are the first player in the home improvement and furnishings retail industry to adopt the "Star Cloud" system, which is a comprehensive ERP system. We have incurred expenses amounting to approximately RMB80 million to roll out our Star Cloud system across our mall network during the Track Record Period, which is larger than the IT budgets of most of our competitors, according to Frost & Sullivan. On one hand, our Start Cloud system enhances our internal operational management, including space management and tenant sourcing management. On the other hand, we benefit from commercializing big data collected through our Star Cloud system to better analyze market intelligence and consumer preferences. We aim to operate data-driven home improvement and furnishings shopping malls through continuous upgrades to our IT systems.

We will continue to collect and analyze data on shopper traffic, transaction volume and consumer behavior to facilitate management decisions. We have accumulated a large amount of valuable customer data through our shopping malls, with over one million members and over 50,000 tenants as of the Latest Practicable Date. We expect continue to accumulate customer data through our operations, including our new businesses, such as consumer/vendor financing and home design. Our M Style membership program, launched on January 1, 2015, enables us to collect and analyze information of our members, who are by nature frequent customers with high spending power. Analysis of their spending habits and preferences enable us to further refine our brand and product offerings and conduct more effective targeted marketing. We will invest in "big data" analytics and utilization so that we can better understand our customers, tailor our product and service offerings to our customers' needs, and share our market intelligence with long-term brand partners to help them grow. Furthermore, we expect to commercialize our unique understanding of China's home improvement and furnishings market to deliver more targeted marketing and messaging to our customers.

OUR "RED STAR MACALLINE" BRANDING

We strive to provide a one-stop shopping experience for those who are passionate about family life and desire a quality living environment. We believe our mission is not only to supply quality home improvement and furnishings products to our customers, but also to raise their quality of life and taste to a higher level. We have successfully built up our "Red Star Macalline" brand as a "national well-known brand" associated with shopping malls targeting the mid- to high-end segment of the home improvement and furnishings retail market. Our "Red Star Macalline" brand has been perceived as the No. 1 brand in the home improvement and furnishings retail industry in China for a consecutive three years according to the China Brand Research Center, sponsored by the Ministry of Industry and Information Technology of the PRC. In 2013, we were recognized as the Top Brand in the China Building Materials Retail Industry by the China Building Materials Retail Association. Our "Red Star Macalline" brand is also a "China well-known brand" recognized by the Trademark Office of SAIC. We advertise through the Internet, wechat, national television CCTV, radio, national newspapers, outdoor posters and billboards to promote our brand and reputation and strengthen our customer loyalty. Our marketing team consists of a staff of approximately 1,200 as of December 31, 2014. For the years ended December 31, 2012, 2013 and 2014 and three months ended March 31, 2014 and 2015, we have incurred advertising and marketing expenses of approximately RMB567.5 million, RMB634.5 million, RMB591.3 million, RMB105.7 million and RMB138.6 million, respectively.

As a market leader in the home improvement and furnishings retail industry, we endeavor to enrich our brand image with classical and cultural elements to differentiate us from other domestic and international sellers of home improvement and furnishings products. As part of this effort, we host "Lu Ban Cultural Festival" on his birthday every year to honor this ancient Chinese master carpenter. We not only have promotional sales at our shopping malls on this particular day, but also organize a series of cultural activities to call attention to traditional "wood culture" and furniture business. We believe another important element in home improvement and furnishings is the passion we have for our homes and spending time with our families. As such, we have declared December 3 our annual "Family Day" since 2010. On Family Day, we organize intra-mall promotional activities and provide a platform for customers to tell their family stories or show their love to other family members. We also produce short films and sponsor entertainment shows with a family life theme to promote our brand through planting advertisements of our brand and products offered in our shopping malls in these movies and shows. Furthermore, as we believe art plays an important role in the home improvement and furnishings industry among mid- to high-end customers, we began integrating art into business and hosted the "M Home, Living in Space — Red Star Macalline Art Exhibition" from December 2014 to January 2015 in Beijing to celebrate the fifth anniversary of our "Family Day." We invited celebrities and pop stars to join the exhibition and displayed artistic works collected from 12 world-renowned artists, inspiring our customers' enthusiasm for life with art and promoting our brand awareness. In order to strengthen the market recognition and image of our shopping malls, we also invite pop stars and celebrities to endorse our shopping malls and attend shopping mall opening ceremonies and major promotional events, as well as work with tenants to invite their designers, pop stars and celebrities who endorse their products to visit and perform at our shopping malls, in order to strengthen the market recognition and image of our shopping malls.

In addition, we participate in charity events and other public welfare activities to promote our brand and market recognition, such as fundraising for local charity organizations, charity houses, poverty relief, disaster relief, tree-planting as well as education programs, which improve the living conditions of poor children in rural China.

PRODUCTS AND BRANDS

Our Shopping Mall Platform

Our home improvement and furnishings retail platform, combining the nation's largest number of physical shopping malls and a comprehensive online platform, is the dominant retail channel in China's home improvement and furnishings value chain. Our ability to connect vendors and consumers, both of which are numerous but individually small in scale, places us at the center of the value chain. We believe there is significant scarcity value to controlling one of the only two national shopping mall retail channels in China, and we continue to seek ways to monetize this customer flow.

We are among the pioneers who have shaped China's modern home improvement and furnishings retail industry. Our shopping malls are strategically located in prime locations along or near the highways or freeways of a city, with strong visibility and easy access. Our large-scale shopping malls are visually impressive, with an average operating area of approximately 68,000 sq.m. Over the years, the design of our shopping malls has been upgraded eight times and we believe our artistic ninth generation shopping malls have become the epitome of home improvement and furnishings shopping malls in China. The facade of our ninth generation shopping mall is decorated in a honeycomb pattern from a beehive, expressing the desire for home. The inner space comprises four separate sub-sections connected by aisles, each with a romantic theme such as floral, winter and night time. We believe our prime locations, large scale, artistic appearance, strategically designed infrastructure and spacious parking lots have differentiated us from all other home improvement and furnishings malls in China.

We care about our tenants and customers. In addition to our infrastructure, we are also implementing our philosophy of tenant and customer-oriented services in our shopping mall operation. To our tenants, we are more than a venue to showcase their brands and products. Our tenants enjoy effective marketing and promotional efforts, professional operation and management services, as well as expansion and growth opportunities through our platform. We believe our nationally well-known brand endorses and enhances tenants' credibility, attracting customer traffic to our shopping malls, which boosts the sales performance of our tenants. Leveraging our leading market position and up-to-date market intelligence, we also proactively nurture promising boutique brands and help them to grow. During our operational history, some of our tenants who possessed limited resources have utilized our platform as a fast lane for achieving market expansion and penetration, transforming their small "family" businesses into nationally well-known brands. We believe our platform further enables our tenants to explore business opportunities nationwide with a higher certainty of success and lower expansion risk in new geographic areas, which greatly improves their expandability. Our organized national expansion plans and established shopping mall network effectively support the diversified expansion needs of the brands with different sizes at different development stages.

Through our one-stop home improvement and furnishings shopping malls across China, we endeavor to provide customers with comprehensive and quality products and a pleasant and unique shopping experience. Our goal is to improve quality of life and art appreciation among our customers. To meet our customers' varying home decoration and improvement needs, our shopping malls offer a complete line of home improvement and furnishings products through numerous vendors in our shopping malls. We continuously tailor and manage the brand and product offerings within our shopping malls and endeavor to provide our customers with a state-of-the-art experience. We also provide comprehensive and attractive customer services, including 30-day product return services, a 400-line call center, delivery and assembly services, shopping guides and home design advice.

Products in Our Shopping Malls

We are committed to offering a wide selection of international and national brand-name products, complemented by a mix of regional brands with diverse prices, which is designed to attract customers of all ages with varying tastes and spending habits. Products offered at our shopping malls include the following categories:

- furniture, such as beds, wardrobes, cupboards, sofas, tables, chairs, shelves, mirrors, and storage bins,
- home decorating materials, such as bedding and home fashion, and
- light building materials, such as kitchen furnishings, bathroom furnishings, sinks, tiles, flooring, and paint.

We have developed a centralized proprietary database to record most of the products offered at our shopping malls categorized by brands. This database enables us to keep track of sales within our shopping malls and also facilitates the development of our O2O platform. When a customer indicates interest in purchasing a product, the tenant will locate the product in our database and complete the delivery information, following which a standard bill is automatically generated and ready for payment at our cashier.

Brands in Our Shopping Malls

Our brand offerings provide our customers with a one-stop shop for a wide variety of reputable international and national branded home improvement and furnishings products. The following tables illustrates a few well-known international and national brands offered in our shopping malls:

Category	International	Domestic
Kitchen	Ferranini, Bauformat, MARK ASTO	Shangpin Zhaipei, Zbom
Dining	Natuzzi, BennyCasa, INADA	Cheers, Kuka Home, Zuoyou
Bedding	SleepMaker, Magniflex	Serta, Sleemon, De Rucci
Sanitary ware	INAX, TOTO	Roca, SSWW, Donpeng
Tiles	Imola, AMBIO	Nabel, Monalisa, Marchopolo
Euro-America style	Eurosa, ST VILLA, Fendi Classic	A-Zenith, Four Seas
Wooden Furnitures	Schelbach Home, Venjakob	Fairy Tale Forest, Beson, Beking

Regional brands are also an important element of our portfolio, helping us appeal to local consumers and differentiating the shopping experience that we provide from that of our competitors. We offer major brands spanning most product categories of home improvement and furnishings.

Unlike certain other retail industries where customers look for well-known product brands when purchasing, the home improvement and furnishings retail industry is highly fragmented with over 14,000 manufacturers in different segments in China and lacks market leaders with high market share in total. The endorsement by our “Red Star Macalline” brand name, which boosts confidence in our customers’ purchases, helps to promote these retail brands offered at our shopping malls.

Brands offered at our shopping malls also benefit from our marketing and promotion efforts, professional operation and management services and regular trainings of their sales staff, all of which improve their own brand awareness and quality of their products and services. Leveraging our leading market position in the home improvement and furnishings retail business, we closely monitor and predict the market trends. We share our market intelligence with our tenants to keep them apprised of the latest trends, enabling them to adjust their design and production volumes promptly in response to changing consumer taste. Furthermore, we proactively select and nurture promising boutique brands such as Serta and Roling from time to time, help them analyze the market, connect them with experienced distributors and help facilitate nationwide marketing for their brands.

Product and Brand Selection

We believe that market positioning and image is essential to the success of our shopping malls. A critical component of market positioning and image involves the selection of products and brands offered. We select product categories that follow the latest market trends with meaningful growth potential. We select approximately 300 to 700 brands for each of our shopping malls out of our brand pool of over 18,000 brands. When selecting a brand within a particular product category, we take into account its market positioning and compatibility with our brand image, financial strength, historical sales, sales channel (direct sales by manufacturers or through distributors), delivery time and customer service. We focus on mid- to high-end and stylish brands and products that are not only consistent with our brand image but also enhance it. We believe that one of our competitive advantages is our ability to refine our brand and product selection and shopping mall layout to better meet the varied needs and tastes of our customers as well as provide a more pleasant and convenient shopping experience.

In general, our headquarters sets guidelines for brand selection and product composition in our shopping malls. We maintain a central information database of potential and existing brands enabling us to make informed decisions to source tenants. We constantly identify and provide space for new brands to broaden our mix and provide our customers with a fresh shopping experience at our shopping malls. We also tailor the types and mixes of brands and products in our shopping malls according to consumer preferences and demands in different locations. Approximately 30% of our core brands are offered at all of our shopping malls because their product quality and brand image uniformly fit in our shopping malls across the country. The decision as to the remaining 70% is made at the individual shopping mall, which can choose popular regional brands to supplement its brand portfolio.

BUSINESS MODEL

We operate and manage both our Portfolio Shopping Malls and Managed Shopping Malls. For our Portfolio Shopping Malls, we provide comprehensive services to our tenants, including designated shopping space, staff training, sales and marketing, daily operation and management, and customer services, and charge our tenants a fixed amount of monthly rent and management fees. Leveraging our brand name and the successful industry experience gained through our Portfolio Shopping Malls, we enter into contract management arrangements with property owners, under which we utilize our expertise in operating home improvement and furnishings shopping malls under our brand. Our experienced shopping mall managers provide full-scale operating services to our partners, generally including site selection, construction consultation, design and decoration, tenant sourcing and daily operation and management. We charge our partners fees during different stages of the projects in accordance with our contract management agreements.

As of December 31, 2014, we operated and managed 158 shopping malls across China with a total operating area of approximately 10,752,853 sq.m., 52 of which are our Portfolio Shopping Malls with a total operating area of 4,033,458 sq.m. and 106 of which are our Managed Shopping Malls with a total operating area of 6,719,395 sq.m. During the years ended December 31, 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, revenues generated from our Owned/Leased Portfolio Shopping Malls contributed 73.4%, 66.0%, 61.5%, 69.3% and 66.2% of our total revenues, respectively, while revenues generated from our Managed Shopping Malls contributed 26.6%, 33.3%, 35.1%, 28.4% and 30.9% of our total revenues, respectively. Our business model has diversified our revenue and helps to ensure the healthy and sustainable growth of our business in the future.

During the Track Record Period, we have also generated a small portion of our revenue from sales of merchandise and related services mainly from (i) our retail sales of home improvement and furnishings products and light building materials and provision of related services within our shopping malls and (ii) B2C sales on our online home improvement and furnishings platform. For details, see "Financial Information — Description of Certain Items in the Statement of Operations — Revenue".

Our Portfolio Shopping Malls

We generate a significant portion of our revenue from our Portfolio Shopping Malls, most of which are strategically located in Tier I and Tier II Cities. We provide comprehensive and continuous operation and management support to our tenants, covering designated exhibition space, staff training, sales and marketing, daily operation and management, and customer service. Our tenants enter into standard annual exhibition space agreements with us, the terms of which include location and operating area of the exhibition space, term, rent and management fee, payment method and quality assurance deposits. Our exhibition space agreements typically have a term of one year, subject to renewal, which allows us to review the amount of rent and management fee annually, adjusting as necessary to better reflect current market conditions. The annual renewal of exhibition space agreements also allows us to proactively manage our brand and product mix to better appeal to constantly changing customer tastes.

We customize our owned properties from the very beginning of design and construction to appeal to the commercial and cultural need of our potential tenants, as compared to reconstruction and redecoration sometimes required for leased properties. Our owned properties enable us to anchor our brand in strategic or high-visibility sites in prime locations that would otherwise not be available if we did not own them, and allow us to avoid the operational risks of relocation or increase in rent, which in turn ensures stable cash flow and predictable operating costs. We are also able to enjoy the long-term land and property appreciation and obtain favorable financings with our owned properties pledged to provide security. To supplement our property portfolio with minimal capital expenditure, we also selectively lease properties or enter into fixed-fee arrangements with property owners in strategically attractive locations.

We opened our first Portfolio Shopping Mall in 1994 and our Portfolio Shopping Mall business has grown steadily ever since. The number of our Portfolio Shopping Malls increased from 38 as of January 1, 2012 to 52 as of December 31, 2014, and the shopping mall operating area increased from approximately 2,712,502 sq.m. to approximately 4,033,458 sq.m. during the same period. As of December 31, 2014, 31 of our Portfolio Shopping Malls were Self-owned and 21 were Non-self-owned. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, the revenue generated from our Owned/Leased Portfolio Shopping Malls was RMB3,851.6 million, RMB4,119.0 million, RMB4,883.8 million, RMB1,180.7 million and RMB1,287.2 million, respectively, accounting for approximately 73.4%, 66.0%, 61.5%, 69.3% and 66.2% of our total revenue, respectively. We plan to continue expanding the network of our Portfolio Shopping Malls in Tier I and Tier II Cities as suitable opportunities arise.

Tenant Services and Management

We maintain a good long-term relationship with our tenants. We had over 18,000 exhibition space arrangements in place as of December 31, 2014. As of December 31, 2014, all of our top five tenants in terms of rent and management fees had maintained business relationships with us for over five years on average. During the Track Record Period, we did not experience any material dispute with any of our tenants.

We provide comprehensive services to our tenants, such as training, personnel management, procurement management, cashier service, security, maintenance, custodial service, customer service, promotional activity organization, product inspection, marketing and promotion and other value-added services.

- ***Customer service***: We maintain a centralized customer service policy and are responsible for customer service across our shopping malls. Each of our shopping malls has a customer service center, providing centralized customer services including:

  - Return service: our return policy allows customers to return products without cause within 30 days of purchase;

  - Rebate: rebate of three times the price difference if a customer who has purchased a product at our shopping mall found that the price paid is higher than that of the same product in other shopping malls of the same type in the same city within seven days of purchase; and

  - free and punctual delivery and assembly services.

- ***Quality control***: We have adopted a series of control and management policies, procedures and plans that are designed to ensure our shopping malls provide quality products and services to the satisfaction of the retail customers. We routinely check quality and genuineness of the products sold in our shopping malls and whether the products are environmentally friendly.

- ***Marketing and sales***: We frequently organize promotional activities to stimulate consumption in our shopping malls. Typically, our headquarters decides on the themes of promotions and categories of products to be covered, while the individual shopping malls and their tenants implement the promotional activities and decide on the details such as discount rates.

- ***Membership program***: We have launched our own M Style membership program as a more regular sales and marketing effort.

- ***Staff training***: Our tenants employ their own employees to serve at their sales counters located in the shopping malls. These personnel must comply with the guidelines set out by us. We supervise the performance of these personnel and provide comprehensive training and have the right to demand their replacement if they violate our guidelines.

- ***Pre-paid cards***: We issue pre-paid cards which are available at the services counters at our shopping malls. Retail customers enjoy a certain percentage of discounts when purchasing the pre-paid cards. The pre-paid cards can be used in all of our shopping malls nationwide.

- ***Centralized database and cashier services***: We have developed a centralized proprietary database to record most of the products offered at our shopping malls categorized by brands and to keep track of sales within our shopping malls. When a customer indicates interest in purchasing a product, the tenant will locate the product in the database and complete the delivery information, following which a standard bill is automatically generated and ready for payment at our cashier. We offer the services of collecting the proceeds from the sale of our tenants' products at our central cashier located on each floor. After reconciling the sales proceeds with our tenants, we deduct relevant expenses and fees payable by them, offset any due and unpaid rent and management fees, and remit the remaining sales proceeds to our tenants within a certain period of time.

- ***Logistics services***: We engage a large and reputable logistics company to provide delivery and assembly services to our tenants with warehouses near our shopping malls where our tenants can store all their inventories at one place in the same city. In return, we charges our tenants a storage and delivery fee.

Major Contractual Terms

The two types of contracts primarily entered into in our Portfolio Shopping Mall business consist of exhibition space agreements entered into with our tenants and lease agreements entered with our landlords for our leased shopping malls.

Exhibition Space Agreements

We enter into standard exhibition space agreements with all of our tenants. Any deviation from our standard form or agreeing to use a form provided by a tenant requires joint approval by our relevant development center, tenant sourcing department, construction consultation department, operation and management department and legal department, as applicable.

The exhibition space agreements for our Portfolio Shopping Malls usually set forth:

- term of the agreement, typically twelve months;

- brand and type of product offered, and exhibition space, floor position and floor area to be occupied by the tenant;

- amount of rent and management fee and payment schedule;

- provisions relating to operations, such as decoration arrangements, opening hours, our right of inspection, pricing, promotional activities, after-sale services, security and insurance;

- representations by tenants that their products comply with applicable laws and regulations including intellectual property laws and meet applicable industry quality standards;

- tenants are required to indemnify us for all the expenses and losses incurred by us resulting from any failure of their products;

- tenants are required to deposit with us a quality assurance deposit, a performance assurance deposit and a rent deposit, which we are entitled to deduct under certain circumstances. We may handle a customer complaint at our discretion if the relevant tenant fails to resolve such complaint within 72 hours, and deduct the amount of compensation paid by us from such tenant's quality assurance deposit; and

- arrangements upon termination, such as removal of furnishings and fittings, and our right to impose a penalty on the tenants or terminate the agreements should the tenants fail to follow the standards we set forth.

Leases

For our leased shopping malls, we enter into leases with the property owners. As of the Latest Practicable Date, we had 13 leased Portfolio Shopping Malls, one of which was leased from Changzhou RSHF which is wholly owned by Mr. CHE Jianxing, one of our Controlling Shareholders and 13 of which were leased from the Independent Third Parties. For details, see "— Our Shopping Malls — Project Portfolio — Our Portfolio Shopping Malls." In 2012, 2013 and 2014, we incurred lease payments in the amount of RMB483.8 million, RMB548.9 million and RMB541.2 million, respectively.

Our lease arrangements vary from case to case, which generally include the following terms:

- an average term of over ten years;

- a vast majority of our leases have fixed rent and the rent under some of the leases increases at a fixed percentage every few years;

- we are also required to pay rent deposits to our landlords;

- the termination clause typically entitles either party to terminate the lease upon the other party's material breach of the lease, including the failure of the landlord to maintain the habitability of the premises, our failure to pay a significant amount of rent on time, our change of use of the premises without the landlord's prior consent, our sublease of a material portion of the premises without the landlord's prior consent, the landlord's change of structure of the premises without our prior consent, among other things;

- we are required to provide a written notice of renewal to our landlord, generally not less than six months prior to the expiry of the lease, and the lease may be renewed upon mutual agreement.

Mall Development

We have strong in-house shopping mall development capabilities, including land acquisition and shopping mall planning, design and construction. Thanks to our extensive experience in building home improvement and furnishings shopping malls, we have established a systematic procedure not only in developing our Portfolio Shopping Malls but also in advising on the construction of our Managed Shopping Malls, which enables us to implement our standard criteria in shopping malls across the country.

Outlined below are the key steps in developing our Portfolio Shopping Malls. For our Managed Shopping Malls, we participate either in the entire development process or at certain stages designated by our partners and provide consulting services to our partners or the construction contractors engaged by our partners, as the case may be.

Site Selection

We believe site selection is fundamental to retail business, including home improvement and furnishings shopping malls. We take into account the following key factors during site selection:

- the general economic development of the local area;
- the income level, spending power and consumer habit of the local residents;
- the population density;
- the location of a shopping mall within the city; and
- the infrastructure, urban planning and development plan of the local government.

Our development centers at our headquarters initiate the site selection process when they identify a potentially suitable site for development through local government notices, bidding invitations and other public channels. The development centers are responsible for the initial investment plan and the overall preparatory work and coordination during the site selection process.

Land Acquisition

Once a site is selected, our development centers commence the land acquisition process. We sometimes acquire land for our projects through the listing-for-sale process organized by local government authorities, auctions and public tenders. Under other circumstances, we cooperate with various local business partners in joint construction and development of home improvement and furnishings shopping malls in different regional markets. The cooperation between us and a local business partner typically goes through the following stages: (i) obtaining land use rights: the local business partner already possesses or will obtain the land use rights for the land parcels on which the proposed home improvement and furnishings shopping malls will be constructed (the "project land"); (ii) establishment of a project company: after obtaining the land use rights for the project land, the local business partner establishes a project company, which is typically an investment holding company wholly owned or controlled by the local business partner, to enter into the land use rights grant contract with the local government and hold the land use rights certificate for the project land; (iii) initial construction and development: subject to the relevant regulatory approvals being obtained, initial construction and development activities will commence. We will assist the project company in seeking external financings to fund the construction costs, with the financing costs to be borne by us and the local business partner pro rata to the shareholding percentage in the project company. To the extent that any such construction cost is not covered by external financing, we will use our internal funds to cover the shortfall; (iv) our acquisition of the project company: we will acquire the entire or controlling equity interests in the project company subject to certain conditions being satisfied, for example, when 25% of the total investment has been invested in the construction and development of the project land ("25% Invested"), as determined by the relevant government authorities in accordance with applicable PRC land laws and regulations; (v) remaining construction and development: the project company will continue with the remaining construction and development work until completion of the project.

The "25% Invested" project milestone, as described above, has been set up by the parties for compliance purpose. According to applicable PRC land laws and regulations, vacant land obtained by means of grant must meet the "25% Invested" criteria before the underlying land use rights can be transferred from the original land use right grantee to any third party. Our Directors have confirmed that the sole purpose of the commercial arrangements described above is to acquire the relevant project land from the local business partner. As compared to land acquisition from the "primary market," i.e., by participating in the listing-for-sale process organized by the local government authorities, auctions and public tenders, such cooperation enables us to leverage the local business partner's expertise and experience in site selection and land acquisition, particularly in the new markets which we are less familiar with. Based on our industry knowledge, this type of land acquisition arrangement is a common practice in infrastructure construction and commercial property development in China.

Planning and Design

Our development centers formulate the master design concept and plan based on local aesthetic preferences, government policies and market conditions, which also meets our internal design philosophy and standards and complies with our cost control and operational requirements. To facilitate the future tenant sourcing process, we also endeavor to reflect the demands and preferences of our target tenants as early as in the planning and design stage.

Once we finalize the master design concept and plan, we work closely with third-party design firms to prepare a more detailed architectural planning and design drawing, a detailed layout of the floor plans, and settle on decorative styles, appearance, landscaping and interior design. We select design firms through a tender process based on their proposed designs, professional qualifications, reputation in the industry and bidding price.

Construction

We outsource construction of all our Portfolio Shopping Malls to independent construction contractors selected by us through a tender process based on a set of strict criteria, such as professional qualifications, reputation in the industry, track record, technical and construction capability, proposed construction schedule and bidding price. We maintain long-term relationships with reputable construction contractors that meet our criteria and we constantly invite them to tender for new projects.

Construction contractors provide certain quality and safety warranties to us set forth in the construction contracts as mandated by the relevant PRC laws and regulations and per our requirements. The construction contracts also set out payment arrangements, typically in installments. We typically pay the construction contractors 70% to 80% of the full contract price during the construction stage. When the construction work is complete, and the relevant certificates for the official acceptance of the project are received, we pay another 15% to 25% of the contract price. The remaining 5% of the contract price will be withheld by us as a quality assurance deposit and paid to the construction contractors one or two years after the completion of the project.

Our Managed Shopping Malls

In addition to operating our Portfolio Shopping Malls, we also enter into contract management arrangements with our partners to provide full scale consultation and management services and manage their shopping malls under our brand name "Red Star Macalline." Our contract management business model is a win-win situation between us and our Managed Shopping Mall partners. Such business model provides us with a strong and visible operating cash inflow and favorable return with relatively low capital expenditure. Our Managed Shopping Mall partners also benefit from cooperation with us which brings them steady and predictable rental income. Most of our Managed Shopping Malls are located in Tier III and Other Cities, which enables us to effectively expand our geographic coverage and further improve our market share and brand awareness across China.

Contract Management Arrangement

We choose reputable real estate developers and property owners who are financially sound as our partners under contract management arrangements. Leveraging our abundant industry experience and well regarded reputation in the market, we assist our partners with on-site due diligence and preliminary market research during the early stages. Next we advise our partners on the land bidding process. As a reputable national brand with local presence all over the country, we are experienced in land bidding procedures and are also welcomed by local governments to spur local economic growth. As a result, we believe our participation in our partners' communications with local governments helps smooth the process and facilitate the land acquisition by our partners. We usually charge our partners a fixed amount of initiation and entrance fee, typically payable in installments within several days of signing the contract management agreements, of tenant sourcing conferences and of the opening of shopping malls, ranging from RMB18 million to RMB30 million depending on a variety of factors which might include city tier, mall size and mall location. We typically do not extend credit and only extend a limited term of credit of around 30 days to our Managed Shopping Mall partners for their payment of initiation and entrance fees under the relevant contract management agreements. We constantly communicate with our Managed Shopping Mall partners to settle any outstanding balance, and provide them with additional credit terms if needed based on our review of their credit track record and our ongoing business relationship.

Once the land is obtained and ready to commence construction, most of our partners outsource all or part of the construction process to construction contractors recommended by us. We are closely involved in the planning, design and construction of the Managed Shopping Malls, providing our valuable advice to the construction contractors and in certain cases even preparing the construction blueprint for the construction contractors. We also actively supervise the construction process and work to optimize the construction plan, which helps the construction contractors to optimize the construction plan and increase the operating area of the shopping malls. Benefiting from our leverage over construction contractors as a result of our long-term relationships, we are able to negotiate for more favorable construction arrangements and enforce consistent high quality construction across our shopping malls. The seamless collaboration between us and the construction contractors helps to ensure our goal of a unified brand image, layout and style across all the shopping malls we operate, including both our Portfolio Shopping Malls and Managed Shopping Malls. Our participation in arranging for tenants to move in and scheduling the decoration also ensures an efficient and smooth pre-opening execution. We charge the construction contractors a fixed amount of construction consultation and management fees for such services, payable in installments upon commencement of construction, completion of construction and approval of completion, ranging from RMB12 million to RMB30 million depending on a variety of factors which might include city tier, mall size, mall location and scope of work. For details, see "— Business Model — Our Portfolio Shopping Malls — Mall Development."

Our leading market position, reputation and good relationships with brands also facilitate the process of sourcing suitable and quality tenants to guarantee a successful opening. In exchange we charge our partners a fixed amount of tenant sourcing fee, payable in installments within several days prior to tenant sourcing conferences, or prior to the opening of the shopping malls ranging from RMB2 million to RMB3 million depending on a variety of factors which might include city tier, mall size and mall location.

Once a shopping mall opens, our professional management team takes charge of the management of the shopping mall by providing services including daily operation and management, sales, promotion, advertising and customer service. Importantly, we recruit and manage all the staff in our shopping malls to ensure the same level of quality across our nationwide network. Our partners (i) bear the capital expenditure of shopping mall renovation, if any, and (ii) bear the daily operational costs, including reimbursement of the operational costs incurred by our management team, and (iii) pay us an annual management fee. We generally charge our partners a fixed amount of annual management fee, typically payable at the end of the prior twelve months, ranging from RMB1.5 million to RMB6.0 million depending on a variety of factors which might include city tier, mall size and mall location. To better capitalize our added value in running the Managed Shopping Malls and share the upside in annual rental payments received by our partners, we currently charge a progressive commission of approximately 6% to 10% of rental increase in addition to the fixed amount of management fee if the total rent exceeds specified thresholds provided in the contract management agreements. Our development centers and operation teams evaluate local market conditions and provide an estimation of future rental income level. We also take into account our partners' expectation of future rental income in reaching agreements with our partners on the amount of management fee and the thresholds for paying the progressive commission.

We opened our first managed shopping mall with our partners in 2007 and our contract management business has grown rapidly ever since. The number of our Managed Shopping Malls increased from 71 as of January 1, 2012 to 106 as of December 31, 2014, and the operating area of our Managed Shopping Malls increased from approximately 5,029,329 sq.m. to approximately 6,719,395 sq.m. during the same period. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, we generated revenue from our Managed Shopping Malls of RMB1,399.9 million, RMB2,114.9 million, RMB2,786.4 million, RMB484.4 million and RMB601.3 million, respectively, accounting for approximately 26.6%, 33.2%, 35.1%, 28.4% and 30.9% of our total revenue, respectively.

Major Contractual Terms

Contract Management Agreements

We generally enter into standard contract management agreements with our partners. The standard contract management agreement sets forth:

- term of the agreement, typically ten to twenty years from the opening of the mall and renewable upon mutual agreement, subject to early termination rights including either party's material breach, change of control and our partners' failure to obtain land use rights before a pre-agreed deadline, among others;

- the location and operating area of the Managed Shopping Mall;
- our construction consulting services relating to design, construction specifications and decoration to be provided to the construction contractor, who is subject to an agreement with our partners and also a separate agreement with us;
- the amount of consultation and management fees during various stages of our cooperation;
- the scope of our consulting and management services to be provided to our partner;
- our partners' obligations to protect our intellectual property, in particular our brand name;
- our partners' non-competition obligations, including covenants not to enter into similar arrangements with our competitors;
- our right of first refusal upon sale of the mall; and
- arrangements upon termination.

Under our contract management arrangement, a project company controlled by our partner is set up and acts as the owner and development entity for the Managed Shopping Mall. We typically set up a branch company in the jurisdiction where the Managed Shopping Mall is located as the daily operating and managing entity. We do not license our brand name to our partners. Instead, our branch company is licensed to use our brand name. We collect the rent and marketing fees payable by tenants in the Managed Shopping Malls on behalf of our partners and generally deduct our consultation and management fees directly from such rent and marketing fees before remitting the proceeds to our partners. Our partners bear the losses arising from defaults in rental payments which are not covered by the rental deposits from the tenants.

A small portion of the contract management agreements entered into in the early stage of our Managed Shopping Mall business prior to 2013 also include a non-competition provision, under which we shall either give the Managed Shopping Mall partners the right of first refusal if we would like to open another Managed Shopping Mall in the same city, or abstain from opening another home improvement and furnishings shopping mall in the same area with the same brand name or at all. In order to maximize our flexibility in operating and expanding our business and also as we have gained stronger bargaining power through the rapid expansion of our Managed Shopping Mall business, we have generally ceased including such provision in contract management agreements entered into since 2013. As part of our mall development procedure, our development centers determine whether a potential new project may run afoul of any non-competition provisions in the existing contract management agreements, and actively negotiate with the existing business partners for a mutually beneficial solution if needed. See also "Risk Factors — Risk Relating to Our Business and Industry — Disputes with our Managed Shopping Mall partners may adversely affect our business."

Service Agreements

Tenants of our Managed Shopping Malls generally enter into standard three-party service agreements with us and our partners in substantially the same form as the exhibition space agreements used for our Portfolio Shopping Malls. Under the three-party service agreement, the tenant is responsible to pay a fixed amount of rent and marketing fees and a fixed amount of management fees. We have the sole and absolute discretion over the daily operation of the Managed Shopping Malls without interference from our partners. We collect rent and marketing fees from tenants and deduct our consultation and management fees payable under contract management agreements directly from such rent and marketing fees before remitting the proceeds to our partners, thereby removing most delinquency risk.

Construction Consultation Agreements

We enter into standard construction consultation agreements with construction contractors for our Managed Shopping Malls and charge the construction contractors a fixed construction consultation and management fee for providing consultation services throughout the construction process. The agreements set forth specific services we agree to provide, including consultation on planning, design, construction and decoration, payment and criteria with respect to the acceptance of construction at various stages. The total construction consultation and management fee amount is calculated based on the total operating area and rates for different services and is paid in installments.

OPERATING PROCESS

We operate our shopping malls in an efficient and cost effective manner. We apply our operational expertise to ensure our retail customers obtain a premium shopping experience, and also to ensure our Managed Shopping Mall partners benefit from our operational intelligence. Unlike our competitors, we operate an integrated platform with excellent execution capabilities across the entire process of developing and managing shopping malls. We appoint a dedicated and skilled team to coordinate and guide each stage of our business operations, from land acquisition to planning and design, construction to tenant sourcing, and operation to management. Our large-scale operation and rapid expansion depend on our stable and multifaceted operational team consisting of over 15,000 highly skilled individuals, who are responsible for ensuring efficiency, reliability and quality during each stage of our operating process. It usually takes us approximately two to three years for us to complete the process from commencement of construction or leasing to shopping mall opening, which has directly contributed our fast growth in the past few years.

Business Development

We have a number of development centers, each with a different geographic focus to support our nationwide coverage. We take into account various factors in determining whether to pursue a project opportunity, primarily including visibility, accessibility, potential and economic return.

We believe a project is “visible” if it is close to main streets or downtown areas, and the outer design is eye-catching. A project is considered “accessible” if it is located in a place where it is easy for consumers to travel to and park cars. We also take into account whether the location is or will become a development focus of the local government, which improves a project’s potential. Lastly, we need to be satisfied with the anticipated investment return of a project before taking any further action. We take into consideration various factors such as land acquisition costs, financing costs, prevailing rental level in local markets and management expenses to determine the anticipated investment return and review a shopping mall’s financial and operating performance against the relevant anticipated investment return on a continuous basis. It usually takes a new shopping mall two to five years to build up market recognition and attract sufficient customer flow in order to charge a sufficient level of rent and management fees, while the operating costs of a new shopping mall remain relatively stable as it matures. After that, it may take up to another five to 14 years to generate sufficient returns to cover our initial investments in a Self-owned Portfolio Shopping Mall.

Once our business development departments identify a potential investment opportunity, including both Portfolio Shopping Malls and Managed Shopping Malls, we will also commence the business and legal due diligence on the potential partner and the underlining land parcel. Pursuant to our project evaluation process requirements, a project proposal shall only be taken to our project evaluation committee and all relevant departments within the Company for joint review and approval after the business and legal due diligence is completed. For the shopping malls where we are in charge of land acquisition or where we obtain the land together with a local partner, our business development departments, internal control and compliance department and legal department work together to make sure the proper land use right is obtained. For the shopping malls where the land use right has been obtained before we participate in the project, including certain Non-self-owned Portfolio Shopping Malls and Managed Shopping Malls, we generally (i) request the partners to provide legal documents relating to the land title, including land use right certificates, public bidding result announcements, land transfer confirmation and/or land acquisition agreements, for our inspection, (ii) specify the land title in the lease agreements, cooperation agreements or contract management agreements, (iii) send our teams to perform on-site due diligence on the land parcel, and (iv) engage outside counsel to assist in legal due diligence and transaction documents negotiation for complex deals or where we suspect the land title might be defective after we perform our own preliminary due diligence.

Construction and Decoration

We have been implementing stringent and established construction and decoration standards for our shopping mall layouts and facilities to ensure consistent high quality and brand image. Furthermore, our strong in-house mall development capacity also enables our malls to stay ahead of the latest market trends and comply with applicable laws and regulations such as construction and fire safety, without the need of frequent refurbishment. During the Track Record Period, we have only performed refurbishment work on two out of our 52 Portfolio Shopping Malls.

Our construction consultation department is responsible for liaising with construction contractors and advising them in determining the most reasonable and efficient timetable for construction. To ensure that construction quality meets our expectations and requirements and that shopping malls open on time, we have teams on site to supervise the construction progress and correct deviation from our standards along the way. Our standardized and efficient construction process not only shortens the construction cycle but also reduces the construction cost. Leveraging our economy of scale and long-term relationships with construction contractors, we possess bargaining power over construction contractors and we are able to negotiate more favorable construction arrangements in equipment bulk procurement. Our average construction cost has been effectively controlled to approximately RMB3,500 per sq.m. during the Track Record Period, which we believe is substantially below industry average.

After basic construction work is completed, we help the construction contractors with the overall layout and decoration plan, we help select the type, color and palette of decoration materials and we provide guidance on maintaining safety facilities such as fire-proof facilities. We also help the construction contractors develop the electronic access and security system, video system and network to further improve the software of our shopping malls.

As soon as our tenants are ready to move in, we work with the tenants and construction contractors to finalize the interior decoration for each individual tenant at its sales counter. When we review the decoration plans, we take the opportunity to coordinate the interior decoration of different tenants and make sure the decoration style is cohesive with each individual tenant and fits that of the public areas at the shopping malls perfectly. We also advise our tenants in selecting decoration materials so that their decoration also meets our safety, quality and environmental protection standards across our shopping mall network.

Tenant Sourcing

We believe our unique tenant sourcing and management system is the essence of our core competitiveness and forms a key foundation for our rapid expansion. Our brand classification chart and individual brand files enable us to promptly respond to changing market conditions, effectively adjust our market positioning and provide a constantly appealing brand and product portfolio to our customers. Thanks to our established tenant sourcing efforts, we are usually able to complete the tenant sourcing process for new malls in six months and achieve an occupancy rate of approximately 90% upon opening and maintain a similar high occupancy rate during the life cycle of most of our shopping malls.

We attract quality tenants into our shopping malls as we believe tenants satisfactory to customers are key to the success of a shopping mall. We proactively select approximately 300 to 700 brands for each of our shopping malls out of our brand pool of over 18,000 brands. Our tenant sourcing department, with 431 staff, specializes in selecting and evaluating tenants and we have adopted a manual outlining the methods and process we use to source our tenants. We review our tenant portfolio on an annual basis.

For our new shopping malls, our tenant sourcing process generally starts when the construction phase is substantially completed. Our tenant sourcing department as well as our operation teams proactively reach out to brands with whom we have long-term relationships and keep them apprised of our new shopping mall opening schedule, allowing the brands to prepare internally and coordinate with their distributors in the relevant locations. We procure tenant sourcing staff on-site to prepare for the shopping mall opening once construction is substantially completed. Once a tenant sourcing proposal is prepared after detailed analysis and research of the local market, our on-site tenant sourcing staff will host tenant sourcing conferences to officially kick start the tenant sourcing process, followed by negotiation of exhibition space agreements and signing of preliminary agreements.

We adjust our brand and product mix in our existing shopping malls from time to time in response to changing market conditions and trends, and conduct an overall review of our brand portfolio every year. We maintain an individual file for every brand offered at our shopping malls, which tracks its first entry into our shopping malls, the opening of new stores, closure of existing stores and sales performance. When evaluating the performance of our tenants and determining their respective rankings on the brand classification chart, we primarily evaluate their product quality and whether their products are environmentally friendly as we believe those factors are fundamentally important to customers of the home improvement and furnishings industry. We also take into account feedback from local customers and the brand awareness and sales performance in local markets, including whether the sales price is competitive and attractive in local markets. Our exhibition space arrangements with each tenant are reviewed on an annual basis, which provides us with the flexibility to adjust our brand and product mix from time to time to cater to changing consumer preferences, market conditions, as well as competition.

We also use an advanced information system to classify and rate each tenant, covering a wide range of information collected from the commencement of the exhibition space agreement and records from our daily interaction with them. Our brand classification chart categorizes all tenants into various categories based on brand management ability, sales performance, product quality, R&D capability and other criteria, which enables us to limit our tenant sourcing process to the class and category of tenants we desire.

Daily Operation and Management

Our three-level management system strengthens our internal control regime and also enables us to effectively operate our business and maintain relationships with various business partners. The management system consists of our headquarters, 31 district offices and various shopping mall management teams. Our shopping mall managers are in charge of daily mall operations and customer service, and report directly to our district offices. Our headquarters are in charge of our business strategies and cooperation across our shopping malls nationwide. Each level regularly meets with and reports to its respective superior and communicates frequently to ensure a quick response time. We believe our highly trained staff and effective systems have enabled us to operate our shopping malls more efficiently than our competitors. For instance, we deploy on average nine to ten staff members per 10,000 sq.m. at our shopping malls, compared to the industry average of 12 to 13 staff members per 10,000 sq.m., according to Frost & Sullivan.

Our shopping mall management teams are in charge of daily operation and management of respective shopping malls, including collection of sales proceeds and rent, execution of promotional sales, daily maintenance, customer service and interaction with local business partners. Our district offices, which cover one province or several adjacent large cities, are in charge of the implementation of specific operation and management plans and strategies. These district offices coordinate the activities of our shopping malls within the region for better cooperation, such as staffing and unified promotion activities, and supervise the daily operations of shopping malls within the region. Our headquarters, our tenant sourcing center, marketing and branding department, and operation and management center collectively manage our nationwide business on a centralized basis. The four regional branches of our headquarters focus on business development to expand our nationwide footprint, allocate resources and ensure cooperation across district offices and shopping malls within their respective regions.

OUR SHOPPING MALLS

Project Portfolio

Our Portfolio Shopping Malls

Our Portfolio Shopping Malls include (i) shopping malls in which all or a majority of the operating areas are owned by us; (ii) the Transferred Shopping Malls; (iii) shopping malls leased by us; (iv) shopping malls for which we operate and consolidate their results of operation and pay the relevant property owners a fixed amount of annual fees ("**fixed-fee Portfolio Shopping Malls**"); and (v) shopping malls held together with our associates or joint venture partners and operated by us ("**JV/associate Portfolio Shopping Malls**").

For the year ended December 31, 2014 and the three months ended March 31, 2014 and 2015, our fixed-fee Portfolio Shopping Malls included (a) Erdos Dongsheng Mall, (b) Yichang

Xiling Mall and (c) Quzhou Sanqu Mall. Such fixed-fee Portfolio Shopping Malls were operated by us under contract management agreements in the years ended December 31, 2012 and 2013. We entered into the abovementioned fixed-fee arrangements with respect to such fixed-fee Portfolio Shopping Malls since 2014. Accordingly, such fixed-fee Portfolio Shopping Malls were categorized as our Managed Shopping Malls for the years ended December 31, 2012 and 2013, and were categorized as our Portfolio Shopping Malls for the year ended December 31, 2014 and the three months ended March 31, 2014 and 2015.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our JV/associate Shopping Malls included (a) Suzhou Park Mall and Shenzhen Xiangmi Lake Mall, which are held together with our associates and operated by us, and (b) Wuhu Minghui Mall and Chengdu Shuangnan Mall, which are held together with our joint venture partners and operated by us. We do not consolidate the results of operation of the relevant companies holding the JV/associate Portfolio Shopping Malls into our consolidated financial information for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015. The results of operation of and our interests in the relevant companies were reflected in share of profit of associates, share of results of joint ventures, interests in associates, and interests in joint ventures in our consolidated financial information.

Accordingly, with respect to the operating information in this prospectus, we categorize the abovementioned (i) and (ii) as “**Self-owned Portfolio Shopping Malls**” and the abovementioned (iii), (iv) and (v) as “**Non-self-owned Portfolio Shopping Malls**”. With respect to the financial information in this prospectus, we categorize the abovementioned (i), (ii), (iii) and (iv) as our “**Owned/Leased Portfolio Shopping Malls**”, among which (i) and (ii) are categorized as “**Owned Portfolio Shopping Malls**”, and (iii) and (iv) are categorized as “**Leased Portfolio Shopping Malls**.”

The table below sets forth, project-by-project and in order of the opening dates, certain basic information for our Portfolio Shopping Malls in operation as of December 31, 2014.

No.	Name	Opening Date	Location	City Tier	Category	Operating Area[1]	Occupancy Rate[2] as of December 31,			Total Revenue for the year ended December 31,		
						2014	2012	2013	2014	2012	2013	2014
		(Month-Year)				(sq.m.)	(%)			(in millions of RMB)		
Self-owned Portfolio Shopping Malls												
1.	Shanghai Zhenbei Mall	Oct-2000	Shanghai	Tier I	Self-owned	182,659	99	98	99	385.9	391.9	410.7
2.	Changzhou Feilong Mall	Jan-2001	Changzhou, Jiangsu	Tier III	Self-owned	85,789	90	>99	>99	74.1	77.3	79.3
3.	Wuxi Xishan Mall	Mar-2001	Wuxi, Jiangsu	Tier II	Self-owned	122,942	95	99	99	132.3	135.4	136.3
4.	Beijing West Fourth-ring Mall	Nov-2002	Beijing	Tier I	Self-owned	57,334	99	99	99	137.6	143.0	155.5
5.	Tianjin Hexi Mall	Oct-2003	Tianjin	Tier II	Self-owned	51,640	97	99	98	108.8	111.7	111.6
6.	Tianjin Hongqiao Mall	May-2004	Tianjin	Tier II	Self-owned	46,296	97	99	98	66.3	74.1	74.7
7.	Beijing East Fourth-ring Mall	Oct-2006	Beijing	Tier I	Self-owned[3]	80,322	99	99	95	276.4	281.5	291.7
8.	Shanghai Wenshui Mall	Apr-2007	Shanghai	Tier I	Self-owned	125,975	99	99	>99	248.8	254.5	260.8
9.	Chengdu Wuhou Mall	Jun-2007	Chengdu, Sichuan	Tier II	Self-owned	57,900	>99	>99	>99	94.5	99.1	104.3
10.	Zhengzhou Shangdu Mall	Oct-2007	Zhengzhou, Henan	Tier II	Self-owned	132,672	>99	>99	>99	222.6	239.2	256.5
11.	Shenyang Tiexi Mall	Jun-2008	Shenyang, Liaoning	Tier II	Self-owned	120,287	>99	>99	>99	242.3	249.2	251.9
12.	Beijing North Fourth-ring Mall	Sep-2008	Beijing	Tier I	Self-owned[4]	56,264	97	98	>99	167.1	157.3	176.3
13.	Nanjing Kazimen Mall	Dec-2008	Nanjing, Jiangsu	Tier II	Self-owned	106,554	99	>99	>99	208.7	217.3	232.5
14.	Shanghai Pudong Hu'nan Mall	May-2010	Shanghai	Tier I	Self-owned	143,880	93	98	>99	245.0	261.6	271.2
15.	Changzhou Wujin Mall	Sep-2010	Changzhou, Jiangsu	Tier III	Self-owned	117,766	57	93	87	10.6	23.6	29.8
16.	Jinan Tianqiao Mall	Oct-2010	Jinan, Shandong	Tier II	Self-owned	97,758	97	>99	>99	113.9	124.0	146.5
17.	Yunnan Shopping Mall	Sep-2011	Kunming, Yunnan	Tier II	Self-owned[5]	81,376	>99	>99	99	95.8	93.7	97.3
18.	Huayun Shopping Mall	Feb-2012	Tianjin	Tier II	Self-owned	107,314	79	95	97	93.9	105.7	141.2
19.	Shenyang Shopping Mall	May-2012	Shenyang, Liaoning	Tier II	Self-owned	99,393	75	97	>99	40.5	75.8	93.9
20.	Changchun Shopping Mall	May-2012	Changchun, Jilin	Tier II	Self-owned	98,760	93	82	90	41.4	72.6	78.9
21.	Tianjin Dongli Mall	Sep-2012	Tianjin	Tier II	Self-owned	79,400	50	88	82	—	22.7	30.9
22.	Shanghai Wuzhong Road Mall	Apr-2013	Shanghai	Tier I	Self-owned	45,783	—	>99	99	—	54.4	80.7
23.	Dalian Shopping Mall	Aug-2013	Dalian, Liaoning	Tier II	Self-owned	74,160	—	>99	99	—	30.6	82.4

No.	Name	Opening Date	Location	City Tier	Category	Expiry dates of leases	Operating Area[(1)] 2014	Occupancy Rate[(2)] as of December 31, 2012	2013	2014	Total Revenue for the year ended December 31, 2012	2013	2014
		(Month-Year)					(sq.m.)	(%)			(in millions of RMB)		
24.	Langfang Kaihong Mall	Aug-2013	Langfang, Hebei	Tier III	Self-owned		65,060	—	>99	>99	—	14.8	44.3
25.	Panjin Xinglong Mall	Oct-2013	Panjin, Liaoning	Other	Self-owned		49,774	—	95	98	—	5.5	22.5
26.	Shanghai Pudong Jinqiao Mall	Dec-2013	Shanghai	Tier I	Self-owned		77,724	—	95	98	—	2.8	99.8
27.	Chongqing Erlang Mall	Mar-2014	Chongqing	Tier II	Self-owned		69,762	—	—	>99	—	—	51.6
28.	Yantai Phase II Mall	Apr-2014	Yantai, Shandong	Tier III	Self-owned		72,922	—	—	90	—	—	19.4
29.	Xinglong Shopping Mall	Sep-2014	Shanghai	Tier I	Self-owned		48,319	—	—	>99	—	—	13.4
30.	Shenyang Tiexi Phase II Mall	Nov-2014	Shenyang, Liaoning	Tier II	Self-owned		27,700	—	—	>99	—	—	5.8
31.	Daqing Expo Mall	Dec-2014	Daqing, Heilongjiang	Tier III	Self-owned		65,056	—	—	90	—	—	1.0
Non-self-owned Portfolio Shopping Malls						**Expiry dates of leases**							
32.	Nanjing Central Road Mall	Jul-1997	Nanjing, Jiangsu	Tier II	Leased	2021	57,876	90	>99	>99	55.7	67.2	74.4
33.	Changzhou Decoration Mall	Oct-1998	Changzhou, Jiangsu	Tier III	Leased	2021	37,344	80	>99	>99	62.9	64.9	65.8
34.	Changsha Helong Mall	Oct-2004	Changsha, Hunan	Tier II	Leased	2016	15,822	>99	>99	>99	21.0	19.6	18.7
35.	Lianyungang Renmin Mall	Apr-2005	Lianyungang, Jiangsu	Tier III	Leased	2015	32,321	>99	>99	80	27.1	27.3	25.4
36.	Yangzhou Runyang Light Building Materials Mall	May-2006	Yangzhou, Jiangsu	Tier III	Leased[(6)]	2023	49,104	—	—	>99	—	—	26.2
37.	Chongqing Jiangbei Mall	Dec-2006	Chongqing	Tier II	Leased	2026	101,918	>99	>99	>99	175.8	181.6	193.7
38.	Changsha Shaoshan Mall	Oct-2007	Changsha, Hunan	Tier II	Leased	2020	112,221	98	>99	>99	133.5	134.5	145.5
39.	Baotou Donghe Mall	Sep-2008	Baotou, Inner Mongolia	Tier III	Leased	2028	49,747	94	91	47	25.5	21.1	25.2
40.	Hangzhou Gudun Mall	May-2009	Hangzhou, Zhejiang	Tier II	Leased	2029	38,217	92	>99	>99	60.3	63.5	71.9
41.	Shenzhen Jilong Mall	Sep-2009	Shenzhen, Guangdong	Tier I	Leased[(7)]	2023	32,149	83	61	>99	—	—	20.7
42.	Chongqing Nanping Mall	Nov-2009	Chongqing	Tier II	Leased	2030	98,171	96	97	98	111.7	125.0	137.3
43.	Shenyang Dadong Mall	Sep-2010	Shenyang, Liaoning	Tier II	Leased[(8)]	2032	106,885	23	78	95	7.0	31.9	54.6
44.	Beijing North Fifth-ring Mall	Oct-2010	Beijing	Tier I	Leased	2028	81,968	91	99	98	72.1	82.7	98.9
45.	Datong Dongxin Mall	Jan-2015	Datong, Shanxi	Other	Leased	2026	69,071	—	—	80	—	—	—
46.	Quzhou Sanqu Mall	Mar-2009	Quzhou, Zhejiang	Other	Fixed-fee[(9)]		31,133	53	83	82	—	—	6.1

No.	Name	Opening Date	Location	City Tier	Category	Operating Area(1)	Occupancy Rate(2) as of December 31,			Total Revenue for the year ended December 31,		
						2014	2012	2013	2014	2012	2013	2014
		(Month-Year)				(sq.m.)	(%)			(in millions of RMB)		
47.	Erdos Donsheng Mall	Sep-2009	Erdos, Inner Mongolia	Tier III	Fixed-fee(9)	48,759	—	—	64	—	—	2.5
48.	Yichang Xiling Mall	Sep-2011	Yichang, Hubei	Tier III	Fixed-fee(9)	76,505	—	—	76	—	—	7.1
49.	Shenzhen Xiangmi Lake Mall	Dec-2008	Shenzhen, Guangdong	Tier I	JV/associate(10)	85,504	>99	>99	>99	147.8	149.7	166.7
50.	Chengdu Shuangnan Mall	Sep-2011	Chengdu, Sichuan	Tier II	JV/associate(11)	70,886	79	99	>99	105.0	119.5	139.7
51.	Wuhu Minghui Mall	Dec-2011	Wuhu, Anhui	Tier III	JV/associate(11)	96,701	99	99	>99	42.3	57.7	68.7
52.	Suzhou Park Mall	Aug-2013	Suzhou, Jiangsu	Tier II	JV/associate(12)	92,613	—	92	>99	—	18.5	50.4
	Total					**4,033,458**						

Notes:

(1) Operating area refers to area that can be used to generate income within a shopping mall based on our internal record.

(2) Occupancy rate is calculated as actual leased area divided by operating area of a shopping mall as of the end of each relevant period based on our internal record. The occupancy rate may be higher or lower in different periods within one year.

(3) We have leased the light building materials sector of the shopping mall from an Independent Third Party, the operating area of which amounted to approximately 23,760 sq.m. as of December 31, 2014.

(4) The title to the underlining land parcel belongs to the partner under a cooperation agreement entered into between the partner and Red Star Furniture Group which is owned by Mr. CHE Jianxing and Ms. CHE Jianfang. The relevant subsidiary operating the shopping mall holds the shopping mall under a finance lease arrangement with the partner. As such, we have categorized the shopping mall as one of our Self-owned Portfolio Shopping Malls. See also "Financial Information — Critical Accounting Policies, Estimates and Judgments — Investment Properties" and "Financial Information — Indebtedness — Finance Lease" in this prospectus.

(5) 76.6% of the operating area in this shopping mall is owned by us, while 23.4% of the operating area is owned by our partner and managed by us for our partner under a contract management arrangement.

(6) The shopping mall was managed by us under a contract management arrangement prior to April 1, 2014.

(7) The shopping mall was managed by us under a contract management arrangement prior to January 1, 2014.

(8) The shopping mall was managed by us under a contract management arrangement prior to September 1, 2012.

(9) The shopping mall was managed by us under a contract management arrangement prior to January 1, 2014. Since then, we have operated the shopping mall, consolidated their results of operation, and paid the relevant property owner a fixed amount of annual fees.

(10) We own 37% of the equity interest of the project company operating this shopping mall. As we are responsible for the daily operation of this shopping mall and share the investment risk with our associate, we consider this shopping mall as one of our Portfolio Shopping Malls. However, as we do not consolidate the results of operation of the project company, our share of the operating income generated from this shopping mall is reflected in share of profit of associates instead of revenue generated from our Owned/Leased Portfolio Shopping Malls.

(11) We own 40% of the equity interest of the project company operating this shopping mall. As we are responsible for the daily operation of this shopping mall and share the investment risk with our joint venture partner, we consider this shopping mall as one of our Portfolio Shopping Malls. However, as we do not consolidate the results of operation of the project company, our share of the operating income generated from this shopping mall is reflected in share of results of joint ventures instead of revenue generated from our Owned/Leased Portfolio Shopping Malls.

(12) We own 33.33% of the equity interest of the project company operating this shopping mall. As we are responsible for the daily operation of this shopping mall and bear the investment risk, we consider this shopping mall as one of our Portfolio Shopping Malls. However, as we do not consolidate the results of operation of the project company, our share of the operating income generated from this shopping mall is reflected in share of profit of associates instead of revenue generated from our Owned/Leased Portfolio Shopping Malls.

The table below sets forth, project-by-project and in order of the estimated opening dates, certain basic information for our pipeline Portfolio Shopping Malls as of December 31, 2014.

No.	Project[1]	Location	City Tier	Construction Commencement Date	Estimated Opening Date	Actual/ Estimated Total GFA	Total Development Cost for the Entire Project as of December 31, 2014[2]		Shareholding Interest
							Incurred	To Be Incurred[2]	
				(Month-Year)	(Month-Year)	(sq.m.)	(in millions of RMB)	(in millions of RMB)	
1	Wuhan Etouwan Mall	Wuhan, Hubei	Tier II	Sep-2012	Aug-2015	179,925	1,052.5	142.0	100%
2	Chongqing Fuling Mall	Chongqing	Tier II	Aug-2012	Dec-2015	73,875	265.1	1.4	55%
3	Shenyang Yuhong Mall	Shenyang, Liaoning	Tier II	Jun-2013	Dec-2015	197,882	659.4	382.9	60%
4	Zhongshan Gangkou Mall	Zhongshan, Guangdong	Tier III	Dec-2013	Oct-2015	79,511	173.9	118.8	100%
5	Changsha Yuelu Mall	Changsha, Hunan	Tier II	Sep-2014	Jan-2016	212,266	354.4	443.4	100%
6	Wuhan Hanyang Xikezhan Mall	Wuhan, Hubei	Tier II	Jan-2014	Jun-2016	147,971	477.8	311.1	100%
7	Wuxi Taihu Mall	Wuxi Jiangsu	Tier II	Mar-2014	Jan-2016	172,232	572.6	371.2	100%
8	Tianjin Beichen Mall	Tianjin	Tier II	Sep-2014	Mar-2016	108,374	573.3	434.3	100%
9	Lanzhou Gaoxin Mall	Lanzhou, Gansu	Tier II	May-2013	Jan-2016	148,826	134.3	319.9	65%
10	Hefei Silihe Mall	Hefei, Anhui	Tier II	Nov-2014	Dec-2016	149,730	165.3	448.9	100%
11	Harbin Xikezhan Mall	Harbin, Heilongjiang	Tier II	Sep-2014	Mar-2017	148,589	313.4	419.8	100%
12	Xi'an Xifeng Road Mall	Xi'an, Shaanxi	Tier II	—	May-2017	108,000	—	1,122.2	50%
13	Tianjin Tanggu Mall	Tianjin	Tier II	Jun-2013	Dec-2016	148,416	490.8	381.4	100%
14	Nanjing Pukou Mall	Nanjing, Jiangsu	Tier II	Dec-2014	Apr-2017	198,932	412.7	566.7	100%
15	Dongguan Wanjiang Mall	Dongguan, Guangdong	Tier II	Sep-2014	Jul-2016	94,000	171.7	211.8	70%
16	Hohhot Yuquan Mall	Hohhot, Inner Mongolia	Tier II	—	Jul-2016	130,000	269.0	312.3	9%
17	Shenzhen Luohu Mall	Shenzhen, Guangdong	Tier I	—	Dec-2016	60,000	—	74.8	45%
18	Urumchi Expo Mall	Urumchi, Xinjiang	Tier II	—	May-2017	144,104	234.6	650.6	100%
19	Kunming Panlong Mall	Kunming, Yunnan	Tier II	—	May-2017	155,000	62.2	901.8	63%
20	Changsha Kaifu Mall	Changsha, Hunan	Tier II	—	May-2017	160,000	8.5	739.0	52%
21	Harbin Songbei Mall	Harbin, Heilongjiang	Tier II	May-2014	Jul-2017	182,029	339.7	589.6	100%
22	Zhengzhou South Third-ring Mall	Zhengzhou, Henan	Tier II	Mar-2013	Jul-2017	100,000	146.7	331.7	51%
23	Wuhan Zhuodaoquan Mall	Wuhan, Hubei	Tier II	—	Jul-2017	110,000	100.3	507.4	100%
24	Changchun Jucheng Mall	Changchun, Jilin	Tier II	—	Jul-2018	150,776	—	481.3	51%
25	Xi'an Yanta Zhuque Mall	Xi'an Shaanxi	Tier II	—	Jul-2018	100,000	—	349.8	75%
	Total					**3,460,438**	**6,978.3**	**10,614.1**	

Notes:

(1) Calculated based on our internal record and current plan and subject to changes resulting from our adjustments of the cost structure of the entire project.

(2) Includes land acquisition costs, construction and installation costs, capitalized interest expenses and other related costs and expenses.

During the years ended December 31, 2012, 2013 and 2014, we opened six, seven and ten of our Portfolio Shopping Malls, respectively, among which four, seven and six were newly opened and two, nil and four were converted from our Managed Shopping Malls, respectively. During the same period, we closed two, one and two of our Portfolio Shopping Malls, respectively:

- We closed one JV/associate Portfolio Shopping Mall as there was a title defect with respect to its underlying land parcel and we plan to re-open the mall when the land title defect is fixed to ensure our compliance with applicable laws and regulations. When we first entered into the cooperation relationship with the partner as a minority stake holder of such shopping mall, the partner had obtained the land use rights of the underlying land parcel, the nature of which is “collectively owned”. It was all parties’ understanding that the land was eligible to be converted to “commercial use”, which was specified in the original cooperation agreement. However, due to unforeseeable factors, the partner was not able to convert the land nature after years of efforts. To comply with applicable laws and regulations, we exited from the previous cooperation relationship and convinced our partner to close the shopping mall and establish a new joint venture with us to acquire the proper land use rights to the same land parcel through the public bidding process. The new joint venture cooperation agreement has specified that the partner shall be responsible for preparing the land for acquisition by means such as demolition and that acquiring the proper land use rights shall be a prerequisite for the new project to proceed.

- We promptly adjusted our business strategy and closed one fixed-fee Portfolio Shopping Mall because the location was no longer attractive and are seeking new opportunities at a more favorable location within the same city for better economic returns.

- We closed one of our leased Portfolio Shopping Malls because there were certain legal defects with the shopping mall, including land use and fire safety approval procedures, which were not resolved by the landlord despite our constant requests and we determined to terminate the lease to ensure our compliance with applicable laws and regulations. We leased such shopping mall from a third party during the early stages of our business expansion and were attracted by the favorable location of such property for our competitive mall network in the local market. As our business continues to grow, we have been improving our internal control to ensure our compliance with applicable laws and regulations. As part of this internal control enhancement process, we have been continuously demanding that the lessor cure such legal defects, which the lessor failed to do. As a result, although such shopping mall has been profitable, we closed it to ensure our compliance with applicable laws and regulations and to improve our internal control.

- We closed one of our leased Portfolio Shopping Malls as the lease expired and was not renewed.

- We closed another leased Portfolio Shopping Mall due to unsatisfactory performance in order to reduce any further losses.

During our years of shopping mall operation, we have established an effective internal system to evaluate, assess and monitor the performance of our Portfolio Shopping Malls. Before we proceed with any concrete plan of shopping mall development, we need to be satisfied with the anticipated investment return of a project. We take into consideration various factors such as land acquisition costs, financing costs, the prevailing rental level in local markets and management expenses to determine the anticipated investment return and review a shopping mall's financial and operating performance against the relevant anticipated investment return on a continuous basis. We also perform extensive business and legal due diligence on the potential partner and the underlying land parcel. See "— Operating Process — Business Development." Any potential project shall be jointly reviewed and approved by our project evaluation committee and all relevant departments within the Company. Once a shopping mall is opened, we actively monitor its financial and operating performance on a real-time basis to promptly identify and remedy any unusual trends. Our headquarters usually holds operational management meetings with all district offices every two months and our district offices hold monthly meetings with shopping malls within their respective districts. We compare key financial and operating metrics of each shopping mall, including operating income, profit, profit margin and occupancy rate against the anticipated returns, and pay special attention to the metrics with unsatisfactory performance. We analyze the management accounts and operating records of such shopping malls to better understand the reasons for the unsatisfactory performance and work with the local management teams and the responsible district offices to adopt remedial measures to improve shopping mall management. However, if the unsatisfactory performance or other defects continue despite our continuous efforts due to factors out of our control, we will proceed with a carefully designed mechanism to determine the possibility of shopping mall closure and endeavor to minimize the losses to our tenants and ourselves if the closure is inevitable. Our Directors consider the impact of closure of a small number of our Portfolio Shopping Malls was immaterial to our business and did not and would not have any material impact on our financial condition and results of operation.

Our Managed Shopping Malls

The table below sets forth, project-by-project and in order of the opening dates, certain basic information for our Managed Shopping Malls in operation as of December 31, 2014.

No.	Name	Opening Date	Location	City Tier	Occupany Rate[1] (%) as of December 31, 2012	2013	2014	Term of Management	Operating Area
		(Month-Year)							(sq.m.)
1.	Xuzhou Fuxing Mall	Oct-2001[2]	Xuzhou, Jiangsu	Tier III	95	94	97	by Dec-31-2019	134,161
2.	Yangzhou Runyang Furniture Mall	May-2006[3]	Yangzhou, Jiangsu	Tier III	>99	>99	>99	by Dec-31-2018	70,064
3.	Shijiazhuang Heping Mall	Jan-2007	Shijiazhuang, Hebei	Tier II	95	>99	>99	by Dec-31-2020	72,234
4.	Yancheng Century Mall	Sep-2007	Yancheng, Jiangsu	Tier III	91	94	96	by Sep-14-2019	119,430
5.	Bengbu Jiefang Mall	Dec-2007	Bengbu, Anhui	Other	92	94	>99	10 years from opening	50,054
6.	Luoyang Mudan Mall	Mar-2008	Luoyang, Henan	Tier III	>99	>99	>99	under negotiation	77,000
7.	Xi'an Taibai Mall	Apr-2008	Xi'an, Shaanxi	Tier II	>99	>99	>99	by Apr-20-2017	80,589
8.	Zibo Changguo Mall	Sep-2008	Zibo, Shandong	Tier III	>99	>99	>99	15 years from signing	47,303
9.	Tongxiang Century Mall	Sep-2008	Tongxiang, Zhejiang	Other	83	92	>99	10 years from signing	36,446
10.	Hefei Xindi Mall	Oct-2008	Hefei, Anhui	Tier II	98	>99	>99	10 years from signing	94,366
11.	Kunshan Cuiwei Mall	Nov-2008	Kunshan, Jiangsu	Other	88	97	>99	10 years from signing	44,115
12.	Wuxi Wuzhou Mall	May-2009	Wuxi, Jiangsu	Tier III	92	97	98	10 years from signing	56,150
13.	Guiyang Nanming Mall	May-2009	Guiyang, Guizhou	Tier II	>99	>99	>99	10 years from signing	148,174
14.	Foshan Lecong Mall	May-2009	Foshan, Guangdong	Tier II	94	98	>99	15 years from signing	116,947
15.	Taixing Taichang Mall	Jun-2009	Taixing, Jiangsu	Other	97	>99	>99	10 years from opening	57,239
16.	Qinhuangdao Haigang Mall	Sep-2009	Qinhuangdao, Hebei	Other	>99	>99	>99	15 years from signing	54,475
17.	Nantong Tongfu Mall	Sep-2009	Nantong, Jiangsu	Tier III	88	75	62	by Dec-31-2014	109,317
18.	Changshu Yanglei Mall	Oct-2009	Changshu, Jiangsu	Other	53	80	93	by Oct-28-2017	54,826
19.	Qingdao Huangdao Mall	Nov-2009	Qingdao, Shandong	Tier II	84	98	>99	10 years from opening	59,998
20.	Nanyang Jianshe Mall	Dec-2009	Nanyang, Henan	Tier III	93	>99	>99	15 years from signing	42,130
21.	Liuzhou Liunan Mall	Dec-2009	Liuzhou, Guangxi	Tier III	>99	>99	>99	10 years from signing	42,602
22.	Suzhou Hengtang Mall	Apr-2010	Suzhou, Jiangsu	Tier II	90	>99	>99	10 years from signing	69,286
23.	Quanzhou Luojiang Mall	May-2010	Quanzhou, Fujian	Tier III	67	80	95	10 years from signing	65,031
24.	Langfang Xianghe Mall	May-2010	Xianghe, Hebei	Other	>99	>99	>99	20 years from signing	159,079
25.	Zhangjiagang South Second-ring Mall	Jun-2010	Zhangjiagang, Jiangsu	Other	84	95	>99	10 years from opening	76,849

No.	Name	Opening Date	Location	City Tier	Occupany Rate[1] (%) as of December 31, 2012	2013	2014	Term of Management	Operating Area
		(Month-Year)							(sq.m.)
26.	Inner Mongolia Chifeng Mall	Aug-2010	Chifeng, Inner Mongolia	Tier III	94	>99	>99	10 years from opening	43,464
27.	Huai'an Qinghe Mall	Aug-2010	Huai'an, Jiangsu	Tier III	80	95	96	15 years from signing	59,190
28.	Fushun Xinfu Mall	Sep-2010	Fushun,Liaoning	Other	93	98	98	10 years from opening	42,192
29.	Anshan Qianshanxi Road Mall	Sep-2010	Anshan, Liaoning	Tier III	91	98	97	15 years from opening	54,481
30.	Suqian Suyu Mall	Oct-2010	Suqian, Jiangsu	Other	76	76	90	by Sep-30-2026	81,748
31.	Jiaxing Nanhu Mall	Oct-2010	Jiaxing, Zhejiang	Tier III	87	75	99	10 years from opening	78,647
32.	Longyan Minxi Mall	Oct-2010	Longyan, Fujian	Other	65	60	89	10 years from opening	56,524
33.	Hegang Gongnong Mall	Oct-2010	Hegang, Heilongjiang	Other	90	87	77	15 years from opening	25,001
34.	Taizhou Jiaojiang Mall	Nov-2010	Taizhou, Zhejiang	Tier III	87	74	76	10 years from signing	51,180
35.	Huangshi Yingbin Mall	Dec-2010	Huangshi, Hubei	Other	96	>99	99	15 years from signing	53,518
36.	Xiamen Wuyuanwan Mall	Dec-2010	Xiamen, Fujian	Tier II	92	>99	>99	15 years from signing	88,025
37.	Dalian Malan Mall	Dec-2010	Dalian, Liaoning	Tier II	87	>99	95	10 years from signing	51,854
38.	Datong Weidu Mall	Dec-2010	Datong, Shanxi	Other	>99	>99	>99	15 years from signing	33,192
39.	Rizhao Donggang Mall	Jan-2011	Rizhao, Shandong	Other	62	89	90	15 years from signing	60,481
40.	Shijiazhuang Yuhua Mall	Mar-2011	Shijiazhuang, Hebei	Tier II	94	98	>99	15 years from signing	89,926
41.	Zhoushan Lincheng Mall	Mar-2011	Zhoushan, Zhejiang	Other	89	>99	>99	10 years from opening	48,975
42.	Shaoxing Second-ring Mall	Apr-2011	Shaoxing, Zhejiang	Tier III	92	94	97	10 years from opening	79,185
43.	Ningbo Yinzhou Mall	Apr-2011	Ningbo, Zhejiang	Tier II	80	91	96	10 years from opening	72,933
44.	Zhenjiang Dingmaoqiao Mall	May-2011	Zhenjiang, Jiangsu	Tier III	99	>99	>99	10 years from signing	43,775
45.	Suzhou Likou Mall	Jun-2011	Suzhou, Jiangsu	Tier II	57	91	92	10 years from signing	101,398
46.	Weifang Hanting Mall	Jun-2011	Weifang, Shandong	Tier III	91	99	74	15 years from signing	42,623
47.	Zhangzhou Shengli Mall	Jul-2011	Zhangzhou, Fujian	Tier III	82	98	95	10 years from signing	71,037
48.	Fuzhou Sandi Mall	Jul-2011	Fuzhou, Fujian	Tier II	82	90	97	10 years from opening	78,012
49.	Qingdao Chengyang Mall	Aug-2011	Qingdao, Shandong	Tier II	>99	>99	>99	12 years from signing	47,552
50.	Wuxi Jiangyin Mall	Sep-2011	Jiangyin, Jiangsu	Other	93	>99	>99	10 years from signing	63,678
51.	Handan Congtai Mall	Sep-2011	Handan, Hebei	Tier III	>99	98	97	20 years from signing	83,467
52.	Yinchuan Lijing Mall	Sep-2011	Yinchuan, Ningxia	Tier III	>99	>99	>99	10 years from signing	58,223
53.	Jining High-Tech District Mall	Sep-2011	Jining, Shandong	Tier III	96	99	>99	10 years from opening	61,794
54.	Qujing Qilin Mall	Oct-2011	Qujing, Yunan	Other	93	86	90	15 years from signing	31,441

No.	Name	Opening Date	Location	City Tier	Occupany Rate[(1)] (%) as of December 31, 2012	2013	2014	Term of Management	Operating Area
		(Month-Year)							(sq.m.)
55.	Putian Licheng Mall	Oct-2011	Putian, Fujian	Other	70	77	84	10 years from opening	68,475
56.	Huzhou Second-ring Mall	Nov-2011	Huzhou, Zhejiang	Tier III	74	95	99	10 years from signing	69,830
57.	Guangzhou Tianhe Mall	Nov-2011	Guangzhou, Guangdong	Tier I	45	37	94	by Sep-30-2028	40,649
58.	Hohhot Xincheng Mall	Nov-2011	Hohhot, Inner Mongolia	Tier II	90	77	91	15 years from opening	64,194
59.	Wuxi Yixing Mall	Nov-2011	Yixing, Jiangsu	Other	85	61	76	10 years from opening	68,106
60.	Beijing East Fifth-ring Mall	Dec-2011[(3)]	Beijing	Tier I	81	94	>99	10 years from opening	81,003
61.	Zhuzhou Tianyuan Mall	Dec-2011	Zhuzhou, Hunan	Tier III	>99	>99	>99	no expiration date	78,887
62.	Hefei Zhengwu Mall	Apr-2012	Hefei, Anhui	Tier II	>99	>99	>99	10 years from opening	108,803
63.	Xi'an Longshou Mall	Apr-2012	Xi'an, Shaanxi	Tier II	88	77	90	5 years from opening	140,486
64.	Sanming Sanyuan Mall	Sep-2012	Sanming, Fujian	Other	84	95	97	10 years from opening	50,896
65.	Xi'an North Second-ring Mall	Sep-2012	Xi'an, Shaanxi	Tier II	90	97	92	10 years from opening	113,195
66.	Huai'an Xiangyu Mall	Oct-2012	Huai'an, Jiangsu	Tier III	>99	>99	97	10 years from opening	70,238
67.	Zhongshan Xingnan Mall	Oct-2012	Zhongshan, Guangdong	Tier III	69	93	>99	8 years from opening	57,597
68.	Bayan Nur Linhe Mall	Oct-2012	Bayan Nur, Inner Mongolia	Other	>99	91	72	10 years from opening	41,036
69.	Cangzhou Yunhe Mall	Nov-2012	Cangzhou, Hebei	Tier III	90	99	99	15 years from signing	48,687
70.	Laiyang Yanqing Mall	Nov-2012	Laiyang, Shandong	Other	59	95	48	10 years from opening	59,128
71.	Yantai Phase I Mall	Dec-2012	Yantai, Shandong	Tier III	37	91	88	10 years from signing	72,922
72.	Xingtai Zhonghua Mall	Apr-2013	Xingtai, Hebei	Tier III	—	98	96	10 years from opening	83,929
73.	Shaoxing Keqiao Mall	May-2013	Shaoxing, Zhejiang	Tier III	—	>99	>99	15 years from signing	59,125
74.	Taizhou Gaogang Mall	Jul-2013	Taizhou, Jiangsu	Tier III	—	90	>99	10 years from opening	42,809
75.	Xinxiang Pingyuan Mall	Sep-2013	Xinxiang, Henan	Tier III	—	96	95	10 years from opening	63,471
76.	Huaibei Duji Mall	Dec-2013	Huaibei, Anhui	Other	—	>99	>99	10 years from opening	46,348
77.	Ningbo Ganglong Mall	Dec-2013	Ningbo, Zhejiang	Tier II	—	76	95	10 years from opening	61,476
78.	Cixi Xiaolin Mall	Dec-2013	Cixi, Zhejiang	Other	—	>99	>99	20 years from opening	54,877
79.	Taizhou Hongjia Mall	Dec-2013	Taizhou, Zhejiang	Tier III	—	91	98	10 years from opening	47,127
80.	Baotou High-tech District Mall	Jan-2014	Baotou, Inner Mongolia	Tier III	—	—	90	20 years from opening	55,062
81.	Jilin Chuanying Mall	Feb-2014	Jilin, Jilin	Tier III	—	—	98	10 years from opening	72,139
82.	Ma'anshan Yushan Mall	Mar-2014	Ma'anshan, Anhui	Tier III	—	—	>99	10 years from opening	49,361
83.	Songyuan Ningjiang Mall	Mar-2014	Songyuan, Jilin	Tier III	—	—	95	10 years from opening	48,839

No.	Name	Opening Date	Location	City Tier	Occupany Rate[1] (%) as of December 31, 2012	2013	2014	Term of Management	Operating Area
		(Month-Year)							(sq.m.)
84.	Hefei Yuxi Mall	Mar-2014	Hefei, Anhui	Tier II	—	—	95	10 years from opening	81,380
85.	Tongling Tianshan Mall	May-2014	Tongling, Anhui	Other	—	—	>99	10 years from opening	53,614
86.	Weifang Shouguang Mall	Jun-2014	Shouguang, Shandong	Other	—	—	95	10 years from opening	38,518
87.	Wenzhou Cihu Mall	Jun-2014	Wenzhou, Zhejiang	Tier II	—	—	95	15 years from opening	88,186
88.	Yinchuan Pingluo Mall	Jun-2014	Yinchuan, Ningxia	Tier III	—	—	89	10 years from signing	40,216
89.	Taizhou Xinghua Mall	Jul-2014	Xinghua, Jiangsu	Other	—	—	94	10 years from opening	24,752
90.	Korla Mall	Aug-2014	Korla, Xinjiang	Other	—	—	99	10 years from opening	60,664
91.	Chengdu Jinniu Shopping Mall	Aug-2014	Chengdu, Sichuan	Tier II	—	—	>99	no expiration date	102,024
92.	Yangquan Dalian East Road Mall	Sep-2014	Yangquan, Shanxi	Other	—	—	91	15 years from opening	46,766
93.	Zaozhuang Tengzhou Mall	Sep-2014	Tengzhou, Shandong	Other	—	—	>99	10 years from opening	39,507
94.	Enshi Wuyangi Mall	Sep-2014	Enshi, Hubei	Other	—	—	>99	10 years from opening	26,571
95.	Xiangtan Fuzhou Mall	Sep-2014	Xiangtan, Hunan	Other	—	—	>99	15 years from opening	50,284
96.	Neijiang Tiancheng Mall	Sep-2014	Neijiang, Sichuan	Other	—	—	>99	10 years from opening	49,298
97.	Fuqing Fuzheng Mall	Oct-2014	Fuqing, Fujian	Other	—	—	>99	10 years from opening	30,014
98.	Ningbo Yuyao Mall	Oct-2014	Yuyao, Zhejiang	Other	—	—	>99	20 years from opening	55,561
99.	Chengde Shuangtashan Mall	Oct-2014	Chengde, Hebei	Other	—	—	>99	10 years from opening	41,785
100.	Hengyang Zhengxiang Mall	Nov-2014	Hengyang, Hunan	Tier III	—	—	98	15 years from opening	45,252
101.	Anshun Xixiu Mall	Nov-2014	Anshun, Guizhou	Other	—	—	>99	10 years from opening	39,162
102.	Ulanqab Jining Mall	Nov-2014.	Ulanqab, Inner Mongolia	Other	—	—	95	10 years from opening	32,463
103.	Quanzhou Anxi Mall	Nov-2014	Anxi, Fujian	Other	—	—	90	10 years from opening	33,637
104.	Baoji Jintai Mall	Nov-2014	Baoji, Shaanxi	Other	—	—	88	3 years from opening	39,260
105.	Xiangyang High-Tech District Mall	Dec-2014	Xiangyang, Hubei	Tier III	—	—	96	10 years from opening	53,642
106.	Tangshan Qian'an Mall	Jan-2015	Qian'an, Hebei	Tier III	—	—	95	10 years from opening	36,768
	Total								**6,719,395**

Notes:

(1) Occupancy rate is calculated as actual leased area divided by operating area of a shopping mall as of the end of each relevant period based on our internal record. The occupancy rate may be higher or lower in different periods within one year.

(2) Converted to a Managed Shopping Mall in 2012.

(3) Converted to a Managed Shopping Mall in 2011.

The table below sets forth, as of December 31, 2014, project-by-project, certain basic information for our pipeline Managed Shopping Malls with secured land parcels and expected to open by the end of 2015.

No.	Project	Location	City Tier	Signing Date (Month-Year)	Estimated GFA (sq.m.)
1.	Project Foshan Nanhai	Foshan, Guangdong	Tier II	Apr-2010	100,000
2.	Project Dezhou Dongfeng	Dezhou, Shandong	Tier III	Jan-2011	80,000
3.	Project Huaihua Hexi	Huaihua, Hunan	Others	Jan-2011	60,000
4.	Project Gaochun Guchenghu	Nanjing, Jiangsu	Tier II	Feb-2012	60,000
5.	Project Shijiazhuang Gucheng	Shijiazhuang, Hebei	Tier II	Apr-2012	140,000
6.	Project Bozhou Qiaocheng	Bozhou, Anhui	Others	Apr-2012	60,000
7.	Project Tonghua Jiangnan West	Tonghua, Jilin	Others	Jul-2012	70,000
8.	Project Lu'an Foziling	Lu'an, Anhui	Others	Jul-2012	70,000
9.	Project Fuding Binhai	Fuding, Fujian	Others	Jul-2012	40,000
10.	Project Ningde Mindong	Ningde, Fujian	Others	Sep-2012	65,000
11.	Project Hengyang Zhengxiang South	Hengyang, Hunan	Tier III	Nov-2012	65,000
12.	Project Jinxiang Wenfeng East	Jinxiang, Shandong	Others	Nov-2012	40,000
13.	Project Lianyungang Keyuan(1)	Lianyungang, Jiangsu	Tier III	Jan-2013	80,000
14.	Project Gushi Yihe	Gushi, Henan	Others	Feb-2013	50,000
15.	Project Wuhai Kaiyang(2)	Wuhai, Inner Mongolia	Others	Mar-2013	60,000
16.	Project Guiyang Beijing West	Guiyang, Guizhou	Tier II	May-2013	120,000
17.	Project Zhuji East Second-ring	Zhuji, Zhejiang	Others	May-2013	75,000
18.	Project Linyi Shunhe(3)	Linyi, Shandong	Others	Jun-2013	70,000
19.	Project Siyang Renmin	Siyang, Jiangsu	Others	Jun-2013	45,000
20.	Project Wujiang Yunlong	Suzhou, Jiangsu	Tier II	Jul-2013	50,000
21.	Project Xilinghaote	Xilinghaote, Inner Mongolia	Others	Aug-2013	52,000
22.	Project Liaocheng Dongchang	Liaocheng, Shandong	Tier III	Oct-2013	70,000
23.	Project Zibo Zhoucun	Zibo, Shandong	Tier III	Oct-2013	47,000
24.	Project Fenyi Wannian(3)	Fenyi, Jiangxi	Others	Nov-2013	41,000
25.	Project Zunyi Tianchi	Zunyi, Guizhou	Others	Nov-2013	40,000
26.	Project Rugao Haiyang(1)	Rugao, Jiangsu	Others	Nov-2013	55,000
27.	Project Baoding Lekai(2)	Baoding, Hebei	Others	Dec-2013	90,000
28.	Project Yanshi Dufu	Yanshi, Henan	Others	Dec-2013	55,000
29.	Project Ningxiang Jinzhou	Ningxiang, Hunan	Others	Dec-2013	60,000
30.	Project Taian Longtan(1)	Taian, Shandong	Tier II	Dec-2013	50,000
31.	Project Nanchong Gaoping	Nanchong, Sichuan	Others	Feb-2014	60,000
32.	Project Shenqiu East Ring	Shenqiu, Henan	Others	May-2014	30,000
33.	Project Anshan Haicheng	Haicheng, Liaoning	Others	May-2014	57,000
34.	Project Tongliao Qinglong Mountain	Tongliao, Inner Mongolia	Tier III	Jun-2014	50,000
35.	Project Xuanwei Wenhua	Xuanwei, Yunnan	Others	Jun-2014	30,000
36.	Project Ruichang Yanglinhu	Ruichang, Jiangxi	Others	Aug-2014	30,000
37.	Project Longxi Changan	Longxi, Gansu	Others	Nov-2014	30,000
38.	Project Bole Jianguo	Bole, Xinjiang	Others	Dec-2014	30,000
39.	Project Xuancheng Shuangqiao	Xuancheng, Anhui	Others	Dec-2014	60,000
	Total				**2,337,000**

Notes:

(1) Opened in April 2015.

(2) Opened in March 2015.

(3) Opened in May 2015.

The table below sets forth, as of December 31, 2014, project-by-project, certain basic information for our pipeline Managed Shopping Malls with secured land parcels and expected to open after 2015.

No.	Project	Location	City Tier	Signing Date	Estimated GFA
				(Month-Year)	(sq.m.)
1	Project Shantou Lanshuixing	Shantou, Guangdong	Others	Sep-2008	120,000
2	Project Harbin Jinse Laiyin	Harbin, Heilongjiang	Tier II	Jun-2009	130,000
3	Project Tianjin Wuqing	Tianjin	Others	Oct-2009	150,000
4	Project Wuhan Zhuyeshan	Wuhan, Hubei	Tier II	Oct-2009	180,000
5	Project Tangshan Lubei	Tangshan, Hebei	Tier III	Jun-2010	100,000
6	Project Binzhou Huanghe	Binzhou, Shandong	Tier III	Jun-2010	60,000
7	Project Yingkou Bayuquan	Yingkou, Liaoning	Others	Jan-2011	80,000
8	Project Yongan Xinliu	Yongan, Fujian	Others	Feb-2011	60,000
9	Project Tongliao Hongguang	Tongliao, Inner Mongolia	Tier III	Mar-2011	80,000
10	Project Beihai Nanzhu	Beihai, Guangxi	Others	Mar-2011	80,000
11	Project Jinzhou Zhongyang	Jinzhou, Liaoning	Others	Mar-2011	80,000
12	Project Siping Development Zone	Siping, Jilin	Others	Jun-2011	80,000
13	Project Liaoyang Hedong	Liaoyang, Liaoning	Others	Jul-2011	80,000
14	Project Zhangjiakou Qiandong	Zhangjiakou, Hebei	Others	Aug-2011	118,000
15	Project Chaoyang Zhongxing	Chaoyang, Liaoning	Others	Oct-2011	60,000
16	Project Tangshan Fengrun	Tangshan, Hebei	Tier III	Dec-2011	60,000
17	Project Zhoukou Huanghe	Zhoukou, Henan	Tier III	Jan-2012	65,000
18	Project Shangyu Fourth-ring	Shangyu, Zhejiang	Others	Mar-2012	75,000
19	Project Fuzhou Lianjiang	Fuzhou, Fujian	Tier II	Apr-2012	60,000
20	Project Yulin Second-ring	Yulin, Guangxi	Tier III	May-2012	80,000
21	Project Jincheng Zezhou	Jincheng, Shanxi	Others	Aug-2012	60,000
22	Project Dalian Lvshunkou	Dalian, Liaoning	Others	Aug-2012	50,000
23	Project Leshan Panlong	Leshan, Sichuan	Others	Oct-2012	70,000
24	Project Nanning Xianhu	Nanning, Guangxi	Tier II	Oct-2012	90,000
25	Project Jinhua Jinqu	Jinhua, Zhejiang	Tier III	Nov-2012	100,000
26	Project Chuzhou Langya	Chuzhou, Anhui	Others	Nov-2012	80,000
27	Project Dalian Jinzhou	Dalian, Liaoning	Others	Nov-2012	80,000
28	Project Wuhan Jiangxia	Wuhan, Hubei	Tier II	Dec-2012	50,000
29	Project Xiaoyi Chongwen	Xiaoyi, Shanxi	Others	Dec-2012	60,000
30	Project Honghe Mengzi	Honghe, Yunnan	Others	Mar-2013	50,000
31	Project Huludao Fumin	Huludao, Liaoning	Others	Mar-2013	50,000
32	Project Xiangshan Chenxiang	Xiangshan, Zhejiang	Others	May-2013	50,000
33	Project Mianyang Mianzi	Mianyang, Sichuan	Others	Jun-2013	68,000
34	Project Qingyang Shuozhou	Qingyang, Gansu	Others	Jun-2013	50,000
35	Project Chizhou Qianlu	Chizhou, Anhui	Others	Jun-2013	70,000
36	Project Changji Century	Changji, Xinjiang	Others	Jun-2013	60,000
37	Project Yuncheng Shenghui	Yuncheng, Shanxi	Others	Jun-2013	60,000
38	Project Qianjiang Yihuang	Qianjiang, Hubei	Others	Jun-2013	80,000

No.	Project	Location	City Tier	Signing Date (Month-Year)	Estimated GFA (sq.m.)
39	Project Nanping Shaowu	Nanping, Fujian	Others	Jun-2013	56,000
40	Project Puyang Lucheng	Puyang, Henan	Others	Jun-2013	60,000
41	Project Kaili Kaikai	Kaili, Guizhou	Others	Jun-2013	60,000
42	Project Shaoxing Xinchang	Shaoxing, Zhejiang	Others	Jun-2013	50,000
43	Project Zunhua Shahe	Zunhua, Hebei	Others	Jun-2013	40,000
44	Project Jingmen Duodao	Jingmen, Hubei	Others	Jul-2013	50,000
45	Project Yuncheng Yudu	Yuncheng, Shanxi	Others	Jul-2013	50,000
46	Project Weinan Cangcheng	Weinan, Shaanxi	Others	Jul-2013	70,000
47	Project Xuzhou Xinyi	Xinyi, Xuzhou	Others	Aug-2013	40,000
48	Project Guigang Zhongshan	Guigang, Guangxi	Others	Aug-2013	60,000
49	Project Yuncheng Xueyuan	Yuncheng, Shanxi	Others	Sep-2013	60,000
50	Project Yuxi Kangjing	Yuxi, Yunnan	Others	Oct-2013	60,000
51	Project Mengcheng Kunpeng	Mengcheng, Anhui	Others	Oct-2013	40,000
52	Project Fengxian zhongyang	Fengxian, Jiangsu	Others	Oct-2013	30,000
53	Project Feicheng Fengshan	Feicheng, Shandong	Tier III	Oct-2013	60,000
54	Project Changde Jingkai	Changde, Hunan	Others	Oct-2013	50,000
55	Project Tianjin Jinghai	Jinghai, Tianjin	Others	Nov-2013	50,000
56	Project Fangchenggang Jiangshan	Fangchenggang, Guangxi	Others	Nov-2013	60,000
57	Project Jiexiu Sanxian	Jiexiu, Shanxi	Others	Nov-2013	50,000
58	Project Xichang Ningyuan	Xichang, Sichuan	Others	Nov-2013	50,000
59	Project Haidongjing Fifteenth Road	Haidong, Qinghai	Others	Nov-2013	50,000
60	Project Yongcheng Mangdang	Yongcheng, Henan	Others	Dec-2013	48,000
61	Project Huanggang Huangzhou	Huanggang, Hubei	Others	Dec-2013	60,000
62	Project Shaoyang Baigongcheng	Shaoyang, Hunan	Tier III	Dec-2013	56,000
63	Project Yangzhong Yihe	Yangzhong, Jiangsu	Others	Dec-2013	50,000
64	Project Xuyi Shanshui	Xuyi, Jiangsu	Others	Dec-2013	30,000
65	Project Shaoyang Baoqing	Shaoyang, Hunan	Others	Dec-2013	48,000
66	Project Aksu Wensu	Aksu, Xinjiang	Others	Dec-2013	40,000
67	Project Linyi Hefei	Linyi, Shandong	Others	Dec-2013	70,000
68	Project Tongren Dengta	Tongren, Guizhou	Others	Dec-2013	50,000
69	Project Hami Hongxing	Hami, Xinjiang	Others	Dec-2013	60,000
70	Project Yuncheng Jinhe	Yuncheng, Shandong	Others	Dec-2013	40,000
71	Project Yingshang Yingyang	Yingshang, Anhui	Others	Dec-2013	40,000
72	Project Luzhou Weilai	Luzhou, Sichuan	Tier III	Dec-2013	60,000
73	Project Anyang Chaoyang	Anyang, Henan	Others	Dec-2013	80,000
74	Project Jingxian Tongxin	Jingxian, Anhui	Tier III	Dec-2013	20,000
75	Project Weihai Wendeng	Weihai, Shandong	Others	Dec-2013	50,000
76	Project Nanping Binjiang	Nanping, Fujian	Others	Dec-2013	50,000
77	Project Liupanshui Zhongshan	Liupanshui, Guizhou	Others	Dec-2013	48,000
78	Project Ezhou Erdong	Ezhou, Hubei	Others	Dec-2013	60,000
79	Project Puyang Huanghe	Puyang, Henan	Others	Dec-2013	60,000
80	Project Mudanjiang Hailang	Mudanjiang, Heilongjiang	Others	Dec-2013	60,000

No.	Project	Location	City Tier	Signing Date (Month-Year)	Estimated GFA (sq.m.)
81	Project Sihong Sizhou	Sihong, Jiangsu	Others	Dec-2013	50,000
82	Project Xiaogan Qiankun	Xiaogan, Hubei	Tier III	Dec-2013	80,000
83	Project Heze Huanghe	Heze, Shandong	Tier III	Dec-2013	60,000
84	Project Nantong Haian	Nantong, Jiangsu	Others	Dec-2013	46,000
85	Project Ruian Feiyun	Ruian, Zhejiang	Others	Dec-2013	80,000
86	Project Wuzhong Nanyi	Wuzhong, Ningxia	Tier III	Dec-2013	56,000
87	Project Changsha Wangcheng	Changsha, Hunan	Others	Dec-2013	105,000
88	Project Jinsha Huanghe	Jinsha, Guizhou	Others	Dec-2013	40,000
89	Project Xuancheng Chuangye	Xuancheng, Anhui	Others	Dec-2013	50,000
90	Project Bijie Biyang	Bijie, Guizhou	Others	Dec-2013	55,000
91	Project Juye Huaguan	Juye, Shandong	Others	Mar-2014	40,000
92	Project Zunyi Xiangjiang	Zunyi, Guizhou	Others	Mar-2014	60,000
93	Project Meizhou Jianying	Meizhou, Guangdong	Others	Apr-2014	50,000
94	Project Wusu Huanghe	Wusu, Xinjiang	Tier II	Apr-2014	20,000
95	Project Wuhan Panlong	Wuhan, Hubei	Tier II	May-2014	120,000
96	Project Fuzhou Cangshan	Fuzhou, Fujian	Others	May-2014	97,000
97	Project Tongliang Guanglong	Chongqing	Tier II	May-2014	60,000
98	Project Guiyang Jinyang	Guiyang, Guizhou	Tier III	May-2014	60,000
99	Project Chenzhou Chenjiang	Chenzhou, Hunan	Others	Jun-2014	60,000
100	Project Xinzhou Lihuang	Xinzhou, Shanxi	Others	Jun-2014	60,000
101	Project Loudi Leping	Loudi, Hunan	Tier III	Jun-2014	60,000
102	Project Chenzhou Qingnian	Chenzhou, Hunan	Tier II	Jun-2014	35,000
103	Project Kunming Chenggong	Kunming, Yunnan	Tier II	Jun-2014	60,000
104	Project Kunming Wuhua	Kunming, Yunnan	Tier II	Jun-2014	70,000
105	Project Wuhan Hanyang	Wuhan, Hubei	Others	Jun-2014	120,000
106	Project Xingyi Jushan	Xingyi, Guizhou	Tier III	Jun-2014	50,000
107	Project Cangzhou Hejian	Cangzhou, Hebei	Others	Jun-2014	30,000
108	Project Tongchuan Huaxia	Tongchuan, Shaanxi	Others	Jun-2014	50,000
109	Project Loudi Yingchun	Loudi, Hunan	Others	Jun-2014	50,000
110	Project Zigong Danyang	Zigong, Sichuan	Others	Jul-2014	50,000
111	Project Suining Shehong	Suining, Sichuan	Others	Jul-2014	40,000
112	Project Rongchang Changlong	Rongchang, Chongqing	Others	Jul-2014	30,000
113	Project Anyue Ningdu	Anyue, Sichuan	Tier III	Jul-2014	30,000
114	Project Cangzhou Renqiu	Cangzhou, Hebei	Tier III	Jul-2014	46,000
115	Project Xingtai Weixian	Xingtai, Hebei	Others	Aug-2014	30,000
116	Project Suihua Zhongzhi	Suihua, Heilongjiang	Others	Aug-2014	60,000
117	Project Jianyang Chengjian	Jianyang, Sichuan	Others	Aug-2014	40,000
118	Project Dingyuan Yongkang	Dingyuan, Anhui	Tier II	Sep-2014	50,000
119	Project Chengdu Wuhou	Chengdu, Sichuan	Others	Sep-2014	80,000
120	Project Baoying Nanhuaijiang	Baoying, Jiangsu	Others	Sep-2014	60,000
121	Project Laibin Liulai	Laibin, Guangxi	Tier III	Sep-2014	30,000
122	Project Zhongshan Tanzhou	Zhongshan, Guangdong	Others	Sep-2014	50,000

No.	Project	Location	City Tier	Signing Date	Estimated GFA
				(Month-Year)	(sq.m.)
123	Project Renhuai Jiunan	Renhuai, Guizhou	Others	Sep-2014	30,000
124	Project Yongchuan Xinglong	Yongchuan, Chongqing	Others	Oct-2014	50,000
125	Project Donggang Zhenxing	Donggang, Liaoning	Others	Oct-2014	35,000
126	Project Fuxin Zhangwu	Fuxin, Liaoning	Others	Oct-2014	20,000
127	Project Shaoguan 323	Shaoguan, Guangdong	Others	Oct-2014	60,000
128	Project Chongqing Bishan	Chongqing	Others	Oct-2014	60,000
129	Project Lishui Dayuan	Lishui, Zhejiang	Others	Oct-2014	30,000
130	Project Xiaogan hancuan	Xiaogan, Hubei	Tier II	Nov-2014	40,000
131	Project Hefei Xinhua	Hefei, Anhui	Others	Nov-2014	55,000
132	Project Chongqing Shapingba	Chongqing	Others	Nov-2014	60,000
133	Project Liupanshui Liangdu	Liupanshui, Guizhou	Tier II	Nov-2014	40,000
134	Project Nanchang Jinsha	Nanchang, Jiangxi	Tier III	Nov-2014	45,000
135	Project Changzhou Liyang	Changzhou, Jiangsu	Others	Nov-2014	50,000
136	Project Zoucheng Chongyi	Zoucheng, Shandong	Others	Nov-2014	40,000
137	Project Renshou Lingzhou	Renshou, Sichuan	Tier III	Nov-2014	45,000
138	Project Xianyang Qindu	Xianyang, Shaanxi	Tier II	Nov-2014	60,000
139	Project Hangzhou Xiaoshan	Hangzhou, Zhejiang	Tier III	Nov-2014	40,000
140	Project Xianyang Qindu	Xianyang, Shaanxi	Tier III	Nov-2014	70,000
141	Project Jinhua Lanxi	Jinhua, Zhejiang	Tier III	Dec-2014	50,000
142	Project Yulin Luchuan	Yulin, Guangxi	Others	Dec-2014	25,000
143	Project Duyun Guixin	Duyun, Guizhou	Others	Dec-2014	50,000
144	Project Bijie Dujuan	Bijie, Guizhou	Tier III	Dec-2014	50,000
145	Project Yantai Muping	Yantai, Shandong	Others	Dec-2014	50,000
146	Project Aksu Saikepaqi	Aksu, Xinjiang	Others	Dec-2014	30,000
147	Project Wuwei Weisi	Wuwei, Gansu	Others	Dec-2014	45,000
148	Project Anqing Zongyang	Anqing, Anhui	Others	Dec-2014	25,000
149	Project Jingdezhen Leping	Jingdezhen, Jiangxi	Others	Jan-2015	30,000
150	Project Anyang Tangyin	Anyang, Henan	Others	Jan-2015	20,000
151	Project Suzhou Bianhe	Suzhou, Anhui	Tier II	Feb-2015	46,000
152	Project Hefei Binhu	Hefei, Anhui	Tier II	Feb-2015	98,000
	Total				**8,871,000**

During the years ended December 31, 2012, 2013 and 2014, we opened 11, eight and 27 of our Managed Shopping Malls, respectively, among which ten, eight and 27 were newly opened, and one, nil and nil were converted from our Portfolio Shopping Malls, respectively. During the same period, we closed three, nil and three of our Managed Shopping Malls, respectively. We closed such shopping malls primarily due to unsatisfactory performance. Our Directors consider the impact of closure of a small number of our Managed Shopping Malls was immaterial to our business and did not and would not have any material impact on our financial condition and results of operation.

Project Description

Our Portfolio Shopping Malls

Set forth below are descriptions of four shopping malls which are representative of our operation of Portfolio Shopping Malls.

Shanghai Pudong Jinqiao Mall

Shanghai Pudong Jinqiao Mall is representative of our state-of-the-art ninth generation mall format. Shanghai Pudong Jinqiao Mall is located within the Jinqiao central business district in Pudong New District, Shanghai and commenced operation in December 2013. It is located at the intersection of two arterial roads, New Jinqiao Road and Jinzang Road, near five populated residential and business communities including Jinqiao, Biyun, Waigaoqiao and Lujiazui, and adjacent to Jinqiao International Commence Centre. Near half million residents are located within the Jinqiao central business district.

Shanghai Pudong Jinqiao Mall possesses an enhanced shopping environment and more artistic elements in decoration. The facade of the shopping mall is decorated in a honeycomb pattern from a beehive, expressing the desire for home. The mall is one of the first home improvement and furnishings malls with intelligent robot tour guide services, our “Beautiful Home Art Hall” multiple-function culture corner and its own stage plays. The mall also hosts a series of art activities from time to time.

Shanghai Pudong Jinqiao Mall had a total operating area of approximately 77,724 sq.m. and 341 tenants as of December 31, 2014.

Shanghai Zhenbei Mall


Shanghai Zhenbei Mall, where our headquarters is located, has the highest single-mall revenue within our network, having achieved approximately RMB410.7 million in revenue in 2014. Shanghai Zhenbei Mall is located within the central business circle in Putuo District, Shanghai and commenced operation in October 2000. The shopping mall is equipped with a space escalator directly ascending from the first floor through the fifth floor. One of the mall's prominent features is its "2500 AD Experience Pavilion" which showcases smart home features in the future through 360 degree screens. The pavilion is widely popular among government representatives, potential partners and student tour groups.

Shanghai Zhenbei Mall had a total operating area of approximately 182,659 sq.m. and 1,093 tenants as of December 31, 2014.

Chongqing Jiangbei Mall

Chongqing Jiangbei Mall is our best performing leased mall with approximately RMB193.7 million of revenue in 2014. Chongqing Jiangbei Mall is located within Liangjiang New District, Chongqing and commenced operation in December 2006. Aesthetic facade and high-end shopping facilities have made the shopping mall a leading player in the local market. Its in-mall ecological garden features a creek flowing under a bridge, a tropical rain forest and exotic flowers. Chongqing Jiangbei Mall offers our customers a unique and pleasant shopping experience.

Chongqing Jiangbei Mall had a total operating area of approximately 101,918 sq.m. and 398 tenants as of December 31, 2014.

Beijing East Fourth-ring Mall

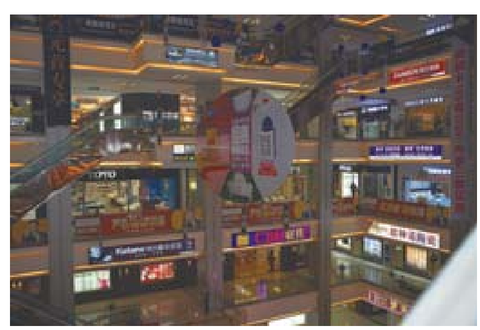
Beijing East Fourth-ring Mall is our best-performing mall in Beijing with approximately RMB291.7 million in revenue in 2014. Beijing East Fourth-ring Mall is located in Chaoyang District, Beijing and commenced operation in October 2006. The interior design not only provides our customers with a green shopping environment, but also features our high quality products. It features a wide selection of luxury and world-renowned products, including Lamborghini, Turri and Natuzzi, as well as top domestic designer brands. Beijing East Fourth-ring Mall has become a classic example of high-end home improvement and furnishings shopping malls in the area.

Beijing East Fourth-ring Mall had a total operating area of approximately 80,322 sq.m. and 445 tenants as of December 31, 2014.

Our Managed Shopping Malls

Set forth below are descriptions of two Managed Shopping Malls which are representative of our shopping mall contract management business.

Shijiazhuang Yuhua Mall



Shijiazhuang Yuhua Mall is one of the largest integrated home furnishings shopping malls in Shijiazhuang, Hebei province. As one of our seventh generation shopping malls, the shopping mall features a classic facade as its decoration theme. With the trendy facade, the shopping mall has become a city landmark. The shopping mall is also equipped with various customer-friendly facilities. As the pilot mall for providing delivery and logistics services, Shijiazhuang Yuhua Mall is aiming at building a professional home furnishings logistics base in northern China.

Shijiazhuang Yuhua Mall had a total operating area of approximately 89,926 sq.m. and 506 tenants as of December 31, 2014.

Zibo Changguo Mall

Zibo Changguo Mall is one of our seventh generation shopping malls in Shandong Province, with its artistic facade and an exquisite in-mall ecological garden. Consistent with our branding, the shopping mall carries out a series of promotion events with the theme of "care for home," promoting family values among our customers.

Zibo Changguo Mall had a total operating area of approximately 47,303 sq.m. and 251 tenants as of December 31, 2014.

MARKETING AND PROMOTION

Promotions

We frequently organize promotional activities to stimulate consumption and further increase the popularity of our shopping malls. We typically host promotional activities jointly with our tenants, who share the costs and expenses associated with such events. Our headquarters decides the theme of promotions and categories of products to be covered, while the individual shopping malls and our tenants implement the promotional activities and decide the details such as discount rates. We coordinate promotional activities on a nationally centralized basis, which brings us and our tenants more effective and cost-efficient marketing results. Our sales promotions include cash coupons, discount sales, gifts, raffles and bonus points under our membership program.

We carry out regular large-scale promotional activities in all our shopping malls, such as holiday sales on Labor Day and National Day and seasonal sales every March which we name "The Two Days." We also organize ten to twelve events throughout the year according to seasonal consumer demands to promote particular categories of products. In addition, our individual shopping malls have the discretion to host mall-level promotional events from time to time to suit local needs, such as seasonal sales, shopping mall anniversary sales and festival sales. Our efforts spent in designing and organizing promotional events have generated meaningful returns. During the Track Record Period, we coordinated 24 nationwide marketing campaigns. We believe the promotional activities have brought our shopping malls larger customer traffic and higher gross sales. With our experienced management and advanced information technology system, we are well equipped to accommodate the significant increase in sales and traffic volume during promotional activities.

M Style Membership Program

In addition to promotional activities, we launched our M Style membership program as a consistent sales and marketing effort from January 1, 2015. To join our membership program, a customer normally needs to register his or her contact details in one of our shopping malls. At all of our shopping malls, our members receive a discount on product purchases on specified days for designated products. Members also accumulate points based on the amount of purchases and can use the accumulated points to redeem gifts or cash coupons.

Our membership program enables us to collect and analyze information of our members, who are by nature frequent customers with high spending power. Analysis of their spending habits and consuming tastes enables us to further refine our brand and product offerings and conduct more effective targeted marketing. As of the Latest Practicable Date, we had successfully enrolled over 1,833,700 members, over 199,000 of whom made purchases in our shopping malls for the five months ended May 31, 2015. The average purchase amount of our members is approximately RMB29,330, which accounts for approximately 2.4 times the average purchase amount of all our customers.

OUR NEW BUSINESSES AND RECENT DEVELOPMENTS

Our Online and O2O Business

In the last few years we have explored and experimented with various ways of building our online presence, including our MMall.com and HXShop. We believe our core strength lies in our nationwide physical network. We are now actively expanding our online application offerings to complement our offline network and create a seamless multi-channel O2O retail experience.

We have launched our O2O application as part of our O2O business to create a seamless multi-channel retail experience, and we expect to roll out the application across our nationwide network by the end of 2015. Our mobile application provides our retail customers with an interactive shopping experience through our O2O platform, which allows them to view design scenes for home interior ideas, write reviews, save and share images with family and friends, and purchase those products online. Our mobile application also benefits tenants by providing them with a new additional point of contact with potential customers. On the other hand, our mobile application enhances our customer stickiness and increases their conversion rate, resulting in higher gross sales at our shopping malls. The first-hand consumer data collected through our O2O application further improves our data pool for analysis and research of customer tastes and industry trends, which provide both us and our tenants with invaluable market intelligence.

Home Design and Decoration

As our shopping mall business continues to grow rapidly, we are meanwhile expanding into the home design business, the upstream industry along the home improvement and furnishings value chain. We expect this initiative to bring us increasing business with existing customers as well as new customers, allowing us to command a larger market share in the home improvement and furnishings industry. We select experienced home design professionals, invest in their home design start-ups and endorse their business with our brand awareness. Our partners can choose to open the start-ups within our shopping malls to further enjoy our endorsement and benefit from our customer base. In exchange, the start-ups agree to purchase from our shopping malls no less than 80% of the annual home improvement and furnishings procurement by themselves or by customer referrals which in turn boosts our sales. We also provide services of decoration and sales of home improvement and furnishings products to retail customers.

We started to invest in home design start-ups in September 2013 and had invested in 14 start-ups with an aggregate investment amount of approximately RMB25.2 million as of the Latest Practicable Date. As the start-ups grow and mature, we as partners can further leverage the partnership and share their brand awareness and consumer base.

Consumer/Vendor Financing

To further capitalize on our extensive customer and tenant base and also appeal to the increasing need for consumer/vendor financing in the high-end home improvement and furnishings retail industry, we have expanded into consumer and vendor financing through cooperation with large commercial banks to provide payment installment services to our customers. We have also established a consumer financing joint venture with a few industrial partners including Haier in December 2014 to provide consumer loans and related consulting, brokerage and insurance services. Our joint venture has obtained all the necessary regulatory approvals from the PRC government, including CBRC. During the two months ended February 28, 2015, our joint venture provided consumer loans in an approximate amount of RMB2 million.

We believe our inroads into the consumer/vendor financing industry not only fulfills our customers' and tenants' financing needs but also helps reserve and expand our customer and tenant pool through cross-selling.

Pre-paid Cards

In June 2013, we were approved by Shanghai Municipal Commission of Commerce to issue single-purpose pre-paid cards as a pilot program in establishing a commercial credit system in Shanghai. We offer registered pre-paid cards with no expiration date and bearer pre-paid cards with a term of three years. The expired bearer pre-paid cards can be renewed with a fixed administrative fee of RMB10, which are available for sale at the service counters at our shopping malls. The card holders are generally entitled to a discount ranging from 2% to 5% and sometimes 10%, during our promotional activities and sales.

Our pre-paid cards are well received among our customers as a convenient payment channel. Purchasers also enjoy a certain percentage of discounts when purchasing our pre-paid cards. More importantly, our pre-paid cards increase the loyalty of our existing customers and bring in additional new customers who are either attracted by the purchase discount associated with the cards or receive the cards as gifts or from promotional activities, and as a result, further expand our customer base. We also enjoy the capital value from the sales proceeds of pre-paid cards as we are only required to transfer the relevant product sales proceeds to our tenants at the end of our settlement periods, which can be as long as seven days. As of the Latest Practicable Date, we had issued pre-paid cards in aggregate amount of approximately RMB3,719.3 million. Our pre-paid card business generated revenue, which represents the commissions we charge based on the issued amount of the pre-paid cards in the amount of approximately RMB3.3 million in the seven months ended December 31, 2013, approximately RMB25.5 million in the year ended December 31, 2014, and approximately RMB6.6 million in the three months ended March 31, 2015.

Delivery and Logistics

Since November 2014, we have expanded into product delivery and assembly services, the downstream business in the home improvement and furnishings retail industry, to further improve the shopping experience in our shopping malls as well as enhance our relationship with our tenants. The market practice in the home improvement and furnishings retail industry has been that sellers such as our tenants engage various small logistics companies to deliver and assemble their products, which results in a highly fragmented logistics market and also makes it difficult to ensure the quality of delivery and assembly services. To provide better and more consistent service, we engage a large and reputable logistics company to provide delivery and assembly services to our tenants with warehouses near our shopping malls where our tenants can store all their inventories in the same city at one place. In return, we charge our tenants a storage and delivery fee. In our return-visit calls or text messages to customers, we not only invite the purchasers to evaluate the products, but also ask for feedback with respect to delivery and assembly services for better quality control.

We believe our centralized delivery and assembly services improve service quality, reduce operating costs and establish closer relationships between us and our brands. We commenced our pilot program in our shopping mall in Shijiazhuang, Hebei Province in November 2014, by establishing a logistics distribution center and engaging a professional logistics company for centralized storage and distribution of products sold in our shopping malls. As of the Latest Practicable Date, we had provided centralized delivery and logistics services for over 50 brands and achieved income of approximately RMB870,000.

Bulk Procurement

To attract more customers with larger purchase amounts, in addition to retail customers in our shopping malls we also provide bulk procurement options to enterprises, in particular, real estate developers, for home improvement and furnishings materials. As urban spending power has continued to grow in recent years, the demand for homes with refined decoration also increases, which results in the need for real estate developers to purchase home improvement and furnishings materials in larger volume. We proactively reach out to small- and mid-size real estate developers with stable financial performance and multiple financing sources and provide sales quotes to them. Leveraging our long-term relationships with various brands and our leading market position in the home improvement and furnishings industry, we are able to secure a favorable discount for bulk purchases from the suppliers for the real estate developers.

We do not charge purchasers for providing such services. Instead, we receive a certain percentage of commissions from the suppliers. As of the Latest Practicable Date, we had provided bulk procurement services of home improvement and furnishings materials with the total purchase amount of approximately RMB964 million and received commissions in aggregate amount of approximately RMB265,000.

Our New Brands

Besides our core brand “Red Star Macalline,” we are also promoting a variety of home improvement and furnishings brands to capture the increasingly diverse home improvement and furnishings customer base under our multi-brand strategy.

Starting from the first half of 2013, we have been introducing a more fashionable, high-tech “Red Star O’Gloria” (紅星•歐麗洛雅) brand appealing to younger customers. As of the Latest Practicable Date, we had entered into four contract management agreements and 19 framework agreements to operate shopping malls expected to be operated under our “Red Star O’Gloria” (紅星•歐麗洛雅) brand in 23 cities. We expect to open the first “Red Star O’Gloria” (紅星•歐麗洛雅) shopping mall by the end of 2016.

We also proactively seek opportunities to collaborate with other reputable market players to expand our brand portfolio, enlarge our market share and achieve mutual benefits. In May 2014, we entered into a trademark licensing agreement with JiSheng Wellborn (吉盛偉邦) ("JSWB"), a high-end home improvement and furnishings shopping mall operator, pursuant to which JSWB authorizes us to use eight of its registered trademarks in our Managed Shopping Malls for 30 years from June 1, 2014 to May 30, 2044. We are also entitled to sub-license the trademarks to a third party in the home improvement and furnishings retail business. Under the agreement with JSWB, we undertake to ensure the quality of services to be provided under the licensed trademarks in order to maintain JSWB's market reputation. We are required to pay a licensing fee consisting of a fixed initial payment and an annual fee for each licensed shopping mall. The amount of annual fee varies by the location of the shopping mall. Under the agreement with JSWB, we are required to open no less than eight home improvement and furnishings shopping malls under the licensed trademarks every year, so as to maintain the brand awareness and popularity of JSWB. If we fail to do so, JSWB is entitled to open home improvement and furnishings shopping malls on its own under the same licensed trademarks in the next year, provided that the total number of newly opened JSWB shopping malls does not exceed eight. Separately, JSWB is entitled to open no more than two self-operated home improvement and furnishings shopping malls every year, regardless of how many shopping malls we open during the same year.

We are therefore able to choose a more suitable brand name for our shopping malls depending on the location and target clientele of the particular mall and targeted customers to further expand our customer base, and meanwhile leverage our existing sales network and experience in operating home improvement and furnishings shopping malls.

CUSTOMER SERVICE

We believe industry-leading customer service is also fundamental to our customer loyalty and satisfaction. Each of our shopping malls has a customer service center. The customer services we provide generally include, among other things:

- return services: our return policy allows customers to return products without cause within 30 days of purchase;
- rebate of three times the price difference if a customer who has purchased a product at our shopping mall found that the price he or she paid for such product is higher than that of the same product in other shopping malls of the same type in the same city within seven days of purchase;
- free and punctual delivery and assembly services;
- free shopping guide from home improvement and furnishings consultants;
- free home design consultation;
- free parking for a limited period of time to customers who have purchased a minimum amount of products at our shopping malls; and
- free use of convenience facilities such as cellphone-charging stations, umbrellas, first-aid kits, wheelchairs, strollers and lockers.

We have also established a centralized customer service center to standardize customer services provided at our shopping malls across China and thus raise service quality systemically. We have set up a 400-line call center to answer queries, handle complaints, provide promotion information and make follow-up phone calls for after-sales surveys. Once we receive a customer complaint, our internal manual requires us to work with our tenants to provide feedback within 24 hours, propose a solution within three days and settle the complaint within seven days. We may handle a customer complaint at our discretion if the relevant tenant fails to resolve such complaint within 72 hours, and deduct the amount of compensation paid by us from such tenant's quality assurance deposit. Each of our shopping malls has a standardized customer complaint center equipped with recording phones, which enable us to effectively handle complaints to the satisfaction of our customers. We have engaged over 200 senior customer complaint consultants, consisting of experienced mall staff and external experts, who provide regular trainings to our shopping mall staff and teach them to deal with customer complaints more professionally and effectively.

Every two months we engage a third-party research firm to conduct a random check of our service quality. Without any prior notice, representatives from the research firm randomly pick a few of our shopping malls and inspect and evaluate the shopping environment from a customer's perspective, so as to spot as many defects in our shopping environment and service quality as possible. We also conduct internal customer satisfaction surveys, during which our shopping malls cross check each other with the aim to improve services together.

PROCUREMENT AND SUPPLIERS

Given that our business operates as a third-party platform, we generally do not carry product inventory. Our suppliers mostly comprise construction contractors, equipment suppliers and property lessors for our Portfolio Shopping Mall business and advertisement firms for our branding and marketing. We engage construction contractors to develop our Portfolio Shopping Malls and we purchase certain equipment such as air conditioners from relevant suppliers. We lease certain of our Portfolio Shopping Malls from third parties. We also engage advertising firms for our branding activities and our marketing and promotion activities in our shopping malls.

We have established a centralized procurement process that sources supplies to suit the specific needs and design of each project and also to increase our bargaining power leveraging the large purchase volume. We procure certain equipment such as air conditioners, while building materials such as steel, cement and decoration materials are generally procured by our construction contractors and subcontractors under our supervision and guidance. Similar to our tender process for construction contractors, we use a tender process to select no documents provided advertising firms from a list of our long-term partners based on a variety of factors, including their business scale, market, reputation, product quality and certification, sales and customer service quality, technical capabilities and compliance with national standards and requirements, as applicable.

Through our operating history, we have established stable and long-term relationships with our major suppliers who have provided us with quality services and materials on favorable commercial terms. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our five largest suppliers accounted for approximately 35.3%, 32.0%, 32.0%, 35.2% and 58.2% of our total purchases[(1)], respectively. During the same period, purchases from our largest supplier accounted for 6.3%, 9.5%, 22.1%, 23.0% and 43.3% of our total purchases, respectively. All five of our largest suppliers

(1) total purchases mean operating lease rentals, adding interest on finance leases, advertising and marketing expenses, additions of investment properties and additions of property plant and equipment.

are national and regional construction contractors, advertising firms and property lessors with whom we have over four years of business relationship on average. Our Directors confirm that, to the best of their knowledge, none of them, their associates or any shareholders who owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers.

TENANTS AND BUSINESS PARTNERS

We derive income from three aspects of our shopping mall business, including (i) tenants of our Portfolio Shopping Malls who pay us rent and management fees; (ii) partners of our Managed Shopping Malls who pay us initiation and entrance fees, tenant sourcing fees and annual management fees; and (iii) construction contractors who are engaged for construction of our Managed Shopping Malls and pay us construction consultation and management fee for our consulting services. Although tenants of our Portfolio Shopping Malls are the largest category in terms of numbers, construction contractors contribute a significant portion of our revenue because of the high dollar amount of construction consultation and management fees. Our diversified partner base has ensured stable operating cash inflows and also enabled us to further expand our business along the value chain.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our five largest partners in terms of total revenue contribution in aggregate accounted for approximately 3.5%, 4.0%, 7.7%, 10.9% and 6.2% of our total revenue, respectively. We have over four years of business relationship on average with our five largest partners, all of which are construction contractors of our Managed Shopping Malls. During the same period, income from our largest partner contributed 0.9%, 1.3%, 2.2%, 3.0% and 6.0% of our total revenue, respectively. Some of our partners were also our suppliers for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015 as we maintain long-term relationships with such construction contractors, who on the one hand provide construction services to us during the development of our Self-owned shopping malls and on the other hand enjoy our construction consultation services during the development of our Managed Shopping Malls. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, these partners who were also suppliers in aggregate contributed 2.6%, 3.7%, 5.0%, 6.0% and nil of our total revenue, respectively, and the total purchases from them in aggregate accounted for 29.8%, 32.0%, 29.6%, 23.0% and nil of our total purchases, respectively.

Our Directors confirm that, to the best of their knowledge, none of them, their associates or any shareholders who owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest partners in terms of total revenue contribution.

COMPETITION

The home improvement and furnishings retail industry in China, particularly through operation of shopping malls, is highly fragmented and competitive. We face competition from a variety of market players, in particular national and international operators of shopping malls, gallery stores and traditional trading markets in areas in which we currently operate and in markets into which we intend to enter. Our business strategy depends on our ability to secure premises at prime locations and tenant resources in our target cities. However, such prime locations are very limited, and we face intense competition for such premises from other shopping malls, retailers and business establishments. We may not be able to obtain attractive premises for opening new shopping malls.

We believe that the major factors affecting competition in the home improvement and furnishings retail industry include branding, location, product quality, shopping environment and amenities, marketing and promotional activities, customer service and pricing. Any increase in competition may exert downward pressure on our rental rates and management and consultation fee levels, and adversely affect our profitability.

Our key competitors include foreign and domestic players in cities in which we operate that offer a similar range of products at a similar price range or have similar target customers. Domestic players including Easyhome, Ayd Group, Yuexing, Kinhom, Jimei Furnishingss, Heung Kong, Orient Home Centre and Homemart have been competing with us. Moreover, certain foreign retailers such as IKEA and B&Q have also established their presence in China and have competed effectively with domestic retailers including us, leveraging their capital strength and high brand recognition in the international markets as well as their relatively advanced management module and operations and services.

When we carry out our expansion plan and enter into new regions, we may encounter competition from existing shopping malls that have better name recognition and better understanding of local consumer preferences in such regions. Some of these existing shopping malls may have an established customer base and relationships with distributors in the region, they may have better locations, or may be better able to effectively navigate the local legal and regulatory landscape.

In recent years, we faced increasing competition from Internet-based businesses engaged in e-commerce, including Meilele, Jia.com and home improvement and furnishings retail sector of Tmall.com and JD.com. Competition is particularly intense with certain products such as small home improvement and furnishings items. Due to intense competition, we have upgraded our online business through our O2O application. Increases in consumer spending via the Internet may significantly affect our ability to generate sales in our shopping malls. Competition may also intensify when our retail competitors also set up online platforms and start to sell products online.

For further discussion of our competitive environment, see "Risk Factors — Risks Relating to Our Business and Industry — The home improvement and furnishings retail industry is highly competitive" in this prospectus.

INFORMATION TECHNOLOGY

We have developed the "Star Cloud" system, a proprietary enterprise resource planning (ERP) system, which covers all aspects of our business and operations. Our Star Cloud System is controlled and operated from our headquarters and consists of an SAP system which focuses on financial reporting, an operation management system (OMS), a retail enterprise management (REM) system and an office automation (OA) system.

Our SAP system covers all aspects of financial reporting from generating original financial records to compiling financial statements. It is the core of our Star Cloud system and links all other operational systems to achieve seamless interaction between business operation and financial reporting. We have granted different access levels to staff at different posts and departments in order to balance business needs and security of financial information. Our operational efficiency has been significantly improved since the implementation of the SAP system. A centralized financial system has reduced our administrative costs associated with financial and accounting matters at regional offices, district offices and shopping mall levels and enhanced our internal control over accounting throughout the Group.

We rely on our REM system to manage our tenant sourcing process, which covers contract signing at new shopping malls, annual contract renewal at existing shopping malls, adjustment of sales counter layout and information about brands and tenants. In particular, to keep track of the rental payments in our shopping malls, all our exhibition space agreements, contract management agreements and other operational agreements are recorded in our REM system and further transmitted to our SAP system which is linked with our financial reporting process. As such, we are able to check the actual rental payment status against the exhibition space agreements to make sure we are aware of any late payments. We are also able to determine the amount of progressive commission we are entitled to charge under certain contract management arrangements once the rental amounts exceed certain thresholds.

The centralized management of our daily operations across the country has been achieved by using our OMS system, which mainly focuses on product management and execution of operational agreements, among others. Such central digital database records most products offered at our shopping malls, including their brands, description and sales price. Once a product is approved and logged into our OMS system, the tenant who sells such product is able to see the record at the terminal located in its sales counter. Once a purchase order is placed, it is automatically generated from our OMS system. The purchase order records the amount of the down payment, the total contract amount, the description of the products and the detailed delivery information. The OMS system enables us to keep track of sales at our shopping malls and also facilitates the development of our online shopping mall. As of December 31, 2014, 102 of our 158 shopping malls had adopted the OMS system and the remaining 55 shopping malls were expected to adopt the OMS system by June 2015. Another major function of our OMS system is to monitor the execution of all operational agreements, in particular the punctual payment of rent and management fees. As all operational agreements are recorded into our SAP system through our REM system, our SAP system regularly generates bills for our tenants and partners when periodic payments are due and all the bills then are transmitted to our OMS system and followed up by our operational teams.

Our daily administration is managed by our OA system, which interfaces and integrates our separate budget management and procurement management. Our budget management system enables us to effectively monitor the preparation and execution of the annual, quarterly and monthly budgets at various levels within our Group. Once a budget is approved and logged into the system, our OA system will automatically integrate the approved budget and any payment request submitted to our OA system beyond such budget will be automatically rejected. As such, we are able to prevent any inadvertent budget overrun and effectively control our operational costs. Once a payment is entered into our OA system, a corresponding payment record will be automatically generated in our SAP system. Similarly, any procurement request must be approved in our OA system and corresponding financial records will also be generated in our SAP system upon receipt and consumption of such procurement.

Through our Star Cloud system, each of our regional offices, district offices has on-site terminals that record its financial and operational data on a real-time basis. Such data are then compiled and transmitted every day over dedicated lines to our central servers located at our headquarters. In addition, our information technology system allows our headquarters to access the financial and operating data of all our regional offices, district offices and shopping malls and monitor and analyze their performance on a real-time basis, including customer behavior, rent level and demand for a particular product. As such, we are able to analyze such data to enhance the quality of our customer experience and also improve the cooperation among our shopping malls located in different areas.

In light of the rapid expansion of our business over the years, we have strengthened our system maintenance, expanded the bandwidth of our information technology systems and enhanced their safety and operational efficiency. We have formulated contingency plans for system failure caused by computer viruses, network failure, application failure, power failure and natural disasters. In particular, we conduct back-up storage of all our data on a daily basis. We plan to continue to upgrade or maintain our systems.

We have a 50-person in-house IT team in charge of the system maintenance and data analysis and for providing IT trainings and support in our daily operations. Our IT team also engages and coordinates with specialized software companies to develop new systems and update existing systems according to our business needs. As of the Latest Practicable Date, we had not experienced any material system failure that has resulted in widespread and substantial loss of service or other significant damages.

INSURANCE

We maintain different types of insurance policies, such as property all risks insurance (including extended insurance coverage of earthquake, theft and equipment damage), business interruption insurance, public safety liability insurance (including extended insurance coverage of fire liability and elevator liability), motor vehicle insurance (including compulsory insurance and commercial insurance), cash storage insurance, employer liability insurance, single-purpose commercial pre-paid card performance guarantee insurance. Our insurance policies generally cover economic loss of or damage to the properties, the interior decoration or the inventory of our tenants stored in our shopping malls as well as other losses arising out of or in connection with the equipment and facilities in our shopping malls such as elevators and air conditioners.

We do not maintain any product liability insurance, which we believe is in line with the normal industry practice for shopping malls in China. Pursuant to the terms of our exhibition space agreements, our tenants bear all product liability in respect of products sold in our shopping malls. For further details, see "Risk Factors — Risks Relating to Our Business and Industry — Customer complaints and product liability claims may damage our reputation and business" in this prospectus.

QUALITY CONTROL

We have adopted a series of control and management policies, procedures and plans that are designed to ensure we provide quality products and services to the satisfaction of our customers.

We evaluate product quality and genuineness, among other factors, when evaluating the performance of our tenants and determining their respective rankings on our brand classification chart, as we believe the product genuineness is one of the most important factors to retail business. If we identify any counterfeit or low-quality products offered by any of our tenants, the ranking of such tenant will be immediately downgraded on our brand classification chart, which we believe encourages our tenants to improve their product quality and integrity in business operations.

We engage the China Quality Certification Center to regularly conduct quality and environmental inspections of the home furnishings offered at our shopping malls and we also engage nationally recognized inspection institutions to inspect the suppliers of home furnishings to ensure the product quality from the very beginning. Customers are entitled to return a purchased product and get the full purchase money refunded if the product fails to meet the quality or environmental standards as set forth in applicable rules and regulations.

Our qualification review system ensures that all our tenants maintain the necessary qualifications as required by applicable laws. We believe we are also one of the few in the home improvement and furnishings industry to establish a quality and price inspection team, consisting of qualified staff with first-hand experience in home improvement and furnishings retail, who closely monitor the quality and price of products offered at our shopping malls in daily operations.

Our efforts at quality control also include random inspection of products offered at our shopping malls by nationally recognized inspection institutions. Our full time inspection team regularly inspects all our shopping malls across the country.

Our quality control efforts, together with our customer services, have won us numerous awards. Our individual shopping malls have been ranked among the highest tiers in terms of credibility and customer satisfaction, among other categories, by a variety of regulatory authorities and industry associations across China. In September 2014, we were recognized as a "National Signature Enterprise of Quality and Integrity" by the China Association for Quality Inspection. Furthermore, we were interviewed and reported on the national channel of China's Central Television (CCTV) and the Xinhua News Agency in March 2015 for "China's Consumer Day on March 15" (315消費者權益日) as an acknowledgement of our tremendous efforts in improving product quality and tenant integrity in our daily operations.

HEALTH AND SAFETY MATTERS

We are subject to PRC laws and regulations regarding safety and work-related incidents. We have developed a comprehensive safety management system to implement our safety policies and procedures. We also engage independent third party supervisory companies to monitor safety measures throughout the construction process and submit monthly reports of the inspection results to us. In addition, we have installed a remote security surveillance system to monitor our operations for safety compliance.

We pay special attention to fire safety as our shopping malls host a large crowd of customers and display a large volume of flammable wooden furniture and household electrical appliances. We endeavor to keep a high standard for fireproof facilities as well as relevant internal fireproof guidelines beyond the regulatory fireproof requirements. For example, we paint all the wooden materials in our shopping malls with three coats of fireproof paint and regularly check electrical circuits with infrared technology so as to promptly replace the worn circuits and avoid potential accidents. We have in place a detailed fire evacuation plan and a qualified fire safety team at each shopping mall. We also prohibit our shopping mall staff and sales persons from smoking and encourage our customers to refrain from smoking. We host fire drills from time to time to practice our fire evacuation procedures.

With respect to construction site safety, our construction contractors are responsible for the safety of their workers on the construction sites and are required to maintain accident insurance for their workers. We generally do not carry insurance against personal injuries that may occur on-site but require our construction contractors to purchase accident insurance to cover their workers' medical and other related expenses. To ensure compliance with relevant laws and regulations, we have required our construction contractors to set up a system of standards and specifications for their construction workers to follow during construction.

During the Track Record Period, we have complied with the applicable PRC labor and safety regulations in all material respects and did not encounter any incident or complaint which had a material adverse effect on our operations.

ENVIRONMENTAL MATTERS

We are subject to certain environmental protection laws and regulations, including those relating to air pollution, noise emissions and water and waste discharge. Each of our property development projects is required under PRC laws to undergo environmental impact assessments. We must submit the relevant environmental impact study or report to the environmental authorities, along with other required documents, for evaluation and approval by the authorized environmental protection authorities. The approval from the relevant government authorities will specify the standards applicable to the construction project with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular project. Upon completion of each project, the relevant government authorities will also inspect the site to ensure that all applicable environmental standards have been complied with.

We take specific measures to ensure our compliance with applicable environmental laws and regulations, including (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also undertake voluntary environmental protection actions and make energy conservation and emission reduction our top considerations when designing our property projects. For the years ended December 31, 2012, 2013 and 2014, we incurred environmental compliance costs of approximately RMB25.4 million, RMB27.1 million and RMB25.2 million, respectively. We expect the annual costs of compliance going forward to be substantially similar, assuming that there will not be any material changes in environmental protection rules and regulations.

None of our shopping malls had received any material fines or penalties associated with any breach of any environmental laws or regulations since the commencement of their operations and up to the Latest Practicable Date. We were advised by our PRC legal advisors, Llinks Law Offices, that we had not received any material fines or penalties as a result of violation of relevant environmental laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

Our intellectual property portfolio consists of copyright, trademark and domain name registrations.

As of March 30, 2015, we had 608 trademarks registered in the PRC. Our principal brand name is also a “China well-known brand” recognized by the Trademark Office of SAIC. We have also obtained a license to use eight of JSWB’s registered trademarks for 30 years from June 1, 2014 to May 30, 2044.

As of March 30, 2015, we had 19 main domain names for which we were the registered proprietor, including www.chinaredstar.com, www.mmall.com and www.hxshop.com.

While we rely to a certain extent on our brand name when marketing our properties, our business is otherwise not materially dependent on any intellectual property right. As of the Latest Practicable Date, we were not aware of any material infringement by us of any intellectual property rights owned by third parties. See "Appendix VIII — Statutory and General Information" of this prospectus for further details regarding our intellectual property rights.

EMPLOYEES

As of December 31, 2014, we had 15,536 full-time employees. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2014:

Function	Number of Employees
Development	116
Construction Consultation	965
Tenant Sourcing	431
Operation and Management	3,232
Marketing and Branding	1,356
Finance	1,683
Shopping Mall Maintenance and Security	5,116
Human Resources	498
Others	2,139
Total	15,536

The following table sets forth a breakdown of our full-time employees by geographical location as of December 31, 2014:

Locations	Number of Employees
Shanghai Headquarters	813
Beijing, Shanghai and Southwest China	3,511
North and Northeast China	3,122
Central and South China	3,533
East China	2,949
Others	1,608
Total	15,536

Our tenants employ their own employees to serve at their sales counters located in our shopping malls. These personnel must comply with the guidelines we set out. We supervise the performance of these personnel, provide comprehensive training and have the right to demand their replacement if they violate our guidelines.

We enter into employment contracts with all of our employees. The remuneration of our employees consists of basic salary and performance bonuses. We conduct annual evaluations of our employees, supplemented by random checks from time to time. The evaluation results are linked directly with the employees' compensation. Selected employees with outstanding work performance and records are promoted to managerial positions.

In accordance with the applicable PRC laws and regulations, as well as compulsory requirements of the local authorities where our shopping malls are located, we contribute to various social insurance plans such as pension contribution plans, medical insurance plans, unemployment insurance plans, maternity insurance plans and work injury insurance plans for our employees. The amount of required contribution as a percentage of our employees' salaries varies from place to place, depending on relevant salary levels, location of the operation and other factors such as the average age of our employees. We were advised by our PRC legal advisors, Llinks Law Offices, that we had complied with relevant labor and social welfare laws and regulations in the PRC in all material respects during the Track Record Period and up to the Latest Practicable Date.

We made arrangements in 2010 to provide key employees with an incentive and reward for their contribution and continuing efforts to promote our interests. Under the arrangements, we offered certain key employees beneficial interest in Shanghai Jinghai, Shanghai Hongmei Investment and Shanghai Kaixing (the "**Employees Entities**"), which in turn directly hold in aggregate 77,099,991 Shares in our Company as of the Latest Practicable Date. For further details, see the sections headed "History and Development — Major Changes in our Shareholding Structure — Investment by the Minority Shareholders" and "History and Development — Major Changes in our Shareholding Structure — Share Transfers after the Conversion." No additional Shares of the Company were issued to or transferred to the Employees Entities from third parties since the conversion of our Company into a joint stock limited liability company in 2011.

We attach great importance to human resources planning. We have established a training program that aims to support and encourage our employees to develop various skill sets. The training program includes seminars, workshops and external training opportunities, among others. In particular, to provide ample talent support to our nationwide expansion, we implement a project rotation and training system to develop and broaden the expertise and skills of our employees to cover a wide array and depth of experience in each stage of our operating process. Also, we have instituted and structured a series of talent development programs that aim to allow our shopping mall managers to grow and flourish through internal promotion. We also sponsor members of our management to attend the EMBA programs in top universities in China to further improve their managerial skills. We believe that our robust talent reserve provides us with an advantageous strategic resource that is critical to efficient operation of our shopping malls and future expansion and growth.

PROPERTIES

As of December 31, 2014, we operated 52 of our Portfolio Shopping Malls with a total operating area of approximately 4,033,458 sq.m., mostly located in Tier I and II Cities. 31 of our Portfolio Shopping Malls were Self-owned, with a total operating area of approximately 2,648,542 sq.m.. 21 of our Portfolio Shopping Malls were Non-self-owned, with a total operating area of approximately 1,384,917 sq.m.. Among our Non-self-owned Portfolio Shopping Malls, four were owned by our joint ventures or associates, three were managed by us with fixed amount annual fees payable to third parties and 14 were leased from third parties. Among our 14 leased Portfolio Shopping Malls, one was leased from Changzhou RSHF which is wholly owned by our Controlling Shareholders and 13 were leased from the Independent Third Parties. For further details of our Portfolio Shopping Malls, see also "Business — Our Shopping Malls — Project Portfolio — Our Portfolio Shopping Malls" and "Business — Business Model — Our Portfolio Shopping Malls — Major Contractual Terms — Leases."

We have obtained the land use rights certificates and building ownership certificates for our Self-owned Portfolio Shopping Malls and believe our property lessors and joint ventures or associates have obtained good title for our Non-self-owned Portfolio Shopping Malls, except as disclosed under "— Leased Portfolio Shopping Malls" below.

Transferred Shopping Malls

We are in the process of completing the registration or transfer of the building ownership certificates for our four Transferred Shopping Malls.

Each of our Transferred Shopping Malls is situated on and forms a constituent part of an overall real estate development project on a parcel of project land. The project land consists of various properties under construction and the construction progress of each of these properties differs from one another. Even if our Transferred Shopping Malls have been completed and are in operation, they would not be issued their own respective building ownership certificates before the overall project development on the project land is fully complete and the area mapping over the entire completed project land is conducted. The repurchase process for the Transferred Shopping Malls in turn depends on the receipt of requisite consents, permits, licenses and approvals, including title certificates. The process for obtaining title certificates and repurchasing the Transferred Shopping Malls is lengthy. For the background information, current status and other details of our Transferred Shopping Malls, see "History and Development — Business Reorganization — Repurchase of the Transferred Shopping Malls."

The following table sets forth a summary of the status of the title certificates for our four Transferred Shopping Malls:

No.	Mall	Revenue Contribution	Profit before Tax Contribution	Operating Area Contribution	Assets Contribution
		in the year ended December 31, 2014		as of December 31, 2014	
1	Xinglong Shopping Mall(1)	0.2%	0.2%	0.5%	1.6%
2	Yunnan Shopping Mall(1)	1.2%	0.8%	0.8%	1.4%
3	Changchun Shopping Mall(2)	1.0%	0.7%	0.9%	1.7%
4	Dalian Shopping Mall(3)	1.0%	1.9%	0.7%	1.9%
	Total	3.4%	3.6%	2.9%	6.6%

Notes:

(1) The relevant holding company has obtained the land use rights certificate and the building ownership certificate.

(2) The relevant holding company has obtained the land use rights certificate, planning permit for land use, planning permit for construction work, permit for commencement of construction work and completion certificate for construction work. The relevant Transferred Shopping Mall has also passed fire safety inspection by the relevant government authority as required under applicable rules and regulations.

(3) The relevant holding company has obtained the land use rights certificates, planning permits for land use, planning permits for construction work and permits for commencement of construction work. The relevant Transferred Shopping Mall has also passed fire safety inspection by the relevant government authority as required under applicable rules and regulations. The relevant holding company is in the process of obtaining the completion certificate for construction work and will proceed with the building ownership certificate afterwards. For further details, see "— Non-Compliance."

With respect to the four Transferred Shopping Malls, our PRC legal advisors, Llinks Law Offices, have advised us that (i) such properties may not be sold or accepted by banks as security for mortgages until we obtain the proper title certificates; (ii) they are not aware of any material legal impediment to obtaining the building ownership certificates for such properties once we obtain necessary consents and approvals and complete necessary procedures as required by applicable laws and regulations; (iii) the absence of building ownership certificates would not affect the validity of the exhibition space agreements entered into between us and our tenants and our ability to legally operate our business, upon all necessary procedures required by applicable laws and regulations being duly completed; (iv) the absence of building ownership certificates would not result in confiscation of the relevant properties by government authorities, upon all necessary procedures required by applicable laws and regulations being duly completed; and (v) as a result, the absence of building ownership certificates with respect to any individual Transfer Shopping Mall or in aggregate does not have a material adverse effect on our business operation or the Global Offering.

Having considered the legal advice by our PRC legal advisors, our Directors are of the view that the absence of building ownership certificates with respect to any individual Transferred Shopping Mall or all of them in aggregate does not have a material adverse effect on our business, financial condition, results of operation or the Global Offering, based on the following reasons: (i) the four Transferred Shopping Malls, individually or in aggregate, only contribute a small portion of our total revenue, profit before tax, assets and operating area as indicated above; (ii) the absence of building ownership certificates for the four Transferred Shopping Malls do not constitute title defects; (iii) the absence of building ownership certificates would not result in confiscation of the relevant properties by government authorities, upon all necessary procedures required by applicable laws and regulations being duly completed; and (iv) (a) the relevant building ownership certificates will be transferred to us upon the completion of our repurchase of Xinglong Shopping Mall and Yunnan Shopping Mall, (b) the relevant building ownership certificates will be obtained by the relevant holding companies upon the completion of the residential housing on the land parcel and will be transferred to us upon the completion of our repurchase of Changchun Shopping Mall, and (c) the relevant holding company is in the process of obtaining the completion certificate for construction work after which the building ownership certificate will be transferred to us upon the completion of our repurchase of Dalian Shopping Mall.

Other Portfolio Shopping Malls

We have not obtained the building ownership certificates with respect to five of our other Self-owned Portfolio Shopping Malls. With respect to two of our leased Portfolio Shopping Malls, the actual land use is not consistent with the approved land nature or use as specified on the land use rights certificates.

Self-owned Portfolio Shopping Malls

We have not obtained the building ownership certificates for five of our Self-owned Portfolio Shopping Malls, the details of which are set forth in the following table:

No.	Mall	Revenue Contribution	Profit before Tax Contribution	Operating Area Contribution	Assets Contribution
		in the year ended December 31, 2014		as of December 31, 2014	
1	Shenyang Tiexi Mall(1)	3.2%	4.3%	1.1%	4.5%
2	Hangzhou Gudun Mall(1)(2)	0.9%	0.5%	0.4%	0.4%
3	Beijing North Fourth-ring Mall(3)	2.2%	2.2%	0.5%	2.8%
4	Shanghai Pudong Jinqiao Mall(4)	1.3%	1.6%	0.7%	3.7%
5	Daqing Expo Mall(4)	—	-2.5%	0.6%	1.0%
	Total	7.6%	6.1%	3.3%	12.4%

Notes:

(1) The relevant holding company has obtained the relevant land use rights certificate and the building ownership certificate. Our portion of the land use rights and the building ownership is in the process of being transferred to us.

(2) We are in the process of obtaining the building ownership certificate for the second floor of the shopping mall and have obtained the building ownership certificate for the rest of the operating area.

(3) The partner, who holds the land use rights, has entered into a cooperation agreement with Red Star Furniture Group which is owned by Mr. CHE Jianxing and Ms. CHE Jianfang, under which Red Star Furniture Group is entitled to 67% of the GFA of the property and the rest 33% of the GFA shall be leased by the partner to Red Star Furniture Group to operate. Our Group has been operating Beijing North Fourth-ring Mall on this land parcel instead of Red Star Furniture Group. The title to the land parcel belongs to the partner. The relevant subsidiary operating the shopping mall holds the shopping mall under a finance lease arrangement with the partner. As such, we have categorized the shopping mall as one of our Self-owned Portfolio Shopping Malls. See also "Financial Information — Critical Accounting Policies, Estimates and Judgments — Investment Properties" and "Financial Information — Indebtedness — Finance Lease" in this prospectus.

However, the land parcel where our shopping mall is located is allocated land. The approved use of the land as specified on the land use rights certificate is "scientific research and design." Pursuant to the relevant PRC laws and regulations, allocated land may only be used for non-commercial purposes. In addition, opening of a shopping mall is not for "scientific research and design." As a result, although the partner has obtained the land use rights certificate and the building ownership certificate for the entire land parcel, it has not been able to transfer the agreed 67% of land use right and building ownership to Red Star Furniture Group. Our PRC legal advisors, Llinks Law Offices, have advised us that since we are not a party to the abovementioned cooperation agreement, our entitlement to use the land parcel underlining the shopping mall may be subject to dispute. Furthermore, we may be subject to mandatory rectification and penalties as our actual land use is inconsistent with the approved land nature and use on the land use rights certificate. For further details, see "— Non-compliance."

(4) We have obtained the completion certificate for construction work and are in the process of obtaining the building ownership certificates.

With respect to the five Self-owned Portfolio Shopping Malls, our PRC legal advisors, Llinks Law Offices, have advised us that (i) such properties may not be sold or accepted by banks as security for mortgages until we obtain the proper title certificates; (ii) they are not aware of any material legal impediment to obtaining the building ownership certificates with respect to Shengyang Tiexie Mall, Hangzhou Gudun Mall, Shanghai Pudong Jinqiao Mall and Daqing Expo Mall once we obtain necessary consents and approvals and complete necessary procedures as required by applicable laws and regulations; (iii) the absence of building ownership certificates with respect to Shengyang Tiexie Mall, Hangzhou Gudun Mall, Shanghai Pudong Jinqiao Mall and Daqing Expo Mall would not affect the validity of the exhibition space agreements entered into between us and our tenants and our ability to legally operate our business and would not result in confiscation of the relevant properties by government authorities, upon all necessary procedures required by applicable laws and regulations being duly completed; and (iv) the absence of building ownership certificates with respect to any individual Self-owned Portfolio Shopping Mall or in aggregate does not have a material adverse effect on our business operation or the Global Offering.

Having considered (i) the legal advice by our PRC legal advisors and (ii) that the five Self-owned Portfolio Shopping Malls, individually or in aggregate, only contribute a small portion of our total revenue, profit before tax, assets and operating area as indicated above, our Directors are of the view that the absence of the building ownership certificates with respect to any individual Self-owned Portfolio Shopping Mall or in aggregate does not have a material adverse effect on our business, financial condition, results of operation or the Global Offering.

Leased Portfolio Shopping Malls

With respect to two of our leased Portfolio Shopping Malls, the actual land use is not consistent with the approved land nature or use as specified on the land use rights certificates, the details of which are set forth in the following table:

No.	Mall	Title Defects	Revenue Contribution	Profit before Tax Contribution	Operating Area Contribution	Assets Contribution[(1)]
			in the year ended December 31, 2014		as of December 31, 2014	
1	Nanjing Central Road Mall	The approved land use as specified on the land use rights certificates of our property lessor is "industrial" and "scientific research and design." However, the land parcels have been used for our shopping mall, i.e. commercial use.	0.9%	1.1%	0.5%	0.2%
2	Beijing North Fifth-ring Mall	The nature of the underlining land parcel is "collectivelly owned." Collectively owned land shall not be used for non-agricultural construction under the applicable PRC laws and regulations. However, the land parcel has been used for our shopping mall, i.e. commercial use.	1.3%	-1.0%	0.8%	0.1%

Note:

(1) As these properties are leased from third parties, their contribution to assets is recorded under "property, plant and equipment — leasehold improvement" in our consolidated financial statements.

With respect to the two leased Portfolio Shopping Malls, our PRC legal advisors, Llinks Law Offices, have advised that we may be subject to mandatory rectification and a fine in the maximum amount of RMB30,000 for each of such shopping mall. Our PRC legal advisors, Llinks Law Offices, have advised us that the inconsistency between the actual land use and the approved land nature or use with respect to any individual leased Portfolio Shopping Mall or in aggregate does not have a material adverse effect on our business operation or the Global Offering.

Having considered (i) the legal advice by our PRC legal advisor, (ii) that the two leased Portfolio Shopping Malls, individually or in aggregate, only contribute a small portion of our total revenue, profit before tax, assets and operating area as indicated above, and (iii) that our Controlling Shareholders have undertaken to indemnify us for any penalty or other monetary damages in relation to such incidents, our Directors are of the view that the inconsistency between the actual land use and the approved land nature or use with respect to any individual leased Portfolio Shopping Mall or in aggregate does not have a material adverse effect on our business, financial condition, results of operation or the Global Offering.

Among the Transferred Shopping Malls and the Portfolio Shopping Malls identified above, our PRC legal advisors, Llinks Law Offices, have advised us that Beijing North Fourth-ring Mall, Nanjing Central Road Mall and Beijing North Fifth-ring are considered to have title defects under PRC laws and regulations, and the remaining nine properties mentioned above are in the process of applying for the title certificates and our PRC legal advisors, Llinks Law Offices, have advised us that there is no material legal impediment to obtaining such certificates upon all necessary procedures required by applicable laws and regulations being duly completed.

Non-Compliance

The following table sets forth a summary of our material non-compliance incidents as of the date of this prospectus. Except as disclosed below, our PRC legal advisors, Llinks Law Offices, have advised us that we were not in breach of any of the relevant PRC laws, regulations and requirements relating to home improvement and furnishings shopping mall operation and management in any material respects during the Track Record Period and up to the Latest Practicable Date.

Our PRC legal advisors, Llinks Law Offices, have further advised us that such incidents do not, individually or in aggregate, have a material adverse effect on our business operation or the Global Offering. Having considered (i) the legal advice by our PRC legal advisors and (ii) that the relevant shopping malls, individually or in aggregate, only contribute a small portion of our total revenue, profit before tax, assets and operating area, our Directors are of the view that such incidents do not, individually or in aggregate, have a material adverse effect on our business, financial condition, results of operation or the Global Offering.

No.	Mall	Non-Compliance Incidents	Legal Consequences and Impacts	Remedial Measures	Aggregate Revenue Contribution	Aggregate Profit before Tax Contribution	Aggregate Operating Area Contribution	Aggregate Assets Contribution
					(in the year ended December 31, 2014)		(as of December 31, 2014)	
1.	Beijing North Fourth-ring Mall	***Actual land use inconsistent with approved land nature and use*** The partner, who holds the land use rights, has entered into a cooperation agreement with Red Star Furniture Group which is owned by Mr. CHE Jianxing and Ms. CHE Jianfang, under which Red Star Furniture Group is entitled to 67% of the GFA of the property and the rest 33% of the GFA shall be leased by the partner to Red Star Furniture Group to operate. As a result, such land has been used for commercial and industrial purpose, i.e. our shopping mall. However, the land parcel where our shopping mall is located is allocated land. The approved use of the land as specified on the land use rights certificate is "scientific research and design." Pursuant to the relevant PRC laws and regulations, allocated land may only be used for non-commercial purposes.	Our PRC legal advisors, Llinks Law Offices, have advised us that our current use of allocated land for the shopping mall does not comply with relevant PRC laws and regulations. As a result, we may be subject to mandatory rectification and a fine in the maximum amount of RMB30,000.	We have urged the partner to convert the land into granted land by payment of an appropriate land premium for the land since 2013. The conversion price to be paid to convert the allocated land to granted land would be determined through public bidding or through negotiations with the price payable by taking into account various factors including, but not limited to, the results of negotiations with the competent land bureau, the sale price of other comparable land in Beijing at the time of the conversion and the benchmark price for commercial land as published by the Ministry of Land and Resources of the PRC.	2.2%	2.2%	0.5%	2.8%

No.	Mall	Non-Compliance Incidents	Legal Consequences and Impacts	Remedial Measures	Aggregate Revenue Contribution	Aggregate Profit before Tax Contribution	Aggregate Operating Area Contribution	Aggregate Assets Contribution
					(in the year ended December 31, 2014)		(as of December 31, 2014)	
2.	(i) Langfang Kaihong Mall;	***Commencement of operation before obtaining the completion certificate for construction work***	Our PRC legal advisors, Llinks Law Offices, have advised us that our commencement of operation before obtaining the completion certificate for construction work does not comply with the relevant PRC laws and regulations. As a result, we may be subject to mandatory rectification and a fine in the maximum amount of approximately RMB22.2 million, representing 4% of the aggregate contract value of the relevant construction agreements for the three shopping malls. Our PRC legal advisors, Llinks Law Offices, are not aware of any material legal impediment to obtaining the building ownership certificates for such properties once we conclude the completion inspection of construction work and pay the requisite fees.	We have obtained the land use rights certificates, planning permits for land use, planning permits for construction work, permits for commencement of construction work for the four shopping malls and have also passed fire safety inspection by the relevant government authority as required under applicable rules and regulations. We are in the process of applying for completion certificates for construction work for the four shopping malls. Our Controlling Shareholders have undertaken to indemnify us for any penalty or other monetary damages in relation to such incidents.	0.6%	-0.1%	0.6%	0.8%
	(ii) Dalian Shopping Mall				1.0%	1.9%	0.7%	1.9%
	Total				1.6%	1.8%	1.3%	2.7%

Registration of Exhibition Space Agreements

Pursuant to the applicable PRC laws and regulations, leases must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the date of this prospectus, we have registered approximately 3,500 exhibition space agreements and filed the registration application with the competent government authorities with respect to approximately 1,100 exhibition space agreements. We are in the process of registering the remaining approximately 14,500 exhibition space agreements, and will take all practicable and reasonable steps to ensure that such exhibition space agreements are registered. However, the registration will require the cooperation of our tenants over whom we might have limited control. We were advised by our PRC legal advisors, Llinks Law Offices, that a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of non-registration. The estimated total penalty is approximately RMB14.5 million to RMB145.0 million, accounting for approximately 0.020% to 0.20% of our total assets as of March 31, 2015. See also "Risk Factors — Risks Relating to Our Business and Industry — We have not registered a substantial portion of our exhibition space agreements with our shopping mall tenants and as a result we might be subject to fines" in this prospectus.

We had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions due to failure to register the exhibition space agreements described above. We believe that the risk we will be penalized is remote. Our PRC legal advisors, Llinks Law Offices, are not aware of any material legal impediment to register the remaining exhibition space agreements once the relevant registration application is accepted by the competent local authorities. Our PRC legal advisors, Llinks Law Offices, have advised us that the failure to register the exhibition space agreements would not affect the validity of the agreements.

Our Controlling Shareholders have undertaken to indemnify us for any penalty or other monetary damages incurred as a result of the failure to register the exhibition space agreements. We have taken remedial measures to address, and prevent recurrence of, these incidents and matters. In order to prevent the recurrence of incidents involving the failure to register exhibition space agreements which occurred during the Track Record Period and to further strengthen our internal control system, we have formulated a set of rules concerning compliance with the lease registration requirements contained in the relevant laws and regulations, including the following: (i) each shopping mall must designate a responsible person; (ii) our revised exhibition space agreement templates have incorporated provisions setting out the responsibilities of each party with regard to exhibition space agreement registration and the rights of the project company when it is penalized for failure to register as a result of the noncooperation of a tenant; (iii) each shopping mall must report its status with regard to exhibition space agreement registration to our internal control and compliance department and legal department on a quarterly basis and, in the event that any non-compliance incident persists, the designated person will be held accountable for any oversight; and (iv) each shopping mall must maintain monthly communication with its tenants to ensure their cooperation with regard to lease registration.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Policies and Procedures

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The major features of our risk management policies include the following:

- We have adopted stringent quality control and supervision measures and procedures to ensure quality products and services are provided in our shopping malls and to ensure safety in our daily operations. For further details, see "— Quality Control" and "— Health and Safety Matters" in this prospectus;

- Our human resources department is responsible for monitoring employee compliance with our internal rules and manuals to ensure that we comply with the relevant regulatory requirements and applicable laws, so as to reduce our legal risks; and

- Our internal audit department is responsible for monitoring the implementation of our internal control measures, the details of which are set out below.

Implementation Measures of Internal Control Policies

We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and plans that are designed to reasonably assure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. In order to ensure the effective implementation of such internal control policies, we have adopted various on-going measures, including the following:

- we have established an Audit Committee, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, managing internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The Audit Committee consists of three independent non-executive Directors being Mr. DING Yuan, Mr. LI Zhenning and Mr. ZHOU Qinye. Mr. DING Yuan, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. For details of qualifications and experience of the Committee members, see "Directors, Supervisors and Senior Management — Board Committees — Audit Committee;"

- we have provided training to the Directors, senior management and key risk management personnel with respect to our internal control policies and expect to provide continuous training when necessary;

- our internal audit department, which is headed by an internal audit manager who has approximately ten years of experience in internal control and auditing, and our legal department, which is headed by a general counsel who has approximately 15 years of experience in legal compliance, will assess and monitor the implementation of our internal control policies through periodic audits and inspections and will report any deviations observed to our management team;

- we have included compliance with our internal control policies in our overall performance assessment system to incentivize the implementation of our internal control policies;

- we plan to continue to provide pre-employment and on-the-job internal control training to our employees;

- we have retained external PRC legal advisors to review and advise on our regulatory compliance with the relevant PRC laws and regulations that are material to our business operations in China, including but not limited to land title, construction and fire safety, product quality and health and environmental matters;

- we have established a reporting procedure for incidents of non-compliance;

- we have formulated a set of rules concerning compliance with the lease registration requirements contained in relevant laws and regulations as disclosed in "— Properties";

- we have established a comprehensive approval procedure for business development of new project opportunities, including extensive business and legal due diligence, as disclosed in "— Operating Process — Business Development";

- we have established an effective internal system to evaluate, assess and monitor the performance of our shopping malls and adopted a carefully designed mechanism to determine the possibility of mall closure and endeavor to minimize the losses to our tenants and ourselves if the closure is inevitable; and

- we have established a system to enhance the accountability of our employees with regard to internal control and legal compliance issues.

Policies and Measures to Prevent Illegal Practices by Employees and Staff

To prevent illegal practices and maintain professional ethics and morality of our employees and staff, we adopted our Anti-bribery Rules (反舞弊條例) and Supervision Rules (督察條例). We also established our Department of Supervision (督察部) in 2008, which is independent from our business divisions and dedicated to supervising and implementing our anti-bribery policies across our Group's main business divisions and four regional markets.

Our Department of Supervision is directly led by Ms. CHU Qinhua, our Company's chief auditor and currently employs eight supervisors on a full-time basis. More than 190 of our employees also act as supervisors of the Department of Supervision on a part-time basis. According to our policies, our Company must hold a reporting meeting on anti-bribery issues, and the Department of Supervision must report to our Board on its anti-bribery work, at least once a year. Our Department of Supervision accepts reports and complaints regarding illegal practices of our employees and staff, whether on a named or no-name basis, through a hotline, mail and email. Following the receipt of any allegation or complaint relating to illegal practices of our employees and staff, the supervisors, with prior approval from our Board or chief auditor, will investigate and verify the truthfulness of the allegations. Our Department of Supervision has the right to take disciplinary actions or even terminate employment of an employee or staff if she or he is found to have engaged in illegal practices such as bribery.

Our internal control consultant reviewed these measures in February 2015 and conducted a follow-up review in March 2015 and confirmed that they had no further comments on these measures adopted by us.

LICENSES AND PERMITS

We were advised by our PRC legal advisors, Llinks Law Offices, that we are not required to obtain special industrial licenses, approvals or permits for our home improvement and furnishings shopping mall operations under the relevant PRC laws and regulations.

Certain of our subsidiaries which are engaged in project design and construction, home design, logistics and delivery are required to obtain relevant licenses, approvals and permits, primarily including:

License/Permit	Holder	Granting authority	Date of grant	Expiry date
Engineering Design Qualification Certificate (工程設計資質證書)	Shanghai Dingsheng Construction Management and Design Company Limited	Ministry of Housing and Urban-Rural Construction of the PRC (中華人民共和國住房和城鄉建設部)	December 6, 2013	December 6, 2018
Construction Enterprise Qualification Certificate (建築業企業資質證書)	Shanghai Yongdian Decoration and Design Company Limited	Shanghai Municipal Construction and Management Committee (上海市建設和管理委員會)	January 13, 2014	N/A
Engineering Design and Construction Qualification Certificate (工程設計與施工資質證書)	Shanghai Xingjia Decoration and Building Materials Company Limited	Shanghai Municipal Construction and Management Committee (上海市城鄉建設和管理委員會)	December 21, 2014	August 19, 2019
Construction Enterprise Qualification Certificate (建築業企業資質證書)	Jiangsu Sunan Construction Company Limited	Ministry of Housing and Urban-Rural Construction of the PRC (中華人民共和國住房和城鄉建設部)	December 15, 2011	September 30, 2015
Chengdu Municipal Residential Decoration Enterprise Qualification Certificate (成都市住宅裝飾裝修企業資格證書)	Chengdu Xinwu Home Design Company Limited	Chengdu Municipal Construction and Decoration Association (成都市建築裝飾協會)	November 27, 2014	N/A
Chengdu Municipal Residential Decoration Enterprise Qualification Certificate (成都市住宅裝飾裝修企業資格證書)	Chengdu Shangdingju Decoration Company Limited	Chengdu Municipal Construction and Decoration Association (成都市建築裝飾協會)	January 23, 2015	N/A
Highway Transportation Business License (道路運輸經營許可證)	Wuhan Red Star Macalline Zhengda Logistics Company Limited	Wuhan Municipal Highway Transportation Management Office (武漢市公路運輸管理處)	August 7, 2013	July 31, 2017

LEGAL PROCEEDINGS AND LITIGATION

As of the Latest Practicable Date, we were involved in the following outstanding lawsuits, each with a dispute amount of over RMB10 million:

- We were a defendant in a lawsuit in relation to the property title of one of our Managed Shopping Malls. Plaintiffs, who claimed to be the rightful owners of the property in dispute, filed a lawsuit with the People's Court in Guangxi Liuzhou Liunan

District claiming our occupation of the property is illegal. Plaintiffs requested us to cease our alleged illegal occupation and claimed losses in a total amount of approximately RMB15 million. As of the Latest Practicable Date, the case was under first trial.

- We were a defendant in a lawsuit in relation to a contract dispute. Plaintiff, who provided certain media and public relation services for certain of our marketing events, filed a lawsuit with the People's Court in Beijing Chaoyang District due to disputes arising from the contract performance. Plaintiff requested us to make certain payments under a contract entered into between the plaintiff and us and claimed losses in a total amount of approximately RMB19 million. As of the Latest Practicable Date, the case was under first trial.

- Nanjing Mingdu Furniture Plaza Co., Ltd ("**Nanjing Mingdu**"), one of our subsidiaries, was a defendant of a lawsuit in relation to a lease contract. Plaintiff, who was a tenant of one of our shopping malls and defendant in a prior lawsuit brought by Nanjing Mingdu, filed a counter claim with the People's Court in Nanjing Qinhuai District due to disputes with respect to the renewal of the exhibition space agreement. Plaintiff claimed losses in a total amount of approximately RMB11 million. As of the Latest Practicable Date, the case was under first trial.

- We were a defendant in a lawsuit in relation to a contract management agreement. Plaintiff, who was a shareholder of our partner under the contract management agreement, filed a lawsuit with the People's Court in Guangzhou Yuexiu District due to disputes over payment under the contract management agreement. Plaintiff requested us to make a payment under the contract management agreement in the amount of approximately RMB12 million. As of the Latest Practicable Date, the case was under first trial.

- We were the plaintiff in a lawsuit in relation to a dispute over an enterprise income tax payment. We filed a lawsuit with the People's Court in Beijing Chaoyang District and requested to rescind the administrative decision of SAT and refund us the additional tax payment and late payment fine we paid in the amount of approximately RMB18 million. As of the Latest Practicable Date, the case was under first trial.

- We were the plaintiff in a lawsuit in relation to a contract management agreement. The defendant was our partner under the contract management agreement. We filed the lawsuit with the Nantong Intermediate People's Court due to disputes over the consultation and management fees and certain other payments due from the defendant under the contract management agreement. The defendant filed a counter-claim against us for refund of decoration fees allegedly paid to us. As of the Latest Practicable Date, the case was under first trial.

As the dispute amount of each of the abovementioned claims accounts for less than 0.1% of our net assets as of December 31, 2014, our PRC legal advisors, Llinks Law Offices, are of the view that such litigations would not, individually or in aggregate, have any material adverse impact on our business.

AWARDS AND RECOGNITION

During the Track Record Period, we received numerous awards for the quality and popularity of our products and services, including:

Year	Award	Awarding Institution/Authority
2014	National Signature Enterprise of Quality and Integrity	China Association for Quality Inspection
2014	Distinguished Contribution Award	Shanghai Furniture Industry Association
2014	Deputy Chief Member of the Fifth Committee of Jiangsu Furniture Industry Association	Furniture Association of Jiangsu Province
2014	Deputy Chief Member of the Third Committee of Jiangsu Furniture & Decoration Chamber of Commerce	Furniture & Decoration Chamber of Commerce of Jiangsu Province
2014	Shanghai Fifth May 1 Excellent Female Team Award	Shanghai Labor Union
2014	Vice Chairman Member of China Chain Store & Franchise Association (2014-2017)	China Chain Store & Franchise Association
2013	Top Hundred Outstanding Enterprises with Enterprise Culture	China Enterprise Culture Improvement Association
2013	2013 National Excellent Furniture Market	China National Furniture Association
2013	Special Executive Chief Enterprise of the Fifth Committee of China Building Materials Retail Association (2013-2018)	China Building Materials Retail Association
2013	Top Brand in China Building Materials Retail Industry	China Building Materials Retail Association
2013	Association Medal of Honor	China Building Materials Retail Association
2012	China Most Valued Corporate Citizen	Sixth China CEO Summit Forum in 2012
2012	Innovative Enterprise in China Home Improvement and Furnishings Retail Industry	China General Chamber of Commerce
2012	Outstanding Enterprise in National Building Materials Retail Industry	China Building Materials Retail Association/National Committee of China Machine & Metallurgy and Building Materials Labor Union
2012	Top Ten Mall of China Home Improvement and Furnishings Industry on Dual-Year List (2011-2012)	China Furniture & Decoration Chamber of Commerce

OUR CONTROLLING SHAREHOLDERS

As of the date of this prospectus, RSI, an investment holding company which was held as to 92% by Mr. CHE Jianxing and as to 8% by Mr. CHE Jianxing's sister, Ms. CHE Jianfang, held approximately 80.52% of the total issued share capital of our Company. Immediately following the completion of the Global Offering, RSI will hold approximately 68.44% of our enlarged issued share capital, assuming the Over-allotment Option is not exercised. Accordingly, Mr. CHE Jianxing and RSI will continue to be the Controlling Shareholders of our Company after the completion of the Global Offering.

DELINEATION OF BUSINESS

From October to December 2011, we disposed of our equity interests in all of our subsidiaries and associates engaging in the real estate development business to (i) RSI and its designated subsidiaries and (ii) certain other Independent Third Parties. For further details of the Disposal of Real Estate Business, see "History and Development — Business Reorganization — Disposal of Real Estate Business" in this prospectus.

Since the completion of the Disposal of Real Estate Business, our Group has continued to focus on our Core Operations. Mr. CHE Jianxing, through RSI, RSED and their respective subsidiaries, has been primarily engaged in real estate development, operation and management of department stores and construction and management of multipurpose complex.

By the nature of the services provided by our Company and RSED, there is a clear delineation between the respective businesses of our Company and our Controlling Shareholders.

INTERESTS RETAINED BY OUR CONTROLLING SHAREHOLDERS IN RESTRICTED BUSINESS

After the Listing, Mr. CHE Jianxing and his close associates will continue to hold interests in certain businesses which are in competition, or are likely to compete, with our Core Operations (the "**Restricted Business**"), for the reasons discussed below.

A. Greenland Jinniu

Background Information

Greenland Jinniu is a joint venture established in 2010 on a 50:50 basis by our Company and Greenland Chengdu, which is a wholly owned subsidiary of Greenland Holding Group Company Limited, a state-owned property development enterprise in the PRC and an Independent Third Party. Upon establishment, Greenland Chengdu and our Company each held 50% of the equity interest in Greenland Jinniu. Greenland Jinniu holds Chengdu Jinniu Shopping Mall and its corresponding assets and liabilities. Since Greenland Jinniu engages in the real estate development business, we disposed of our 50% equity interest in Greenland Jinniu to Chengdu Property, an indirect wholly owned subsidiary of RSED, in the process of the Disposal of Real Estate Business in 2011. Accordingly, Chengdu Jinniu Shopping Mall, then at the stage of construction-in-process, was transferred out of our Group together with Greenland Jinniu.

Operation and Management of Chengdu Jinniu Shopping Mall

Chengdu Jinniu Shopping Mall began operation in August 2014. In anticipation of its opening, we entered into a contract management agreement with Greenland Jinniu in November 2013, pursuant to which we would operate and manage Chengdu Jinniu Shopping Mall under our own brand, pending our repurchase of the shopping mall. For the principal terms of our contract management agreement with Greenland Jinniu, see "Connected Transactions — Contract management agreements with Greenland Jinniu" in this prospectus.

Our Right to the Optional Repurchase of Chengdu Jinniu Shopping Mall

There were a total of seven Transferred Shopping Malls which had been disposed of by us in the process of the Disposal of Real Estate Business in 2011. After the completion of the Disposal of Real Estate Business, we entered into the Repurchase Framework Agreements with, amongst others, RSED's wholly owned subsidiary, Xingkai Zhongcheng, relating to our repurchase of the seven Transferred Shopping Malls from the relevant Disposed Real Estate Companies, including Chengdu Jinniu Shopping Mall.

Under the Repurchase Framework Agreements, we (i) have a legally binding obligation to repurchase four of the Transferred Shopping Malls; and (ii) have been granted an option to repurchase the other three Transferred Shopping Malls, including Chengdu Jinniu Shopping Mall. For further details of our right and obligation as to the repurchase of the seven Transferred Shopping Malls under the Repurchase Framework Agreements, see "History and Development — Business Reorganization—Repurchase of the Transferred Shopping Malls" in this prospectus.

As of the Latest Practicable Date, we had completed our repurchase of two Transferred Shopping Malls and have been going through the filing, reporting and approval procedures required for the corporate demerger, equity transfer and updating of AIC registration, as the case may be, for our repurchase of the other four. However, we had not exercised our option to repurchase Chengdu Jinniu Shopping Mall. Accordingly, our Company and Greenland Chengdu have not decided on the transaction structure, consideration, how it will be satisfied and details of the terms of any arrangements relating to our proposed repurchase of Chengdu Jinniu Shopping Mall.

If we exercise our option to repurchase Chengdu Jinniu Shopping Mall and enter into definitive agreements with Chengdu Jinniu relating to the repurchase after the Listing, the transactions contemplated thereunder would constitute connected transactions and be subject to the relevant requirements under Chapter 14A of the Listing Rules.

Reasons for Non-inclusion of Chengdu Jinniu Shopping Mall

As Greenland Jinniu is owned as to 50% by Greenland Chengdu, the Company's repurchase of Chengdu Jinniu Shopping Mall requires Greenland Chengdu's consent and assistance. The Company has already proposed to Greenland Chengdu its intended repurchase of Chengdu Jinniu Shopping Mall and obtained a positive initial response from Greenland Chengdu. However, the Company will need to negotiate with Greenland Chengdu on the details of the transaction structure for the intended repurchase, given that (a) the Company does not intend to directly hold shares in Greenland Jinniu, which partly engages in the real estate business; and (b) if the parties intend to structure the repurchase by way of corporate demerger and equity transfer like the other six Transferred Shopping Malls, Greenland Chengdu will need to go through a series of internal reporting and approval procedures applicable to state-owned assets. As of the Latest Practicable Date, the Company had not yet entered into any definitive agreement with Greenland Chengdu and our Controlling Shareholders in relation to the intended repurchase.

Having regard to the following factors, our Directors are of the view that there will not be significant competition or conflict of interest arising from the non-inclusion of Chengdu Jinniu Shopping Mall:

(i). Based on the latest unaudited management accounts of Greenland Jinniu prepared in accordance with the PRC GAAP, the assets, revenue and profit before tax of Greenland Jinniu as a whole for the year ended December 31, 2014 was RMB2,311.6 million, RMB258.3 million and RMB41.4 million, accounting for less than 5% of our Group's total assets, revenue and profit, respectively, for the same period.

(ii). We have operational control over Chengdu Jinniu Shopping Mall under the contract management agreement, pending the repurchase of the shopping mall. As the operator and manager of Chengdu Jinniu Shopping Mall, we are responsible for the daily management of the shopping mall, have direct access to its operational and financial information and are usually among the first to be aware of any new business opportunity or proposal available to it.

(iii). As RSED's equity interest in Greenland Jinniu is limited to 50% and the other 50% is held by Greenland Chengdu, a state-owned enterprise and an Independent Third Party, our Directors believe that there is no significant economic incentive for Mr. CHE Jianxing to divert new business opportunities or proposals from our Group to Greenland Jinniu, if any.

B. Property held by Changzhou RSHFC

Our wholly owned subsidiary, Changzhou Macalline has leased a piece of property from Changzhou RSHFC for the operation and management of Changzhou Decoration Mall. The leased property, with a total GFA of approximately 40,678 sq.m., is located at No.70 Feilong Road East, Changzhou City, Jiangsu Province. For further details of the principal terms of the Changzhou RSHFC Lease Agreement, see "Connected Transactions" in this prospectus.

Changzhou RSHFC is an individual proprietorship enterprise (個人獨資企業) established by Mr. CHE Jianxing under PRC laws. Prior to April 2011, Changzhou RSHFC had used the property to operate its Portfolio Shopping Mall then named as "Changzhou Red Star Mall". In order to consolidate our Group's Core Operations and minimize potential competition and conflict of interests with our Controlling Shareholders, Changzhou RSHFC ceased to engage in home improvement and furnishings shopping mall business from April 2011 and leased the property to Changzhou Macalline for the operation of Changzhou Decoration Mall. As Changzhou RSHFC is an individual proprietorship enterprise established by Mr. CHE Jianxing in his personal capacity, to transfer the property to our Group by way of asset transfer would give rise to tax implications for Changzhou RSHFC under the applicable PRC laws, which would ultimately be translated into our purchase price for such property. Accordingly, we decided to rent the property from Changzhou RSHFC under a ten-year lease.

Our Directors believe there will not be significant competition or conflict of interests arising from such arrangement since (i) Changzhou RSHFC has ceased to engage in the operation and management of home improvement and furnishings shopping malls and has been holding the property as landlord; (ii) the financial impact from the non-inclusion of the property held by Changzhou RSHFC is immaterial to our Group's financial and operating status; and (iii) the terms and conditions in the Changzhou RSHFC Lease Agreement are fair and reasonable and no less favorable than those offered by Independent Third Parties.

For the reasons stated above and in view of the potential tax implications associated with the transfer of the property from Changzhou RSHFC, our Directors are of the view that leasing the property is a reasonable commercial arrangement in our and our Shareholders' interests as a whole.

C. Shareholding in certain project companies

Mr. CHE Jianxing, through RSED and its subsidiaries, currently holds 10% or more minority equity interest in a total number of 19 project companies holding our Managed Shopping Malls (the "**19 Project Companies**") and less than 10% equity interest in certain other project companies. The 19 Project Companies were established and are controlled by our business partners for Managed Shopping Malls. Apart from holding our Managed Shopping Malls, the 19 Project Companies also engage in the real estate development business.

The following table sets forth the information of the 19 Project Companies:

	Project Company	Managed Shopping Mall	Location	Term of Contract Management Agreement	Shareholding by Mr. CHE Jianxing (through RSED and its subsidiaries)	Board Representation
1.	Cixi Xinkai Home Furnishing Shopping Plaza Company Limited	Cixi Xiaolin Mall	Cixi, Zhejiang Province	20 years from December 21, 2013	10%	None
2.	Ningbo Longkai Home Living Shopping Company Limited	Ningbo Ganglong Mall	Ningbo, Zhejiang Province	10 years from December 18, 2013	20%	None
3.	Ningbo Aoyang International Home Furnishing Shopping Plaza Company Limited	Ningbo Yinzhou Mall	Ningbo, Zhejiang Province	10 years from April 30, 2011	20%	None
4.	Xinxiang Development Sanjiang Property Company Limited	Xinxiang Pingyuan Mall	Xinxiang, Henan Province	10 years from September 15, 2013	12%	None
5.	Shanxi Haozekun Property Development Company Limited	Red Star Macalline Shanxi Jincheng Shopping Mall(1)	Jincheng, Shanxi Province	10 years from the opening date of the shopping mall(1)	10%	None
6.	Tonghua Kailong Commercial Plaza Company Limited	Red Star Macalline Jilin Tonghua Shopping Mall(1)	Tonghua, Jilin Province	10 years from the opening date of the shopping mall(1)	10%	None
7.	Tongliao Yiding Home Furnishing Market Company Limited	Red Star Macalline Inner Mongolia Tongliao Shopping Mall(1)	Tongliao, Inner Mongolia Autonomous Region	10 years from the opening date of the shopping mall(1)	12%	None

	Project Company	Managed Shopping Mall	Location	Term of Contract Management Agreement	Shareholding by Mr. CHE Jianxing (through RSED and its subsidiaries)	Board Representation
8.	Bingzhou Xingkai Property Company Limited	Red Star Macalline Shandong Bingzhou Shopping Mall(1)	Bingzhou, Shandong Province	15 years from the opening date of the shopping mall(1)	10%	None
9.	Hengshui Xingkai Home Furnishing Plaza Company Limited	Red Star Macalline Hebei Hengshui Shopping Mall(1)	Hengshui, Hebei Province	15 years from the opening date of the shopping mall(1)	15%	None
10.	Yingkou Hongxin Property Company Limited	Red Star Macalline Liaoning Yingkou Shopping Mall(1)	Yingkou, Liaoning Province	15 years from the opening date of the shopping mall(1)	12%	None
11.	Anhui Jingcheng Tiandi Property Investment Company Limited	Red Star Macalline Anhui Liu'an Shopping Mall(1)	Liu'an, Anhui Province	20 years from the opening date of the shopping mall(1)	10%	None
12.	Fujian Lianlong Investment Company Limited	Red Star Macalline Fujian Lianjiang Shopping Mall(1)	Lianjiang, Fujian Province	15 years from the opening date of the shopping mall(1)	10%	None
13.	Chizhou Huichi Market Management Company Limited	Red Star Macalline Anhui Chizhou Shopping Mall(1)	Chizhou, Anhui Province	10 years from the opening date of the shopping mall(1)	10%	None
14.	Dezhou Xingkai Home Furnishing Company Limited	Red Star Macalline Shandong Dezhou Shopping Mall(1)	Dezhou, Shandong Province	10 years from the opening date of the shopping mall(1)	15%	None
15.	Jiaozuo Xingkai Property Company Limited	Red Star Macalline Henan Jiaozuo Shopping Mall(1)	Jiaozuo, Henan Province	15 years from the opening date of the shopping mall(1)	15%	None

	Project Company	Managed Shopping Mall	Location	Term of Contract Management Agreement	Shareholding by Mr. CHE Jianxing (through RSED and its subsidiaries)	Board Representation
16.	Shangqiu Rongda Property Company Limited	Red Star Macalline Henan Shangqiu Shopping Mall[(1)]	Shangqiu, Henan Province	15 years from the opening date of the shopping mall[(1)]	15%	None
17.	Jilin Zhongkai Red Star Property Company Limited	Red Star Macalline Jilin Zhongkai Shopping Mall[(1)]	Jilin, Jilin Province	10 years from the opening date of the shopping mall[(1)]	12%	None
18.	Xiaogan Hongxing Investment Development Company Limited	Red Star Macalline Hubei Xiaogan Shopping Mall[(1)]	Xiaogan, Hubei Province	10 years from the opening date of the shopping mall[(1)]	10%	None
19.	Weifang Kaili Property Company Limited	Weifang Hanting Shopping Mall	Weifang, Shandong Province	January 1, 2014 to June 27, 2024	11.91%	None

Note:

(1) These Managed Shopping Malls had not opened as of the Latest Practicable Date. For further details of these Managed Shopping Malls, see "Business — Our Shopping Malls — Project Portfolio — Our Managed Shopping Malls" in this prospectus.

We have not required Mr. CHE Jianxing to transfer his shareholding interest in the 19 Project Companies to our Group, as we have tried to avoid holding equity interest in any company engaging in the real estate business since the Disposal of Real Estate Business in 2011. Our Directors are of the view that Mr. CHE's shareholding interests in the 19 Project Companies will not give rise to significant competition and conflict of interests between our Core Operations and his personal interests for the following reasons:

(i). The 19 Project Companies, being the property owners of the home improvement and furnishings shopping malls, do not engage in the operation and management of our Managed Shopping Malls.

(ii). All of the 19 Project Companies are located in the cities where we do not have, and currently do not plan to open, our Portfolio Shopping Malls.

(iii). Mr. CHE Jianxing only holds a minority shareholding interest in each of the 19 Project Companies with no involvement in its day-to-day operation.

NON-COMPETITION UNDERTAKING BY OUR CONTROLLING SHAREHOLDERS

In order to ensure that there is no competition between our Core Operations and the other business activities of Mr. CHE Jianxing and his close associates, Mr. CHE Jianxing and RSI have entered into a non-competition undertaking (the "**Non-Competition Undertaking**") in favor of our Company, under which they have undertaken that they will not and will use their best efforts to procure that their respective close associates (other than any member of our Group) will not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm, or company, engage, participate or hold any right or interest in any Restricted Business.

The above undertaking does not apply where:

(i). the equity interest held, directly or indirectly, by Mr. CHE Jianxing, RSI and/or their respective close associates (other than any member of our Group) accounts for, individually or together, not more than 10% of the issued share capital of a company engaged in any Restricted Business which is or whose holding company is listed on a recognized stock exchange;

(ii). the Restricted Business accounts for less than 10% of the company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts;

(iii). the equity interest held, directly or indirectly, by Mr. CHE Jianxing, RSI and/or their respective close associates (other than any member of our Group) accounts for, individually or together, not more than 10% of the same class of shares issued by a company engaging in any Restricted Business, and Mr. CHE Jianxing, RSI and/or their respective close associates (other than any member of our Group), individually or together, have no right to appoint a majority of the directors of that company;

(iv). an opportunity relating to the engaging, participating or holding any right or interest in any Restricted Business (the "**New Business Opportunity**") has first been offered or made available to our Company by Mr. CHE Jianxing and/or RSI on terms and conditions no less favorable than those offered to them, and either we do not respond to the offer by the due date, or after the decisions made by our Directors, we decline in writing to accept such an opportunity (whichever is earlier); or

(v). any right or interest in any member of our Group.

New Business Opportunity

Under the Non-Competition Undertaking, Mr. CHE Jianxing and RSI have undertaken that, during the term of the Non-Competition Undertaking, if Mr. CHE Jianxing, RSI and/or their respective close associates (other than any member of our Group) become aware of any New Business Opportunity, Mr. CHE Jianxing and/or RSI shall immediately notify our Company in writing of the New Business Opportunity and use their best efforts to procure the New Business Opportunity to be offered or made available to our Company on terms and conditions no less favorable than those offered to them. Mr. CHE Jianxing, RSI and/or their respective close associates (other than any member of our Group) shall not engage, participate or hold any right or interest in the New Business Opportunity unless our Company has failed to respond within thirty (30) days after being notified of such an opportunity, or after the decisions made by our Directors who do not have any material interest in such decisions, has declined in writing to accept it (whichever is earlier).

Option for Acquisition

Mr. CHE Jianxing and RSI have confirmed and acknowledged our Company's right to the Optional Repurchase of Chengdu Jinniu Shopping Mall and its corresponding assets and liabilities under the Repurchase Framework Agreements. They have also undertaken that they will, and will procure their respective close associates to, use their best efforts to assist our Company in completing our repurchase of (i) the Transferred Shopping Malls held by Changchun Property, Yunnan Property (with respect to the portion that our Company has a right to repurchase), Shenyang Jingsen, Dalian Investment and Xinglong Property; and (ii) Chengdu Jinniu Shopping Mall when we have exercised such option under the Repurchase Framework Agreements.

Mr. CHE Jianxing has also granted an option for our Company to purchase the property leased under the Changzhou RSHFC Lease Agreement at our sole discretion on fair and reasonable terms.

Right of First Refusal

Mr. CHE Jianxing and RSI have undertaken to our Company that, during the term of the Non-competition Undertaking, they shall not dispose of any right or interest held by them, directly or indirectly, in (i) Greenland Jinniu and Chengdu Jinniu Shopping Mall and (ii) the leased property under the Changzhou RSHFC Lease Agreement, without first offering to us the right to acquire such right or interest, and in the case of Greenland Jinniu and Chengdu Jinniu Shopping Mall, subject to the pre-emptive rights of Greenland Chengdu or any other existing shareholder of Greenland Jinniu under applicable PRC laws.

Disposal of Shareholding in the 19 Project Companies

In respect of the 19 Project Companies, Mr. CHE Jianxing has undertaken to our Company that, in the event that (i) we cease to be the operator of any of the 19 Project Companies; or (ii) we plan to establish our Portfolio Shopping Mall in any of the cities where the 19 Project Companies are located, he will exit from his investment in the relevant project company and dispose of the equity interests he holds in the relevant project company to our Company or Independent Third Parties.

Further Undertakings

Mr. CHE Jianxing and RSI have further undertaken to our Company, among other things, that:

(i). upon request from our independent non-executive Directors, they shall provide all information which is necessary for our independent non-executive Directors' annual review, or otherwise as requested by our independent non-executive Directors, of their compliance with the Non-Competition Undertaking;

(ii). they agree that our Company may disclose the decisions made by our independent non-executive Directors relating to their compliance with the Non-Competition Undertaking in our annual report or announcements;

(iii). they shall provide an annual declaration or confirmation on compliance with the Non-Competition Undertaking to our Company and our Board and for disclosure in our annual reports; and (iv). they each shall indemnify our Group against any loss resulting from any breach of the Non-Competition Undertaking by Mr. CHE Jianxing, RSI and/or any of their respective close associates.

Termination

The Non-Competition Undertaking will cease to have effect upon the earlier of:

(i). Mr. CHE Jianxing and RSI ceasing to hold, directly or indirectly, an aggregate of 30% of the issued share capital of our Company;

(ii). the H Shares of our Company ceasing to be listed on the Hong Kong Stock Exchange; or

(iii). our Company ceasing to be engaged in our Core Operations.

In view of (a) the legally binding obligation of Mr. CHE Jianxing and RSI under the Non-Competition Undertaking and our right to the Optional Repurchase of Chengdu Jinniu Shopping Mall and the corresponding assets and liabilities, and (b) the information-sharing and other corporate governance measures in place as described above, our Directors are of the view that our Company has taken all appropriate and practicable steps to ensure the compliance by Mr. CHE Jianxing and RSI with their obligations under the Non-Competition Undertaking.

CONFIRMATION

Save as disclosed above, neither our Controlling Shareholders nor any of our Directors was, as of the Latest Practicable Date, interested in any business which competes, or is likely to compete, directly or indirectly, with our Core Operations and would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing without unduly relying upon them, taking into consideration the factors below.

Management Independence

We are able to carry on our business independently from the Controlling Shareholders and their close associates from a management perspective. Our Board consists of 12 Directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors.

Among our twelve Directors, five had held directorship and/or served in senior management positions in RSED and/or its subsidiaries before and resigned from such directorship and/or senior management positions before Listing. The following table sets forth the overlapping directors and members of senior management of our Company, RSI, RSED and the other close associates of Mr. CHE Jianxing immediately following the Listing:

Name	Positions held in our Company	Roles as director and senior management in Mr. CHE Jianxing's close associates — Name of company	Position
Mr. CHE Jianxing (車建興)	Chairman, executive Director, chief executive officer and general manager	RSI, Changzhou Kaili Investment Company Limited* (常州凱利投資有限公司)(1) and Red Star Furniture Group(1)	director
		RSED(2)	chairman and director
		Changzhou RSHFC	responsible person(3)
		Hong Kong Kaili Furniture Company Limited (香港凱利家居有限公司)(4) and Hong Kong Red Star Macalline International Furniture Mall Co., Limited (香港紅星美凱龍國際家居有限公司)(4)	director
		Shanghai Dingxing Investment Management Company Limited* (上海鼎幸投資管理有限公司)(5)	director
Mr. XU Guofeng (徐國峰)	non-executive Director	RSED(6)	director

Notes:

(1) As of the Latest Practicable Date, Changzhou Kaili Investment Company Limited* (常州凱利投資有限公司) and Red Star Furniture Group were both dormant companies with no business activity.

(2) Mr. CHE Jianxing also acts as the legal representative, a director, the chairman and/or vice chairman, as the case may be, in a total of 13 companies in the equity capital of which RSED is directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings.

(3) Changzhou RSHFC is an individual proprietorship enterprise established by Mr. CHE Jianxing under the PRC laws and does not have a board of directors or senior management. Changzhou RSHFC does not engage in any substantial business activity other than holding the property which has been leased to Changzhou Macalline for the management and operation of Changzhou Decoration Mall. For further details of the lease arrangement, see "— Interests Retained by Our Controlling Shareholders in Restricted Business — B. Property held by Changzhou RSHFC" above.

(4) Each of Hong Kong Kaili Furniture Company Limited (香港凱利家居有限公司) and Hong Kong Red Star Macalline International Furniture Mall Co., Limited (香港紅星美凱龍國際家居有限公司) is a limited liability Company incorporated in Hong Kong and is a wholly owned subsidiary of Mr. CHE Jianxing. As of the Latest Practicable Date, Hong Kong Kaili Furniture Company Limited (香港凱利家居有限公司) and Hong Kong Red Star Macalline International Furniture Mall Co., Limited (香港紅星美凱龍國際家居有限公司) had no business activity.

(5) Shanghai Dingxing Investment Management Company Limited* (上海鼎幸投資管理有限公司) is a wholly owned subsidiary of RSI which is primarily engaged in the provision of financial and investment consulting services.

(6) Mr. XU Guofeng also acts as a director in a total of eight companies whose equity capital RSED is directly or indirectly interested in so as to exercise or control the exercise of 30% or more of the voting power at general meetings. Mr. XU Guofeng has served written notice to resign from all of his executive positions within our Group.

Despite that two of our Directors hold overlapping positions in RSI and RSED and their respective subsidiaries and associates, our Directors are of the view that our Board and senior management will function independently from our Controlling Shareholders and their close associates for the following reasons:

(i). RSI, through RSED and its subsidiaries, is principally engaged in real estate development, operation and management of department stores and construction and management of multipurpose complexes, which are separate and distinct from our Core Operations. Given the different business nature of our Group and RSED, our and RSED's site selection and land acquisition strategies also differ from each other. We usually target localities along or near city highways or freeways and our furnishings shopping malls are typically not located in urban centers. Comparatively, developers of department stores and multipurpose complexes target localities within proximity to the city center to maximize frequency of visits. As of the date of this prospectus, there are only two cases where our self-owned home furnishing shopping malls have overlapping geographical locations with those of the department stores and multipurpose complexes owned by RSED and its subsidiaries: (a) Tianjin Aegean Shopping Park (天津愛琴海購物公園), which shares the same location with Huayun Shopping Mall; and (b) Kunming Aegean Shopping Park (昆明愛琴海購物公園), which shares the same location with Yunnan Shopping Mall. The relevant land parcels had been granted to our Group prior to the Disposal of Real Estate Business, i.e. during the time when we were engaged in both home furnishing business and real estate development business. Furthermore, RSED and our Company have each engaged its own senior management team. Accordingly, it is expected that the multiple roles taken by Mr. CHE Jianxing and Mr. Xu Guofeng in our Company and the companies controlled by our Controlling Shareholders would not give rise to material conflict of interests or material issues relating to management independence.

(ii). Mr. XU Guofeng, a director of RSED and its respective subsidiaries, acts as our non-executive Director and is not involved in our daily management and operation;

(iii). our Company has its own senior management team responsible for the daily management and operation of our Company while our Board is responsible for overseeing our overall management and strategic development. Each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and our Shareholders as a whole and does not allow any conflict between his/her duties as a director and his/her personal interests to exist;

(iv). our four independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions;

(v). in the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and our Directors, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;

(vi). we have also established an internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions; and

(vii). in order to allow the non-conflicting members of our Board to function properly with the necessary professional advice, we will engage a third-party professional advisor to advise our Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between us and our Directors and/or their respective associates.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles as directors independently and manage our business independently from our Controlling Shareholders and their close associates after the Listing.

Operational Independence

We do not rely on our Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Our Group has entered into certain continuing connected transactions with our Controlling Shareholders' associates, pursuant to which we will (i) lease certain properties from Mr. CHE Jianxing's individual proprietorship enterprise or relative, as the case may be; (ii) lease certain shopping areas to the companies controlled by Mr. CHE Jianxing's relatives; and (iii) manage and operate certain shopping malls held by the companies controlled by Mr. CHE Jianxing's relatives. For further details of our continuing connected transactions, see "Connected Transactions" in this prospectus. These lease agreements and contract management agreements are on normal commercial terms after arm's-length negotiations in the ordinary and usual course of our business. Our Directors believe that if the counterparties in these transactions terminate such agreements, the interruption to our business and the loss of the rental income or consulting and management fees from the termination of such agreements would not have material financial impact on our operating and financial status and we would have no difficulties in finding new tenants or new partners for our contract management business in the PRC.

Save as disclosed above, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and their close associates.

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. We do not expect to rely on our Controlling Shareholders and their close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering.

During the Track Record Period, Mr. CHE Jianxing and his associates have provided financial assistance in the form of guarantees on some of our loans with third-party banks. The Controlling Shareholders' guarantees were required by some commercial banks in the PRC for extending loans to private companies as a common industry practice. Our Directors believe that key financial institutions in the PRC, where we primarily carry out our business, recognize the stand-alone credit of our Company and are willing to grant credit lines without financial assistance from the Controlling Shareholders. As of April 30, 2015, we had retained the Guaranteed Loans in an aggregate amount of approximately RMB4,668.1 million, representing approximately 35.0% of our Company's total borrowings as of April 30, 2015. After the Listing, we expect to retain the Guaranteed Loans in an aggregate amount of approximately RMB4,881.1 million, representing approximately 36.6% of our Company's total borrowings as of April 30, 2015. Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders and their close associates had provided any loan, guarantee or pledge to us.

In respect of the Guaranteed Loans, we believe that the premature release of such guarantees or refinancing the existing loan facilities would be impracticable and not in the best interests of our Company and our Shareholders. If the Group were to terminate the guarantees prematurely, it would give rise to early termination liabilities. In that case, according to the terms of the facility agreements, the lenders could cancel the unutilized loans and declare all outstanding loans to be immediately due and require the Group to immediately repay all outstanding principal and interest on the loans and other sums payable. In order to repay the outstanding loans, the Group would need to refinance the existing loan facilities with loan facilities from other lenders. Considering the amount of the loans involved, it is expected that due diligence and negotiation of new facilities would take considerable time which would, in turn, adversely affect the normal operation of the Group. If the Group were to repay the outstanding Guaranteed Loans before their due dates, the lenders could request the Group to pay penalties. Further, by entering into new loan facilities, the Group would incur additional costs, such as fees associated with the due diligence exercise and legal fees.

Based on the above, we consider that it is not commercially viable to terminate the guarantees or refinance the existing loan facilities as we would need to spend a considerable amount of time, effort and costs. Nevertheless, we have registered with the National Association of Financial Market Institutional Investors for the issuance of private placement notes in the PRC of an aggregate principal amount up to RMB4,000 million in a period of two years from August 5, 2013, out of which only RMB1,000 million private placement notes were issued in December 2014. In addition, our Group has obtained written confirmations from several financial institutions to offer generally equivalent loan facilities in the aggregate amount of RMB4,794 million on normal commercial terms without the guarantees or other financial assistance from our Controlling Shareholders or any third party. The interest rates of such loan facilities range from 100% of the PBOC benchmark loan rate to 120% of the PBOC benchmark loan rate per annum. The range of interest rates is generally equivalent to that of the Guaranteed Loans. Other than the range of interest rates, the written confirmations do not provide any additional fees or charges in connection with the loan facilities, nor is there any other agreement or arrangement between these financial institutions and our Company to such effect. The detailed terms of the facilities agreements are subject to the negotiation of the parties and the Company expects the covenants contained therein to be generally equivalent to those of the Guaranteed Loans. The unutilized private placement notes with an aggregate principal amount of up to RMB3,000 million and the amount of loan facilities we have obtained are sufficient to cover the Guaranteed Loans. As such, we believe that we are able to obtain new financings and extend existing financings from commercial banks on normal commercial terms without guarantees and security from our Controlling Shareholders or their close associates following the Listing.

As of the Latest Practicable Date, our Company had an AA credit rating by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd., and had been able to borrow money from the domestic financial markets in the PRC without any credit support from our Controlling Shareholders. This is demonstrated by our issuance of four tranches of medium-term notes and one tranche of private placement notes through National Association of Financial Market Institutional Investors since August 2012, each in a principal amount ranging from RMB500 million to RMB1,000 million, without any financial assistance from our Controlling Shareholders and their close associates. For further details, see "History and Development — Issuance of Mid-term Notes" in this prospectus.

For the above reasons, our Directors consider that there is no financial dependence by us on our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE

Other than deviation from code provision A.2.1 as disclosed in "Directors, Supervisor and Senior Management — Deviation from code provision A.2.1 of the Corporate Governance Code" in this prospectus, our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

(i). where a Shareholders' meeting is held for considering proposed transactions in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(ii). where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(iii). our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They will review whether there is any conflict of interests between the Group and the Controlling Shareholders annually and are committed to providing impartial and professional advice to protect the interest of our minority Shareholders;

(iv). our Directors will be responsible for reviewing, considering and deciding whether or not to take up any New Business Opportunity and to exercise the option for acquisition and the right of first refusal as provided in the Non-Competition Undertaking. Any Directors who have a material interest in such decision shall abstain from voting. Our Company will disclose such decision (including our independent non-executive Directors' views for such decision) in its annual report;

(v). in the event that our independent non-executive Directors are requested to review any conflict of interests between the Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements; and

(vi). we have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the Listing.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) that may be purchased for an aggregate amount of US$330 million (or approximately HK$2,559 million) (the "**Cornerstone Placing**"). Based on the Offer Price of HK$12.23 (being the mid-point of the Offer Price range stated in this prospectus) the total number of H Shares to be subscribed for by the Cornerstone Investors would be 209,200,200, representing approximately (i) 5.76% of the Shares in issue upon the completion of the Global Offering and 19.67% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 5.65% of the Shares in issue upon completion of the Global Offering and 18.28% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

Each of the Cornerstone Investors is an independent third party, is not our connected person (as defined under the Listing Rules), and is not an existing shareholder of our Company. In addition, each of the Cornerstone Investors is independent of each other, and makes independent investment decisions. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around June 25, 2015.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder (as defined under the Listing Rules) of our Company. The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the respective cornerstone investment agreements.

Pursuant to paragraph 4.2 of Practice Note 18 to the Listing Rules and the relevant waiver granted by the Stock Exchange, in the event of over-subscription under the Hong Kong Public Offering, the number of Offer Shares to be acquired by the Cornerstone Investors might be affected by the re-allocation of H Shares between the International Offering and the Hong Kong Public Offering. In such event, the number of Offer Shares may be deducted on a pro rata basis in accordance with the clawback mechanism as stated in the "Waivers from Strict Compliance with the Listing Rules" and "Structure of the Global Offering" sections of this prospectus to satisfy the respective public demands under the Hong Kong Public Offering.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

		Based on the Offer Price of HK$12.23			
Cornerstone Investor	Investment Amount (US$ in millions)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)
BosValen Master Fund . . .	30	0.52%	0.51%	1.79%	1.66%
China National Building Material Company Limited	50	0.87%	0.86%	2.98%	2.77%
Falcon Edge Global Master Fund, LP	100	1.75%	1.71%	5.96%	5.54%
Hong Kong Gree Electric Appliances Sales Limited	100	1.75%	1.71%	5.96%	5.54%
Shandong State-owned Assets Investment Holdings Co., Ltd	50	0.87%	0.86%	2.98%	2.77%

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

BosValen Master Fund

BosValen Master Fund ("**BosValen**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$30 million at the Offer Price. Assuming an Offer Price of HK$12.23, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that BosValen would subscribe for would be 19,018,200, representing approximately 0.52% of the Shares, and approximately 1.79% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

BosValen is the primary investment fund advised by BosValen Asset Management Limited, a Hong Kong based independent asset management company established in 2014.

China National Building Material Company Limited

China National Building Material Company Limited ("**CNBM**"), through China Building Material Holdings Co., Limited ("**CBMH**") which is its wholly owned subsidiary, has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$12.23 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares that CNBM would subscribe for would be 31,697,000, representing approximately 0.87% of the Shares, and approximately 2.98% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Incorporated in Hong Kong, CBMH is an investment holding company wholly owned by CNBM. CNBM is a large building materials state-owned enterprise, which is the core enterprise of China National Building Material Group Corporation. CNBM was founded on March 28, 2005, and has been listed on Hong Kong Stock Exchange since March 23, 2006 (stock code: 3323).

CNBM is mainly engaged in cement, lightweight building materials, glass fiber, composite materials and engineering services businesses. The strategic goal of CNBM is "to become a world-class manufacturer of building materials, and to maximize shareholder return". The core values of CNBM are "innovation, performance, harmony and responsibility".

After nine years of development since listing, CNBM has explored a development path of "capital operation, consolidation and restructuring, management integration, and integrated innovation". The scale of the core business of CNBM has grown rapidly and the earning capacity has improved continuously. By the end of 2014, the annual cement capacity of CNBM is over 400 million tons, commercial concrete capacity is 413 million cubic metres, gypsum board capacity is 1.78 billion square meters, and fiber glass capacity is one million tons. CNBM has become the largest cement, commercial concrete and gypsum board producer in the world, a world leading glass fibre producer and the largest rotor blade producer in the PRC. In the future, CNBM will steadily develop capital operation and consolidation, and continue to improve management integration, energy saving and emission reduction. CNBM strives to become a leading company in providing high return to its shareholders, taking social responsibilities, and having international competitiveness, and would like to make more contribution to the healthy development of Chinese building material industry.

Falcon Edge Global Master Fund, LP

Falcon Edge Global Master Fund, LP ("**Falcon Edge Fund**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming an Offer Price of HK$12.23, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Falcon Edge Fund would subscribe for would be 63,394,000, representing approximately 1.75% of the Shares, and approximately 5.96% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Falcon Edge Fund is an investment fund organized as an exempted limited partnership under the laws of the Cayman Islands. Falcon Edge Capital, LP ("**Falcon Edge Capital**") serves as the investment manager of Falcon Edge Fund. Falcon Edge Capital is a global investment firm dedicated to exploiting asymmetrical risk-reward opportunities on both the long and short side through a fundamental investment approach.

Hong Kong Gree Electric Appliances Sales Limited

Hong Kong Gree Electric Appliances Sales Limited ("**Gree**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming an Offer Price of HK$12.23 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares that Gree would subscribe for would be 63,394,000, representing approximately 1.75% of the Shares, and approximately 5.96% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Gree is a company incorporated in Hong Kong in 2005 and a wholly owned subsidiary of Gree Electric Appliances Inc. of Zhuhai ("**Gree Electric Appliances**"), which is a company listed on the Shenzhen Stock Exchange with stock code 000651. The ultimate controlling shareholder of Gree Electric Appliances is the State-owned Assets Supervision and Administration Commission of Zhuhai.

Gree was set up as the exporting platform of Gree Electric Appliances to the overseas market and now has also become its financing center and treasury arm. Gree Electric Appliances currently is the world's largest specialized air conditioning enterprise which has integrated research and development, manufacturing, marketing and service with revenue of RMB140,005 million and net profit of RMB14,155 million respectively for the year ended December 31, 2014

Shandong State-owned Assets Investment Holdings Co., Ltd.

Shandong State-owned Assets Investment Holdings Co., Ltd. ("**Shandong State-owned Assets Investment**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$12.23 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares that Shandong State-owned Assets Investment would subscribe for would be 31,697,000, representing approximately 0.87% of the Shares, and approximately 2.98% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Shandong State-owned Assets Investment is a special corporate entity performing the government's duties both as investor and manager of the relevant state-owned enterprises. It performs the corporate functions of the government as an investor and has both policy and commercial objectives. Shandong State-owned Assets Investment, as authorized by the State-owned Assets Supervision and Administration Commission of the Shandong Province, acts as an investment and financing platform for material industrial projects as well as an asset transaction and disposal platform. It actively promotes the reform and reorganization of the enterprises under the provincial government's administration as well as the optimization of industry structure, with an aim of preserving and increasing the value of state-owned assets.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional

(in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in such agreements;

(2) the Listing Committee having granted approval for the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked;

(3) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated; and

(4) no Laws (as defined in the relevant cornerstone investment agreement) shall have been enacted or promulgated to prohibit the consummation of the transactions contemplated in the Global Offering or under the relevant cornerstone investment agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions contemplated under the Global Offering or under the relevant cornerstone investment agreement.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Underwriters' Representatives for the cornerstone investment agreement with BosValen, and our Company and the Joint Sponsors for the other cornerstone investment agreements, it will not, whether directly or indirectly, at any time during a period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the shares subscribed by it under the relevant cornerstone investment agreement and any shares or securities of our Company derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares, or enter into any transactions, directly or indirectly, with the same economic effect as any transaction for such disposal of Relevant Shares or interest, or agree or contract to, or publicly announce any intention to enter into, any transaction for such disposal of the Relevant Shares or interest or any transactions with the same economic effect.

Each Cornerstone Investor may transfer the H Shares so subscribed in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly owned subsidiary of such Cornerstone Investor, provided that such wholly owned subsidiary undertakes in writing, and such Cornerstone Investor undertakes in writing to procure, that such wholly owned subsidiary agrees to be subject to the restrictions on disposals imposed on the Cornerstone Investor.

CONNECTED TRANSACTIONS

We have entered into certain agreements with our Controlling Shareholders and other connected persons. The transactions under these agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

RELEVANT CONNECTED PERSONS

The following persons and entities, with whom we have entered into transactions and will continue to conduct business, will be regarded as our connected persons under the Listing Rules after the Listing:

Connected Persons	Connected Relationship
Mr. CHE Jianxing	one of our Controlling Shareholders, executive Director and Chief Executive Officer
Ms. CHE Jianfang	our executive Director and Mr. CHE Jianxing's sister
Ms. CHEN Shuhong	our non-executive Director and Mr. CHE Jianxing's wife
RSI	one of our Controlling Shareholders, a company which is directly held as to 92% by Mr. CHE Jianxing and as to 8% by Ms. CHE Jianfang. Immediately following the completion of the Global Offering, RSI will directly hold approximately 68.44% of our enlarged issued share capital, assuming the Over-allotment Option is not exercised, and is therefore our connected person under the Listing Rules.
Changzhou RSHFC	An individual proprietorship enterprise (個人獨資企業) established by Mr. CHE Jianxing under the PRC laws and is therefore our connected person under the Listing Rules.
Greenland Jinniu	a company which is directly held as to 50% by Greenland Chengdu, an Independent Third Party, and 50% by Chengdu Property, an indirect wholly owned subsidiary of RSED. As RSI directly holds 70.2% equity interests in RSED, Greenland Jinniu is Mr. CHE Jianxing's associate, and is therefore our connected person under the Listing Rules.
Changchun Property	a company which is indirectly held as to 70.2% by RSED and 30% by an Independent Third Party. As RSI directly holds 70.2% equity interests in RSED, Changchun Property is Mr. CHE Jianxing's associate, and is therefore our connected person under the Listing Rules.
Shenyang Jingsen	a company which is indirectly held as to 75% by RSED and 25% by an Independent Third Party. As RSI directly holds 70.2% equity interests in RSED, Shenyang Jingsen is Mr. CHE Jianxing's associate, and is therefore our connected person under the Listing Rules.
Yunnan Property	a company which is indirectly held as to 67% by RSED and 33% by an Independent Third Party. As RSI directly holds 70.2% equity interests in RSED, Yunnan Property is Mr. CHE Jianxing's associate, and is therefore our connected person under the Listing Rules.
Dalian Investment	a company which is indirectly held as to 62% by RSED and 38% by an Independent Third Party. As RSI directly holds 70.2% equity interests in RSED, Dalian Investment is Mr. CHE Jianxing's associate, and is therefore our connected person under the Listing Rules.

Connected Persons	Connected Relationship
Xinglong Property	a company which is an indirect wholly owned subsidiary of RSED. As RSI directly holds 70.2% equity interests in RSED, Xinglong Property is Mr. CHE Jianxing's associate, and is therefore our connected person under the Listing Rules.
Xuzhou RSHFC	a company which is directly held as to 50% by Mr. CHE Jianlin, 25% by Mr. CHE Jianguo and 25% by other Independent Third Parties. As Mr. CHE Jianlin and Mr. CHE Jianguo are Mr. CHE Jianxing's and Ms. CHE Jianfang's brothers, Xuzhou RSHFC is our connected person under the Listing Rules.
Xuzhou RSHFP	a company which is directly held as to 75% by Mr. CHE Jianlin and 25% by Mr. CHE Jianguo. As Mr. CHE Jianlin and Mr. CHE Jianguo are Mr. CHE Jianxing's and Ms. CHE Jianfang's brothers, Xuzhou RSHFP is our connected person under the Listing Rules.
Yangzhou RSHFP	a company which is directly held as to 95% by Mr. CHE Jianlin and 5% by an Independent Third Party. As Mr. CHE Jianlin is Mr. CHE Jianxing's and Ms. CHE Jianfang's brother, Yangzhou RSHFP is our connected person under the Listing Rules.
Jining Hongrui	a company which is directly held as to 40.2% by Ms. QIAN Yumei, 26.8% by Ms. ZHANG Jianfang and 33% by an Independent Third Party. Ms. QIAN Yumei is Mr. CHE Jianlin's wife and Ms. ZHANG Jianfang is Mr. CHE Jianguo's wife. As Ms. QIAN Yumei and Ms. ZHANG Jianfang are Mr. CHE Jianxing's and Ms. CHE Jianfang's sisters-in-law, Jining Hongrui is our connected person under the Listing Rules.
Shaanxi Hongrui	a company which is directly held as to 39.6% by Ms. QIAN Yumei, 26.4%, by Ms. ZHANG Jianfang and 34% by other Independent Third Parties. Ms. QIAN Yumei is Mr. CHE Jianlin's wife and Ms. ZHANG Jianfang is Mr. CHE Jianguo's wife. As Ms. QIAN Yumei and Ms. ZHANG Jianfang are Mr. CHE Jianxing's and Ms. CHE Jianfang's sisters-in-law, Shaanxi Hongrui is our connected person under the Listing Rules.
Ms. QIAN Yumei	Mr. CHE Jianlin's wife and Mr. CHE Jianxing's and Ms. CHE Jianfang's sister-in-law and is therefore our connected person under the Listing Rules.
Mr. CHE Guoxing	Mr. CHE Jianxing's and Ms. CHE Jianfang's brother and is therefore our connected person under the Listing Rules.
RSED	a company which is held as to 70.15% by RSI and is therefore our connected person under the Listing Rules.
Red Star Furniture Group	which is held as to 45% by Mr. CHE Jianxing, 45% by Changzhou RSHFC and 10% by Ms. CHE Jianfang and is therefore our connected person under the Listing Rules

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our continuing connected transactions:

Nature of Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31, (in millions of RMB) 2015	2016	2017
Exempt continuing connected transactions					
1. Guaranteed Loans	14A.90	exempt	N/A	N/A	N/A
2. Contract management agreement with Greenland Jinniu	14A.76(1)(a)	exempt	N/A	N/A	N/A
3. Nanjing HFC and Nanjing Mingdu Exhibition Space Agreements, comprising:	14A.76(1)(a)	exempt	N/A	N/A	N/A
(i) Exhibition Space Agreement between Nanjing HFC and Ms. QIAN Yumei(1)					
(ii) Exhibition Space Agreement between Nanjing Mingdu and Ms. QIAN Yumei(1)					
4. Beijing Shibo Furniture Lease Agreement with Mr. CHE Guoxing	14A.76(1)(a)	exempt	N/A	N/A	N/A
5. Contract management arrangements relating to the four Transferred Shopping Malls held by	14A.76(1)(a)	exempt	N/A	N/A	N/A
(i) Changchun Property					
(ii) Shenyang Jingsen					
(iii) Yunnan Property (with respect to the Repurchased Portion					
(iv) Dalian Investment					
(v) Xinglong Property					
Non-exempt continuing connected transactions					
1. Changzhou RSHFC Lease Agreement	14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Announcement requirement	15.5	16.0	16.5
2. Contract management agreements with each of:	14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Announcement requirement	17.3	17.8	18.3
(i) Xuzhou RSHFC(2)			2.1	2.2	2.3
(ii) Xuzhou RSHFP(2)			4.2	4.5	4.8
(iii) Yangzhou RSHFP(2)			2.0	2.0	2.0
(iv) Jining Hongrui(2)			4.0	4.1	4.2
(v) Shaanxi Hongrui (2)			5.0	5.0	5.0

Nature of Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31, (in millions of RMB) 2015	2016	2017
3. RSED Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Announcement, circular and independent shareholders' approval requirements	100	150	200

Notes:

(1) As these two lease agreements are of the same nature and have been entered into with Ms. QIAN Yumei, who is connected with us by virtue of being the associate of Mr. CHE Jianxing and CHE Jianfang, we have classified them as aggregated under the Listing Rules. Based on the applicable percentage ratios (other than the profit ratio) calculated in accordance with Rule 14A.77 of the Listing Rules, the transactions contemplated under these two lease agreements are, either individually or collectively, exempt from the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Based on the applicable percentage ratios (other than the profit ratio) calculated in accordance with Rule 14A.77 of the Listing Rules, the contract management agreements with Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui would individually qualify for certain exemptions under Rule 14A.76 of the Listing Rules. As such agreements are of the same nature and have been entered into with parties connected with us by virtue of being the associates of Mr. CHE Jianxing and Ms. CHE Jianfang, we have classified them as aggregated under the Listing Rules and the transactions contemplated thereunder are therefore collectively subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain continuing connected transactions which will be exempt from the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, as further discussed below.

1. The Guaranteed Loans

During the Track Record Period, Mr. CHE Jianxing, Ms. CHE Jianfang, Ms. CHEN Shuhong, RSI and/or Red Star Furniture Group, either individually or collectively, provided guarantees to secure certain of our loans. As some of the Guaranteed Loans will remain after the Listing, the relevant guarantee arrangements provided by Mr. CHE Jianxing, Ms. CHE Jianfang, Ms. CHEN Shuhong, RSI and/or Red Star Furniture Group in respect of such outstanding Guaranteed Loans are expected to continue after the Listing and would therefore constitute our continuing connected transactions under the Listing Rules. For further details of the Guaranteed Loans, see "Relationship with Our Controlling Shareholders — Independence from our Controlling Shareholders — Financial Independence" in this prospectus.

The Directors are of the view that the provision of guarantees by Mr. CHE Jianxing, Ms. CHE Jianfang, Ms. CHEN Shuhong, RSI and/or Red Star Furniture Group in respect of the Guaranteed Loans, being a form of financial assistance (as defined under the Listing Rules), has been conducted on normal commercial terms and is in our and our Shareholders' interest as a whole. No security over our assets has been granted to any of Mr. CHE Jianxing, Ms. CHE Jianfang, Ms. CHEN Shuhong, RSI and/or Red Furniture Group in respect of their provision of the guarantees for the Guaranteed Loans. Accordingly, the guarantees provided by Mr. CHE Jianxing, Ms. CHE Jianfang, Ms. CHEN Shuhong, RSI and/or Red Furniture Group, either individually or collectively, in respect of the Guaranteed Loans, are exempt from compliance with the annual review, reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

2. Contract management agreement with Greenland Jinniu

Our Company entered into a contract management agreement dated November 26, 2013 and a supplemental agreement dated October 16, 2014 with Greenland Jinniu, pursuant to which our Company will operate and manage Chengdu Jinniu Shopping Mall under our brand name. Chengdu Jinniu Shopping Mall was one of the seven Transferred Shopping Malls which were disposed of by us with the relevant Disposed Real Estate Companies in the process of the Disposal of Real Estate Business in 2011. We have an option under the Repurchase Framework Agreements to repurchase Chengdu Jinniu Shopping Mall and the corresponding assets and liabilities from Greenland Jinniu at our sole discretion. As of the Latest Practicable Date, we had not yet entered into any definitive agreement with Greenland Chengdu and the Controlling Shareholders in relation to the intended repurchase. For further details, see "History and Development — Business Reorganization — Repurchase of the Transferred Shopping Malls — The Repurchase Framework Agreements" and "Relationship with Our Controlling Shareholders — Interests Retained by Our Controlling Shareholders in Restricted Business — A. Greenland Jinniu" in this prospectus.

Chengdu Jinniu Shopping Mall began operation in August 2014. The shopping mall, with a total GFA of approximately 180,000 sq.m., is located in Chengdu City, Sichuan Province, PRC. Under the contract management agreement, Greenland Jinniu will pay our Company consultation and management fees of RMB4 million per annum for our services rendered in connection with such arrangement. Our contract management agreement with Greenland Jinniu is valid until the earlier of (i) August 22, 2017 and (ii) the corporate demerger of Greenland Jinniu is completed for our repurchase of Chengdu Jinniu Shopping Mall.

As we expect that each of the applicable percentage ratios (other than the profit ratio) for the contract management agreement with Greenland Jinniu calculated in accordance with Rule 14A.77 of the Listing Rules will be less than 0.1%, the transaction contemplated under the contract management agreement with Greenland Jinniu constitutes a continuing connected transaction of our Company which is exempt from compliance with the annual review, reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1)(a) of the Listing Rules.

3. Nanjing HFC and Nanjing Mingdu Agreements

Our wholly owned subsidiaries, Nanjing HFC and Nanjing Mingdu, each entered into an exhibition space agreement with Ms. QIAN Yumei on September 1, 2014 and August 1, 2014, respectively (the "**Nanjing HFC Exhibition Space Agreement**" and the "**Nanjing Mingdu Exhibition Space Agreement**", and collectively, the "Nanjing HFC and Nanjing Mingdu Exhibition Space Agreements"), pursuant to which Nanjing HFC and Nanjing Mingdu will lease certain exhibition space in our Nanjing Red Star International Home Furnishing City and Nanjing Mingdu Living Plaza to Ms. QIAN Yumei as tenant. As the Nanjing HFC and Nanjing

Mingdu Exhibition Space Agreements are of the same nature and have both been entered into with Ms. QIAN Yumei, who is connected with us by virtue of being Mr. CHE Jianxing's and Ms. CHE Jianfang's associate, we have classified the two lease agreements as aggregated under the Listing Rules. The Nanjing HFC and Nanjing Mingdu Exhibition Space Agreements each has an initial term of one year commencing from their respective signing date. The principal terms of the Nanjing HFC and Nanjing Mingdu Exhibition Space Agreements are similar to each other. The annual rental under the Nanjing HFC Exhibition Space Agreement is approximately RMB0.6 million based on the unit price of RMB102/sq.m. per month. The annual rental under the Nanjing Mingdu Exhibition Space Agreement is approximately RMB0.3 million based on RMB116.5/sq.m. per month. Such rental is in line with those charged from our other tenants who are Independent Third Parties in the same shopping malls.

As we expect that each of the applicable percentage ratios (other than the profit ratio) for the Nanjing HFC and Nanjing Mingdu Exhibition Agreements calculated in accordance with Rule 14A.77 of the Listing Rules will be less than 0.1%, the transactions contemplated under the Nanjing HFC and Nanjing Mingdu Exhibition Agreements constitute continuing connected transactions of our Company which are exempt from compliance with the annual review, reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1)(a) of the Listing Rules.

4. Beijing Shibo Furniture Lease Agreement

Our wholly owned subsidiary, Beijing Shibo Furniture, entered into a lease agreement with Mr. CHE Guoxing on December 31, 2014 (the "**Beijing Shibo Furniture Lease Agreement**"), pursuant to which Beijing Shibo Furniture will lease a property from Mr. CHE Guoxing to be used as a staff dormitory for a rental of RMB336,000 per annum. The Beijing Shibo Furniture Lease Agreement has a term of one year from January 1, 2015 to December 31, 2015. The amount of rental under the Beijing Shibo Furniture Lease Agreements is based on the prevailing market prices of similar properties in the same area and is in line with the rental charged by our other landlords for similar properties who are Independent Third Parties.

As we expect that each of the applicable percentage ratios (other than the profit ratio) for the Beijing Shibo Furniture Lease Agreement calculated in accordance with Rule 14A.77 of the Listing Rules will be less than 0.1%, the transactions contemplated under the Beijing Shibo Furniture Lease Agreement constitute continuing connected transactions of our Company which are exempt from compliance with the annual review, reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1)(a) of the Listing Rules.

5. Contract Management Arrangements relating to the Four Transferred Shopping Malls

Pursuant to the Repurchase Framework Agreements entered into between our Company and the relevant Disposed Real Estate Companies, our Company has been operating and managing the four Transferred Shopping Malls, namely Changchun Shopping Mall, Yunnan Shopping Mall, Dalian Shopping Mall and Xinglong Shopping Mall, under our brand of "Red Star Macalline" since their respective opening dates. Such contract management arrangements will continue after the Listing and cease upon the completion of our repurchase of the relevant Transferred Shopping Malls.

For the reasons further discussed below, we receive nil consideration for our services rendered in connection with the operation and management of Changchun Shopping Mall, Dalian Shopping Mall and Xinglong Shopping Mall, as we effectively regard them as our Portfolio Shopping Malls.

The property right of Yunnan Shopping Mall is owned as to 76.6% by Yunnan Property and 23.4% by Yunnan Jiace Automobile Sales Service Co. Ltd.* (雲南嘉策汽車銷售服務有限公司) (“**Yunan Jiace**”), an Independent Third Party. Accordingly, we have entered into a ten-year contract management arrangement with Yunan Jiace relating to our operation and management of Yunnan Shopping Mall, under which we charge Yunnan Jiace an annual management fee, which is reflective of its 23.4% ownership in Yunnan Shopping Mall. For the reasons further discussed below, we receive nil consideration from Yunnan Property for our services rendered in connection with the operation and management of the Repurchased Portion of Yunnan Shopping Mall as we effectively regard such part of Yunnan Shopping Mall as our own.

Changchun Shopping Mall, Yunnan Shopping Mall, Dalian Shopping Mall and Xinglong Shopping Mall were among the seven Transferred Shopping Malls which were disposed of by us with the relevant Disposed Real Estate Companies in the process of the Disposal of Real Estate Business in 2011. For further details, see “History and Development — Business Reorganization — Repurchase of the Transferred Shopping Malls — The Repurchase Framework Agreements” and “— Current Status of the Repurchase” in this prospectus. As our contract management arrangements relating to the four Transferred Shopping Malls are of the same nature and with the relevant Disposed Real Estate Companies, which are connected with us by virtue of being the associates of Mr. CHE Jianxing, we have classified them as aggregated under the Listing Rules.

Pursuant to the Repurchase Framework Agreements, we (i) are under a legally binding obligation to repurchase Changchun Shopping Mall and Yunnan Shopping Mall (with respect to the Repurchased Portion), and (ii) have an option to repurchase Dalian Shopping Mall and Xinglong Shopping Mall and the corresponding assets and liabilities from the relevant Disposed Real Estate Companies at our sole discretion. In anticipation of the opening of Dalian Shopping Mall in 2013 and Xinglong Shopping Mall in 2014, we entered into definitive repurchase agreements with RSED and its subsidiaries to repurchase Dalian Shopping Mall and Xinglong Shopping Mall. As of the Latest Practicable Date, we had been going through the filing, reporting and approval procedures required for the corporate demerger, the equity transfer and updating of the relevant AIC registration, as the case may be, for our repurchase of the four Transferred Shopping Malls and are expected to complete the repurchase after the Listing.

In view of (a) our legally binding obligation as to the Definitive Repurchase of Changchun Shopping Mall and Yunnan Shopping Mall (with respect to the Repurchased Portion), and (b) our exercise of the option to repurchase Dalian Shopping Mall and Xinglong Shopping Mall, the financial results of these four Transferred Shopping Malls (i.e., the assets, liabilities, income and expenses that are directly attributable to the same) have remained consolidated into our Group’s financial statements since their disposal and throughout the Track Record Period. For the accounting basis for the consolidation of the financial results of the relevant Transferred Shopping Malls, see Note 2 of the Accountants’ Report in “Appendix I — Accountants’ Report” in this prospectus. Further, upon completion of our repurchase of the four Transferred Shopping Malls, the new Shopping Mall Holdcos to be incorporated to hold the relevant Transferred Shopping Malls will become consolidated subsidiaries of our Group and the relevant contract management arrangements will expire. For further details of the transaction structure of our repurchase of the Transferred Shopping Malls, see "History and Development — Business Reorganization — Repurchase of the Transferred Shopping Malls — Transaction structure" in this prospectus.

The table below sets out the details of the four Transferred Shopping Malls under the relevant contract management agreements:

Shopping Mall	Total operating area (sq.m. '000)	Location	Date of Entering into Operation
Changchun Shopping Mall	98.8	Changchun City, Jilin Province, PRC	May 2012
Yunnan Shopping Mall	81.4, which is owned as to 76.6% by our Company and 23.4% by Yunnan Jiace	Kunming City, Yunnan Province, PRC	September 2011
Dalian Shopping Mall	74.2	Dalian City, Liaoning Province, PRC	August 2013
Xinglong Shopping Mall	132.7	Shanghai, PRC	September 2014

Having considered the particular facts as described above, our Directors believe that our contract management arrangements relating to Changchun Shopping Mall, Yunnan Shopping Mall (with respect to the Repurchased Portion), Dalian Shopping Mall and Xinglong Shopping Mall place our Group in a special position in relation to the rules relating to connected transactions under Chapter 14A of the Listing Rules for the following reasons:

(i). the nature of the transactions contemplated under the relevant contract management arrangements is similar to those between the Group and its consolidated subsidiaries, which are fully exempt from the requirements under Chapter 14A of the Listing Rules;

(ii). the purpose of the contract management arrangements as described above is to retain operational control of the four Transferred Shopping Malls, pending the completion of our repurchase of the same, rather than to unduly profit our connected persons to the detriment of our and our Shareholders' interests. As such, such transactions are not those intended to be dealt with under Chapter 14A of the Listing Rules. It is solely due to the fact that the relevant filing, reporting and approval procedures required for the corporate demerger, equity transfer and updating of the relevant AIC registration for our repurchase will not be completed prior to the Listing, that the relevant contract management agreements would fall within the ambit of continuing connected transactions under Chapter 14A of the Listing Rules; and

(iii). given the financial results of the four Transferred Shopping Malls (i.e., the assets, liabilities, income and expenses that are directly attributable to each of Dalian Shopping Mall, Xinglong Shopping Mall, Changchun Shopping Mall and Yunnan Shopping Mall) have remained consolidated into our Group's financial statements, the economic benefits derived from our operation and management of the four

Transferred Shopping Malls have been attributed to our Group and have been and will continue to be reflected in our Group's consolidated financial statements.

Given we receive nil consideration for our services under the contract management arrangements relating to the four Transferred Shopping Malls, it constitutes a continuing connected transaction of our Company which is exempt from compliance with the annual review, reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1)(a) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We entered into the following transactions during our ordinary course of business which will constitute continuing connected transactions of our Company and will be subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as applicable (the "**Non-exempt Continuing Connected Transactions**").

1. Changzhou RSHFC Lease Agreement

Our wholly owned subsidiary, Changzhou Macalline, entered into a lease agreement with Changzhou RSHFC on April 1, 2011, pursuant to which Changzhou Macalline will lease a piece of property from Changzhou RSHFC for the operation and management of Changzhou Decoration Mall. The leased property, with a total GFA of approximately 40,678 sq.m., is located at No.70, Feilong Road East, Changzhou City, Jiangsu Province, PRC.

The following table sets forth a summary of the historical figures and proposed annual caps for the Changzhou RSHFC Lease Agreement:

	Historical amounts for the year ended December 31, (in millions of RMB)			Proposed annual cap for the year ending December 31, (in millions of RMB)		
	2012	2013	2014	2015	2016	2017
Annual rental and service fees paid to Changzhou RSHFC	13.8	13.8	14.8	15.5	16.0	16.5

Principal terms

The Changzhou RSHFC Lease Agreement has an initial term of ten years commencing from its signing date. Changzhou Macalline will pay annual rental and service fees in the fixed amount of RMB13.8 million per annum for the initial three years, followed by a 10% increase for the fourth year and a 3% increase for each of the remaining six years. Such pricing mechanism has been determined by reference to (i) the prevailing market prices of similar properties in the same area; (ii) costs of acquisition of the property by Changzhou RSHFC; and (iii) depreciation costs of the properties. During the term of the Changzhou RSHFC Lease Agreement, Changzhou Macalline has the exclusive right to use the leased property. Subject to applicable laws and regulations, the Changzhou RSHFC Lease Agreement may be renewed based on the parties' negotiation following the written notice from Changzhou Macalline at least two months before the expiry of the lease.

Reasons for the transaction

The leased property had been used by Changzhou RSHFC to operate Changzhou Decoration Mall as its Portfolio Shopping Mall before April 2011. In anticipation of the Disposal of Real Estate Business, Changzhou RSHFC ceased to engage in the operation and management of home improvement and furnishings shopping malls starting from April 2011. Since Changzhou RSHFC is an individual proprietorship enterprise established by Mr. CHE Jianxing in his personal capacity, transferring the property to our Group by way of asset transfer would give rise to tax implications for Changzhou RSHFC under applicable the PRC laws, which would ultimately be translated into our purchase price for such property. Accordingly, we decided to lease the property from Changzhou RSHFC for our management and operation of Changzhou Decoration Mall. Changzhou RSHFC has been holding the property as landlord since April 2011.

Historical amounts and basis for annual caps

For each of the years ended December 31, 2012, 2013 and 2014, Changzhou Macalline paid annual rental and service fees of RMB13.8 million, RMB13.8 million and RMB14.8 million, respectively, to Changzhou RSHFC pursuant to the Changzhou RSHFC Lease Agreement. Based on the pricing mechanism as described above, the annual caps for the lease for each of the years ending December 31, 2015, 2016 and 2017 is expected to be RMB15.5 million, RMB16.0 million and RMB16.5 million, respectively.

Duration

Our Directors and the Joint Sponsors are of the view that it is fair and reasonable and is normal business practice for the Changzhou RSHFC Lease Agreement to have a term of more than three years, based on the following reasons:

(i). Location is crucial to our business model and we face intense competition for commercial premises at prime locations in our target cities from other shopping malls, retailers and business establishments. It is the industry practice for shopping mall operators to enter into long-term leases, and we would not be able to obtain attractive commercial premises for opening new malls or retain continued occupation of our existing malls, including Changzhou Decoration Mall, by using a short-term lease.

(ii). Changzhou Decoration Mall has operated in the same premises since November 2003 and has established a stable customer base and maintained a long-term relationship with the tenants. Accordingly, it is in our best interest to enter into a long-term lease to prevent unnecessary costs, time and interruption of our operations caused by relocation arising from a short-term lease.

(iii). We have made large initial investments in designing, decorating and renovating the leased property in line with our in-house standard and guidelines. It is therefore in our best interest to secure a long-term lease.

(iv). Our leases with our other landlords who are Independent Third Parties have an average term of over ten years. Therefore, the ten years' duration for the Changzhou RSHFC Lease Agreement is in line with market practice.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, has confirmed that (i) the terms and conditions of the Changzhou RSHFC Lease Agreement are normal commercial terms, fair and reasonable and no less favorable than those offered by an Independent Third Party; (ii) it is normal practice for leases of this type to be of such duration; and (iii) the total amount payable by Changzhou Macalline under the Changzhou RSHFC Lease Agreement is no less favorable than those offered by Independent Third Parties.

2. Contract management agreements with Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui

We entered into a contract management agreement and the supplemental agreement, as the case may be, with each of Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui (the "**Associated Business Partners**"), pursuant to which we will manage and operate the home improvement and furnishings shopping malls owned by each respective Associated Business Partner. As such contract management agreements are of the same nature and have been entered into with parties connected with us by virtue of being the associates of Mr. CHE Jianxing and Ms. CHE Jianfang, we have classified these agreements as aggregated under the Listing Rules.

The following table sets forth a summary of the historical figures and proposed annual caps for the five contract management agreements with the Associate Business Partners:

	Historical amounts for the year ended December 31, (in millions of RMB)			Proposed annual cap for the year ending December 31, (in millions of RMB)		
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Xuzhou RSHFC	4.0	4.0	1.9[(1)]	2.1	2.2	2.3
Xuzhou RSHFP	6.0	6.0	3.7[(1)]	4.2	4.5	4.8
Yangzhou RSHFP	2.0	2.0	2.0	2.0	2.0	2.0
Jining Hongrui	4.0	4.0	3.7	4.0	4.1	4.2
Shaanxi Hongrui	1.3	5.3	3.8[(2)]	5.0	5.0	5.0
Total	**17.3**	**21.3**	**15.1**	**17.3**	**17.8**	**18.3**

Note:

(1) In December 2013 and January 2014, we entered into supplemental agreements with Xuzhou RSHFC and Xuzhou RSHFP, under which the pricing mechanism relating to our management fee was adjusted from a fixed flat rate to a percentage of the total amount of rental received by each respective Associated Business Partner, subject to a minimum amount of the annual management fee. The adjustment was made after arm's length negotiations between us and each respective Associated Business Partner to reflect current market conditions.

(2) Having considered the written request from Shaanxi Hongrui, we agreed to waive the management fee payable by Shanxi Hongrui under the relevant contract management agreement for the year 2014 by RMB1.2 million. Such waiver was granted on a one-off basis due to Shaanxi Hongrui's special request and does not affect Shaanxi Hongrui's contractual obligations under the relevant contract management agreement going forward. We will continue to charge Shaanxi Hongrui a management fee in the agreed amount of RMB5.0 million per annum for the three years ending December 31, 2017.

Principal terms

Under each of the contract management agreements, we initially charged our Associated Business Partners a fixed amount of the management fee ranging from RMB2.0 million to RMB6.0 million per annum, as the case may be, which was in line with our pricing policy for contract management arrangements entered into prior to 2013. For more details of our pricing policy for contract management arrangements, see "Business — Business Model — Our Managed Shopping Malls — Contract Management Arrangement" in this prospectus. In

December 2013 and January 2014, we entered into supplemental agreements with Xuzhou RSHFC, Xuzhou RSHFP and Jining Hongrui, under which we and the relevant Associated Business Partners agreed to revise the pricing mechanism relating to our management fee from a fixed flat rate to a percentage of the total amount of rental received by each respective Associated Business Partner, subject to a minimum amount of the annual management fee. The adjustment was made after arm's length negotiations between us and each respective Associated Business Partner to reflect current market conditions. The terms and conditions under our contract management agreements with Yangzhou RSHFP and Shaanxi Hongrui remain unchanged, except that we waived part of the management fee payable by Shaanxi Hongrui in 2014 on a one-off basis due to Shaanxi Hongrui's special request. Each of these five contract management agreements is for a term ranging from seven to ten years commencing from its signing date.

The following table sets forth a summary of the principal terms of the five contract management agreements with the Associate Business Partners, as amended by their respective supplemental agreements:

	Shopping Mall	Total operating area (sq.m. '000)	Location	Date of agreement	Term	Annual Management Fee (in millions of RMB)
Xuzhou RSHFC	Xuzhou Fuxing Mall (Phase I)	37.80	No. 188 Fuxing Road North, Xuzhou City, Jiangsu Province, PRC	December 26, 2011 (supplemental agreement dated December 31, 2013)	from January 1, 2012 to December 31, 2019	6% of the total amount of rental received by Xuzhou RSHFC, subject to a minimum annual management fee of RMB1.9 million
Xuzhou RSHFP	Xuzhou Fuxing Mall (Phase II and Phase III)	96.36	No. 188 Fuxing Road North, Xuzhou City, Jiangsu Province, PRC	December 26, 2011 (supplemental agreement dated January 1, 2014)	from January 1, 2012 to December 31, 2019	6% of the total amount of rental received by Xuzhou RSHFP, subject to a minimum annual management fee of RMB3.1 million
Yangzhou RSHFP	Yangzhou Runyang Furniture Mall	70.06	No. 88 Banhongqi Road, Jiangwang Street, Xingjiang District Yangzhou City, Jiangsu Province, PRC	December 28, 2010	from January 1, 2011 to December 31, 2018	fixed amount of RMB2.0 million per annum

	Shopping Mall	Total operating area (sq.m. '000)	Location	Date of agreement	Term	Annual Management Fee (in millions of RMB)
Jining Hongrui	Jining High-Tech District Mall	61.79	No. 99 Jinyu Road East, New Advanced Technology Development District, Jining City, Shandong Province, PRC	December 18, 2009 (supplemental agreement dated December 31, 2013)	from September 29, 2011 to September 28, 2021	7.5% of the total amount of rental received by Jining Hongrui subject to a minimum annual management fee of RMB3.0 million
Shaanxi Hongrui . .	Xi'an North Second-ring Mall	113.20	East 2nd Ring Road West, Fengcheng No.2 Road South and Fengcheng No.1 Road North, Xi'an City, Shaanxi Province, PRC	November 29, 2009	from September 30, 2012 to September 30, 2022	fixed amount of RMB5.0 million per annum

Reasons for the transactions

Most of the home improvement and furnishings shopping malls managed and operated by us under the five contract management agreements are located in third- and fourth-tier cities in the PRC. The Associated Business Partners intended to leverage our operational experience and reputation through cooperation with us. Our Directors believe that it is in our interest, and in line with our business strategy, to leverage the Associated Business Partners' knowledge and experience to expand our geographic coverage and improve our market share and brand awareness in these new local markets, with relatively low capital need.

Basis of price determination

The amount of our management fee under the five contract management agreements was determined based on: (i) the local market conditions; (ii) our estimation of the future rental income level for each respective shopping mall; and (iii) our respective business partner's expectation of the future rental income.

Historical amounts and basis for annual caps

For each of the years ended December 31, 2012, 2013 and 2014, we received management fees in the total amount of RMB21 million, RMB21 million and RMB17 million under the five contract management agreements with the Associated Business Partners. Based on (i) the pricing mechanism as described above, (ii) the market conditions, (iii) our current estimation of the future rental income level for each respective shopping mall and (iv) our respective business partner's expectation of the future rental income, the annual caps for the lease for each of the years ending December 31, 2015, 2016 and 2017 is expected to be RMB17.3 million, RMB17.8 million and RMB18.3 million, respectively.

Duration

Our contract management agreements with the Associated Business Partners each has a term ranging from seven to ten years. Our Directors and the Joint Sponsors are of the view that it is fair and reasonable and is normal business practice for such contract management agreements to have a term of more than three years, based on the following reasons:

(i). The land acquisition, planning, construction and development of a home shopping furnishing mall requires large capital investment. We would not be able to cooperate with high-quality business partners if we are only able to enter into a three-year contract management agreement.

(ii). Our business partners for Managed Shopping Malls are further required to implement our Group's in-house standard and guidelines for the property's design, construction, decoration and renovation. Therefore, they normally require us to enter into a long-term contract management agreement to avoid a costly conversion of operator and brand for the shopping mall.

(iii). It takes time for us to build customer loyalty to a shopping mall at a particular location. A long-term contract management agreement also allows us to build long-term relationships with third-party merchandise vendors and tenants of our shopping malls. It is therefore in our best interest to secure long-term contract management agreements with our business partners to ensure the stability of our operation.

(iv). Our standard contract management agreement provides for a term of ten years and we have usually entered into the same contract management arrangements with our other partners who are Independent Third Parties. Therefore, the ten years' duration for the five contract management agreements with the Associate Business Partners is generally in line with our terms offered to other partners under similar transactions.

Frost and Sullivan, an independent industry consultant, has confirmed that (i) the terms and conditions of each of the contract management agreements with the Associate Business Partners are normal commercial terms, fair and reasonable and no less favorable than those offered to an Independent Third Party; (ii) it is normal practice for a contract management agreement of this type to be of such duration; and (iii) the management fee charged under each of the contract management agreements is no less favorable than those offered to Independent Third Parties.

3. RSED Framework Agreement

Our direct wholly owned subsidiary, Xingyi Tonghui, entered into a pre-paid cards purchase framework agreement with RSED on March 20, 2015 and a supplemental agreement dated June 3, 2015 (the "**RSED Framework Agreement**"), pursuant to which Xingyi Tonghui will sell our single-purpose pre-paid cards to RSED and/or its subsidiaries (the "**RSED Group**") for its use as a promotion method in connection with its property sales business.

The following table sets forth a summary of the historical figures and proposed annual caps for the RSED Framework Agreement:

	Historical amounts for the year ended December 31, (in millions of RMB)			Proposed annual cap for the year ending December 31, (in millions of RMB)		
	2012	2013	2014	2015	2016	2017
RSED Framework Agreement	N/A	N/A	N/A	100	150	200

Principal terms

Under the RSED Framework Agreement, Xingyi Tonghui and RSED Group will enter into separate pre-paid card purchase agreements on normal commercial terms which will set out the purchase price and the purchase volume. The purchase price shall be determined after arm's length negotiations by reference to the face value of the pre-paid cards, the actual purchase volume, and the then market conditions. Xingyi Tonghui shall provide facilities and services for cardholders to purchase products using the pre-paid cards.

Reasons for the transaction

RSED Group is primarily engaged in real estate development, operation and management of department stores, and the construction and management of multipurpose complexes. Our cooperation with RSED Group could promote the sales of our pre-paid cards and the performance of Xingyi Tonghui. It would also help to bring new customers to our home improvement and furnishings shopping malls and as a result increase the sales of our shopping malls.

Historical amounts and basis for annual caps

There was no historical transaction between Xingyi Tonghui and RSED for each of the years ended December 31, 2012, 2013 and 2014. The annual caps for the RSED Framework Agreement for each of the years ending December 31, 2015, 2016 and 2017 is expected to be RMB100 million, RMB150 million and RMB200 million, respectively, in terms of face value of the pre-paid cards. Such annual caps were determined based on (i) the pricing mechanism as described above; and (ii) an estimate of RSED Group's purchase volume of our pre-paid cards, which is expected to increase taking into account RSED Group's current estimate of its contracted sales amount for 2015 to 2017, which is RMB10,000 million, RMB15,000 million and RMB20,000 million for each of the three years ending December 31, 2017.

Duration

The RSED Framework Agreement has a term of three years from its signing date to March 20, 2018.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of (i) the Changzhou RSHFC Lease Agreement and (ii) the five contract management agreements with the Associated Business Partners, since the highest applicable percentage ratio is expected to be more than 0.1% but less than 5%, the transactions contemplated thereunder are exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Changzhou RSHFC Lease Agreement and the five contract management agreements with the Associated Business Partners, provided that the total value of transactions under these transactions for each of the three years ending December 31, 2015, 2016 and 2017 will not exceed the relevant proposed annual caps set forth above.

In respect of the RSED Framework Agreement, since the highest applicable percentage ratio is expected to be more than 5%, the transaction contemplated thereunder is subject to the announcement requirements under Rule 14A.35 of the Listing Rules, the circular requirement under Rule 14A.46 of the Listing Rules, the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules in respect of the transactions under the RSED Sales Agreement, provided that the total value of transactions under these transactions for each of the three years ending December 31, 2015, 2016 and 2017 will not exceed the relevant proposed annual caps set forth above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms or on terms better to us, and are fair and reasonable and in the interest of us and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in our and our Shareholders' interest as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the Non-exempt Continuing Connected Transactions are entered into in our ordinary course of business on normal commercial terms or on terms better to us, and are fair and reasonable and in the interests of us and our Shareholders as a whole; and (ii) the proposed annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interest of us and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board of Directors comprises 12 directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets forth the information in respect of the Directors of our Company.

Name	Age	Position/Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
Executive Directors						
Mr. CHE Jianxing (車建興)	48	Chairman and Executive Director Chief Executive Officer and General Manager	June 20, 2007	June 20, 2007	Responsible for the overall management, strategic development and business planning of our Group	Ms. CHE Jianfang's brother Ms. CHEN Shuhong's husband
Ms. ZHANG Qi (張琪)	55	Vice Chairman and Executive Director Vice General Manager	June 19, 2012	June 11, 2012	Responsible for business development, information management, legal compliance and internal control	None
Ms. CHE Jianfang (車建芳)	46	Executive Director Vice General Manager	June 20, 2007	June 20, 2007	Responsible for merchandising management	Mr. CHE Jianxing's sister Mr. XU Guofeng's wife
Mr. JIANG Xiaozhong (蔣小忠)	46	Executive Director Vice General Manager	December 30, 2010	June 20, 2007	Responsible for business development and operation	None
Non-executive Directors						
Ms. CHEN Shuhong (陳淑紅)	42	Non-executive Director	June 20, 2007	June 20, 2007	Responsible for overseeing our Company's management and strategic development	Ms. CHE Jianxing's wife Mr. CHEN Donghui's sister

Name	Age	Position/Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
Mr. XU Guofeng (徐國峰)	49	Non-executive Director	November 19, 2014	June 20, 2007	Responsible for overseeing our Company's management and strategic development	Ms. CHE Jianfang's husband Mr. XU Guoxing's brother
Mr. Joseph Raymond Gagnon	37	Non-executive Director	December 1, 2009	December 1, 2009	Participating in formulating our Company's corporate and business strategies	None
Mr. ZHANG Qiqi (張其奇)	34	Non-executive Director	December 31, 2010	December 31, 2010	Participating in formulating our Company's corporate and business strategies	None
Independent Non-executive Directors						
Mr. ZHOU Qinye (周勤業)	63	Independent Non-executive Director	December 30, 2013	December 30, 2013	Participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors and senior management	None

Name	Age	Position/Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
Mr. LI Zhenning (李振寧)	62	Independent Non-executive Director	March 13, 2012	March 13, 2012	Participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit, strategy and investment, the nomination, remuneration and assessment of Directors and senior management	None
Mr. DING Yuan (丁遠)	45	Independent Non-executive Director	March 13, 2012	March 13, 2012	Participating in the decision making for our Company's significant events and advising on issues relating to corporate governance and audit	None
Mr. Lee Kwan Hung (李均雄)	49	Independent Non-executive Director	February 17, 2015	February 17, 2015	Participating in the decision making for our Company's significant events and advising on issues relating to the nomination of our Directors and senior management	None

Executive Directors

Mr. CHE Jianxing (車建興), aged 48, the founder of our Group, has been the Chairman, an executive Director, the chief executive officer and the general manager of our Company since its establishment in June 2007. Mr. CHE is primarily responsible for the overall management, strategic development and business planning of our Group. Mr. CHE has over 27 years of industry experience. He started his career in furniture manufacturing in the late '80s. He then established Changzhou Red Star Furniture Store* (常州市紅星家俱城) in December 1990. He subsequently founded Red Star Furniture Group in June 1994 and served as its chairman of the board of directors and chief executive officer from 1994 to 2007. Mr. CHE is Ms. CHEN Shuhong's husband and Ms. CHE Jianfang's brother.

Mr. CHE is a member of the executive committee of All-China Federation of Industry & Commerce (中華全國工商業聯合會). Mr. CHE was awarded as the "Shanghai Outstanding Star" by Shanghai government, Shanghai Industry & Commerce (上海工商業聯合會) and Shanghai Outstanding Enterprise Promotion Association (上海光彩事業促進會) in February 2014, the "Changzhou Outstanding Entrepreneur" by Changzhou government in January 2012 and the "Working Model of Jiangsu Province" by Jiangsu Provincial People's Government in April 2006.

Ms. ZHANG Qi (張琪), aged 55, joined our Company in June 2012 and has been the vice Chairman, an executive Director and a vice general manager of our Company since then. Ms. ZHANG is primarily responsible for business development, information management, legal compliance and internal control of our Group. Prior to joining our Company, Ms. ZHANG served in various positions in the Huangpu District office, Shanghai City of the Industrial and Commercial Bank of China (中國工商銀行) ("**ICBC**"), including the director of South Three Sub-branch, the secretary of the communist party branch of South three sub-branch, the director of Nanjing Road East sub-branch, the assistant director of deposit department, the assistant director and the vice director, from July 1984 to September 1992. From September 1992 to January 2000, she successively served as the vice president, the president and the secretary of the communist party committee of Huangpu sub-branch and Jing'an sub-branch of the Shanghai branch of ICBC. From January 2000 to March 2008, Ms. ZHANG worked in the Shanghai branch of ICBC, where she served in various positions, including the director of the retail division and the securities clearing division, the assistant president, the vice president and the deputy secretary of the communist party committee. From March 2008 to June 2012, Ms. Zhang served as the general manager and the secretary of the communist party committee of the private banking department of ICBC.

Ms. ZHANG studied in the Cadre Class of Financing Management (金融管理幹部專修班) at the Faculty of Economics of Fudan University (復旦大學) from September 1985 to July 1987. She graduated with a master's degree in finance from Shanghai University of Finance Economics (上海財經大學) in June 1998. Ms. ZHANG also completed the executive master of business administration program jointly organized by Shanghai National Accounting Institute (上海國家會計學院) and Arizona State University in June 2005. Ms. ZHANG was accredited by ICBC as a senior economist in August 1997. She received the honor of "Shanghai Financial Talent" granted by Shanghai Financial Work Committee of Communist Party (中共上海市金融工作委員會) and Shanghai Financial Services Office (上海市金融服務辦公室) in March 2004.

Ms. CHE Jianfang (車建芳), aged 46, joined our Company in June 2007 and has been an executive Director and a vice general manager of our Company since then. Ms. CHE is primarily responsible for merchandising management of our Group. Prior to joining our Company, Ms. CHE worked as the general manager at the Changzhou Red Star Furniture General Factory* (常州市紅星家俱總廠) from 1990 to 1993, mainly responsible for general operation of the business. She served as the general manager responsible for national investment operation at Red Star Furniture Group from 1994 to 2007. Ms. CHE is Mr. XU Guofeng's wife and Mr. CHE Jianxing's sister.

Ms. CHE completed the "Senior Executive Program for China" jointly organized by China Europe International Business School (中歐國際工商學院) ("**CEIBS**"), Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2007. She also completed the China CEO Program jointly organized by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, the International Institute for Management Development and London Business School in July 2011.

Mr. JIANG Xiaozhong (蔣小忠), aged 46, joined our Company in June 2007 and has been an executive Director and a vice general manager of our Company since December 2012. Mr. JIANG is primarily responsible for business development and operation of our Group. Prior to joining our Company, from June 1994 to June 2007, Mr. JIANG served in various positions at Red Star Furniture Group, including as secretary of the communist party branch committee, secretary of the communist party committee and as vice president, primarily responsible for business operation, administration and communist party committee related work.

Mr. JIANG completed a three-year correspondence course for cadre in administrative management at the Communist Party School of Jiangsu Province (江蘇省委黨校) in July 1992. He graduated with an executive master of business administration degree from the executive master of business administration program at Cheung Kong Graduate School of Business (長江商學院) in September 2011.

Non-executive Directors

Ms. CHEN Shuhong (陳淑紅), aged 42, joined our Company in June 2007 and has been a non-executive Director since then. Ms. CHEN is primarily responsible for overseeing our Company's management and strategic development. Prior to joining our Company, Ms. CHEN worked at the Changzhou Red Star Furniture General Factory* (常州市紅星家俱總廠) from July 1992 to December 1993, and was mainly responsible for finance-related work. She then served as a manager of Changzhou Home Furnishing Wholesale Center (常州家俱建材批發中心) from January 1994 to June 1999, and was mainly responsible for business operation. Ms. CHEN served as the chief financial officer of Red Star Furniture Group from June 1999 to June 2007. Ms. CHEN is MR. CHE Jianxing's wife and MR. CHEN Donghui's sister.

Ms. CHEN obtained a college degree for adult higher education in accounting from Industrial College of Jiangsu Province (江蘇省工業學院) (now known as Changzhou University (常州大學)) in 2003. She graduated with an executive master of business administration degree from the executive master of business administration program of The Hong Kong University of Science and Technology (香港科技大學) in June 2012.

Mr. XU Guofeng (徐國峰), aged 49, joined our Company in June 2007 and has been a Director and a vice general manager of our Company since December 2010. He has been a non-executive Director of our Company since he resigned as vice general manager in November 2014. Mr. XU is primarily responsible for overseeing our Company's management and strategic development. Prior to joining our Company, Mr. Xu served as a factory manager at the Changzhou Red Star Furniture General Factory* (常州市紅星家俱總廠) from 1991 to 1994, where he was mainly responsible for production and business operation. He then served as a vice president of Red Star Furniture Group from 1994 to 2007, where he was mainly responsible for managing construction-related work and participating in the decision making for significant events. Mr. XU is Ms. CHE Jianfang's husband and Mr. XU Guoxing's brother.

Mr. XU completed a correspondence course in business administration at Beijing Business Management Correspondence College (北京經濟管理函授學院) in July 2004. He also completed the executive master of business administration program at Cheung Kong Graduate School of Business (長江商學院) in September 2011.

Mr. Joseph Raymond GAGNON, aged 37, joined our Company in December 2009 and has been a non-executive Director of our Company since then. Mr. GAGNON is primarily responsible for participating in formulating our Company's corporate and business strategies. He joined Warburg Pincus Asia LLC, an affiliate of Warburg Pincus, in September 2005 and currently serves as its managing director and the head of its real estate investment business in Asia. Mr. GAGNON previously worked for GE Capital from July 2000 to August 2005, where he last served as a business development manager with GE Capital Real Estate in Tokyo. Mr. GAGNON has been a director of Vingroup Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange (stock code: VIC), since July 2013. Mr. GAGNON also served as a non-executive director of Sunshine 100 China Holdings Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 02608), from June 2011 to September 2014.

Mr. GAGNON graduated with a bachelor of science degree in mathematical economics from Wake Forest University in the United States in August 2000.

On June 14, 2012, Mr. GAGNON was appointed as a director of Titan Investment Group Limited ("**TIGL**"), a company incorporated in Hong Kong. TIGL was financially distressed at the time when Mr. GAGNON was appointed as a director. Mr. GAGNON's role included seeking a means of reorganizing the TIGL group for the benefit of its shareholders and creditors. On June 18, 2012, one of TIGL's shareholders made an application to the British Virgin Island court for the appointment of liquidators to TIGL. On July 17, 2012, liquidators were appointed to TIGL as part of the reorganization process that Mr. GAGNON supported and assisted with implementing. On September 17, 2012, a consortium agreed to purchase substantially all of the assets of the TIGL group.

Mr. ZHANG Qiqi (張其奇), aged 34, joined our Company in December 2010 and has been a non-executive Director of our Company since then. Mr. ZHANG is primarily responsible for participating in formulating our Company's corporate and business strategies. He joined Beijing Warburg Pincus Investment Consulting Co., Ltd., an affiliate of Warburg Pincus in July 2009 and currently serves as its executive director. Mr. ZHANG previously worked as an associate and successively a senior associate at the Shanghai branch of PWC Consulting (Shenzhen) Co., Ltd. from August 2003 to July 2007.

Mr. ZHANG graduated with a bachelor's degree in international economics and trade (English) from Shanghai International Studies University (上海外國語大學) in July 2003 and a master of business administration degree from the Booth School of Business, University of Chicago, in June 2009.

Independent Non-executive Directors

Mr. ZHOU Qinye (周勤業), aged 63, joined our Company in December 2013 and has been our independent non-executive Director since then. He is primarily responsible for participating in decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors and senior management. He served in various positions at the Shanghai Stock Exchange from December 1994 to January 2012, including as director of the development and research center, director of the listing division, vice general manager and chief accountant. He was a member of the issuance review and approval committee of CSRC from September 1999 to October 2003, a member of the substantial restructuring review committee of CSRC from March 2002 to March 2004 and a member of Shanghai Judiciary Expertise Committee from November 2001 to November 2003. Mr. ZHOU has been a director of Heren Charitable Foundation (河仁慈善基金會) since June 2010. Mr. ZHOU is currently an arbitrator with the Shanghai Arbitration Commission, a doctoral tutor at Fudan University (復旦大學) and an adjunct professor at Xiamen University (廈門大學). He has been serving as a director or independent director at several companies listed on the Shanghai Stock Exchange, including as director of Shanghai East-China Computer Co., Ltd. (上海華東電腦股份有限公司) (Stock Code: 600850) since April 2012, as director of Anxin Trust & Investment Co., Ltd. (安信信託投資股份有限公司) (Stock Code: 600816) since November 2012, as independent director of Industrial Bank Co., Ltd. (興業銀行股份有限公司) (Stock Code: 601166) since June 2012, as independent director of SAIC Motor Corporation Ltd. (上海汽車集團股份有限公司) (Stock Code: 600104) since May 2012 and as independent director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司) (Stock Code: 600000) since October 2012. From December 2012 to March 2014, Mr. ZHOU served as an independent director of Shanghai Jahwa United Co., Ltd. (上海家化聯合股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600315). From February 2013 to October 2014, Mr. ZHOU also served as an independent non-executive director of China Coal Energy Co., Ltd. (中國中煤能源股份有限公司), a company dually listed on the Hong Kong Stock Exchange (Stock Code: 01898) and the Shanghai Stock Exchange (Stock Code: 601898).

Mr. ZHOU graduated from Shanghai College of Finance and Economics (上海財經學院) (currently known as "Shanghai University of Finance and Economics (上海財經大學)") with a bachelor's degree in accounting in July 1983 and a master's degree in economics in March 1986. He also obtained professor qualification from Shanghai University of Finance and Economics (上海財經大學) in July 1999 and was accredited as a Chinese Certified Public Accountant by Chinese Institute of Certified Public Accountants ("CICPA") (中國註冊會計師協會) in 1999. Mr. ZHOU is currently a member of the China Accounting Standards Committee under the Ministry of Finance, the China Internal Control Standards Committee and the Auditing Standards Committee of CICPA. Mr. Zhou is been a director of CICPA and a standing director of the China Appraisal Society.

Mr. LI Zhenning (李振寧), aged 62, joined our Company in March 2012 and has been our independent non-executive Director since then. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit, strategy and investment, and the nomination, remuneration and assessment of our Directors and senior management. Prior to joining our Company, Mr. LI engaged in investment activities and acted as a financial consultant in his personal capacity from May 1995 to December 2002. He was an independent director of Shanghai Zhangjiang Hi-tech Park Development Co., Ltd. (上海張江高科技園區發展股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600895), from May 2008 to April 2010. Mr. LI founded

Shanghai Rising Fund Management Company Ltd. (上海睿信投資管理有限公司) in December 1997 and has been serving as its chairman of the board of directors since then. He has also been serving as the chairman of the board of directors of Shanghai Juying Culture Communication Co., Ltd. (上海聚英文化傳播有限公司) since November 2006 and Beijing Xinhua Investment Management Co., Ltd. (北京鑫華投資管理有限公司) since April 2001.

Mr. LI graduated from Renmin University of China (中國人民大學) with a bachelor's degree in western economics in June 1982 and a master's degree in economics in June 1985.

Mr. DING Yuan (丁遠), aged 45, joined our Company in March 2012 and has been appointed as our independent non-executive Director since then. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance and audit. Mr. DING has more than ten years of experience in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions. Mr. DING served as a tenured professor in accounting and management control at the HEC School of Management in France from September 1999 to September 2006. He has been serving as a professor in accounting and the Cathay Capital Chair Professor in Accounting at CEIBS since September 2006 and July 2011, respectively. Since July 2013, Mr. DING has been serving as an independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee of Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 106). He has been a director and the chairman of the audit committee of MagIndustries Corp., a company listed on the Toronto Stock Exchange (Stock Code: MAA), since July 2011 and is currently a director of Jaccar Holdings, a private investment company. Mr. DING was an independent director and the chairman of the audit committee at Anhui Gujing Distillery Co., Ltd. (安徽古井貢酒股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000596), from June 2008 to June 2011 and at TCL Corporation (TCL集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000100), from June 2011 to June 2014.

Mr. DING graduated with a doctor of philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in December 2000.

Mr. LEE Kwan Hung (李均雄), aged 49, has been appointed as our independent non-executive Director since February 2015. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to the nomination of our Directors and senior management. From December 1992 to April 1994, Mr. LEE worked in the Listing Division of the Hong Kong Stock Exchange, where he successively served as a manager and a senior manager, and was a partner of Woo, Kwan, Lee & Lo from April 2001 to February 2011. Mr LEE is currently a consultant at Howse Williams Bowers. He has been an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Embry Holdings Limited (安莉芳控股有限公司) (Stock Code: 1388) since October 2007, NetDragon Websoft Inc. (網龍網路有限公司) (Stock Code: 777) since June 2008, Asia Cassava Resources Holdings Limited (亞洲木薯資源控股有限公司) (Stock Code: 841) since January 2009, Futong Technology Development Holdings Limited (富通科技發展控股有限公司) (Stock Code: 465) since November 2009, Newton Resources Ltd. (新礦資源有限公司) (Stock Code: 1231) since December 2010, Walker Group Holdings Limited (盈進集團控股有限公司) (Stock Code: 1386) since February 2011, Tenfu (Cayman) Holdings Company Limited (天福 (開曼) 控股有限公司) (Stock Code: 6868) since August 2011, China BlueChemical Ltd. (中海石油化學股份有限公司) (Stock Code: 3983) since June

2012, and Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (Stock Code: 106) since July 2013. In the three years preceding the Latest Practicable Date, Mr. LEE was also an independent non-executive director of several companies and one trust listed on the Hong Kong Stock Exchange, including New Universe International Group Ltd. (新宇國際實業 (集團) 有限公司) (Stock Code: 8068) from June 2010 to July 2012; Yuexiu REIT Asset Management Limited (越秀房托資產管理有限公司), the manager of Yuexiu Real Estate Investment Trust (越秀房地產投資信託基金) (Stock Code: 405) from November 2005 to October 2014; and Far East Holdings International Limited (遠東控股國際有限公司) (Stock Code: 36) from March 2012 to November 2014.

Mr. LEE received his Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board of Directors and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets forth the information in respect of the Supervisors of our Company.

Name	Age	Position/Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with the Directors, other Supervisors or the Senior Management
Mr. PAN Ning (潘寧)	48	Chairman of the Supervisory Committee	February 27, 2012	June 20, 2007	Responsible for overseeing the audit and evaluating investment decisions of our Company	None
Ms. NG Ellen Hoi Ying (吳凱盈) . . .	34	Shareholder representative Supervisor	December 30, 2010	December 30, 2010	Responsible for overseeing business development and operations of our Company	None
Ms. CHAO Yanping (巢豔萍) . . .	44	Employee representative Supervisor	December 30, 2010	June 20, 2007	Responsible for overseeing business development and operations of our Company	None

Supervisors

Mr. PAN Ning (潘寧), aged 48, has been the chairman of the Supervisory Committee of our Company since February 2012. He was previously a vice general manager of our Company from June 2007 to December 2011, mainly responsible for overseeing the audit and evaluating investment decisions of our Company. Prior to joining our Company, Mr. PAN worked as an officer successively at the Changzhou branch of the PBOC, the Changzhou branch of ICBC and Changzhou Commercial Bank from November 1983 to March 2002. Mr. PAN served as a vice president of Red Star Furniture Group from 2002 to 2007, mainly responsible for corporate finance work.

Mr. PAN completed a part-time course in finance at Jiangsu Radio and Television University (江蘇廣播電視大學) (now known as Jiangsu Open University (江蘇開放大學)) in July 1991 and a postgraduate course in monetary banking at Suzhou University (蘇州大學) in June 1998. He completed the "Senior Executive Program for China" jointly organized by CEIBS, Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2009. Mr. PAN was accredited by the Jiangsu branch of ICBC as an economist in June 1992.

Ms. NG Ellen Hoi Ying (吳凱盈), aged 34, has been the shareholder representative Supervisor of our Company since December 2010, mainly responsible for overseeing business development and operations of our Company. Ms. NG currently serves as a principal of Warburg Pincus Asia LLC, an affiliate of Warburg Pincus. Ms. NG served as an analyst in the investment banking division of Bank of America Merrill Lynch in Hong Kong from July 2003 to September 2005. She joined Warburg Pincus Asia LLC in October 2005 and was promoted to her current position in January 2012.

Ms. NG graduated with a bachelor's degree in economics from the University of Pennsylvania in May 2003. She has been a CFA charterholder accredited by CFA Institute since September 2005.

Ms. CHAO Yanping (巢豔萍), aged 44, has been the employee representative Supervisor of our Company since December 2010. Ms. CHAO has been serving as a vice general manager of our Company's first development center since June 2007, mainly responsible for overseeing business development and operations of our Company. She has also been serving as an executive partner of Shanghai Hongmei Investment since February 2012. Prior to joining our Company, Ms. CHAO worked as the general manager of Shanghai region in Red Star Furniture Group from 2002 to 2007, mainly responsible for projects investment and development.

Ms. CHAO completed part-time study in economics at the University of Shanghai for Science and Technology (上海理工大學) in January 2010.

We plan to change the composition of the Supervisory Committee within six months after the Listing to appoint two or more independent supervisors, who are independent from our Shareholders and do not hold any position in our Company or our subsidiaries, to further enhance our corporate governance. Our Company will comply with all applicable laws and regulations, including the Listing Rules, in relation to the proposed change of composition of the Supervisory Committee.

Save as disclosed herein, no Director or Supervisor of our Company held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this prospectus. There is no other information relating to the relationship of any of our Directors and Supervisors with any other Directors, Supervisors and members of senior management that should be disclosed pursuant to Rule 13.51(2) of or paragraph 41(3) of Appendix 1A to the Listing Rules.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth the information regarding the members of senior management of our Company (other than those concurrently acting as executive Directors).

Name	Age	Position/Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
LIU Yuanjin (劉源金)	60	Vice General Manager	December 30, 2010	June 20, 2007	Responsible for the business development and operations of our Company	None
PAN Ping (潘平)	59	Vice General Manager	December 30, 2010	June 20, 2007	Responsible for the business development and operations of our Company	None
XI Shichang (席世昌)	40	Chief Financial Officer	December 30, 2010	July 12, 2010	Responsible for overseeing corporate finance and financial management of our Company	None
LI Jianhong (李建宏)	41	Vice General Manager	March 29, 2013	February 17, 2013	Responsible for the investment and financing of our Company	None
XU Guoxing (徐國興)	43	Vice General Manager	December 30, 2010	June 20, 2007	Responsible for the building material distribution business and the decoration business of our Company	Mr. XU Guofeng's brother
ZHANG Peifeng (張培峰)	43	Vice General Manager	December 30, 2010	October 20, 2008	Responsible for the property management and business development of our Company	None

Name	Age	Position/Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
XIE Jian (謝堅)	45	Vice General Manager	April 24, 2011	March 1, 2011	Responsible for human resources, marketing and promotion of our Company	None
GUO Binghe (郭丙合)	41	Vice General Manager Secretary of the Board	October 10, 2011 December 30, 2013	June 26, 2007	Responsible for legal compliance, corporate governance, internal control, investor relations and information disclosure of our Company and providing support and assistance to the Board in the performance of its duties	None
WANG Wei (王偉)	45	Vice General Manager	March 29, 2013	June 20, 2007	Responsible for the business development and operations of our Company	None
CHEN Donghui (陳東輝)	38	Vice General Manager	March 29, 2013	June 20, 2007	Responsible for the development of online business of our Company	Ms. CHEN Shuhong's brother
ZHANG Xian (張賢)	37	Vice General Manager	March 20, 2015	June 2007	Responsible for the general operations of shopping malls and the management of pre-paid card, building materials collection and logistics businesses of our Company	None

Mr. LIU Yuanjin (劉源金), aged 60, joined our Company in June 2007 and has been a vice general manager of our Company since December 30, 2010. He is primarily responsible for the business development and operations of our Company. Prior to joining our Company, Mr. LIU worked at Changzhou Juqian Street Primary School (常州市局前街小學) from September 1971 to January 1977. Mr. LIU was a member and a deputy secretary of the communist youth league committee of Tianning District, Changzhou City from January 1977 to September 1981. From July 1985 to August 1997, Mr. LIU worked in the government of Tianning District, Changzhou City, where he successively served as head of the industry department, head of the planning economy department and the deputy district chief. From August 1997 to December 2003, Mr. LIU served as deputy head and deputy secretary of the central management committee and a member of the party committee of the Changzhou National High Technology Development Zone (常州市國家高新技術開發區), and concurrently served as the deputy district chief and deputy secretary of the communist party committee of Xinbei District, Changzhou City. Mr. LIU served as a vice president of Red Star Furniture Group from 2004 to 2007, mainly responsible for the development of projects in their early stage.

Mr. LIU completed his studies in engineering management at Tianjin University (天津大學) in July 1985. He completed the "Senior Executive Program for China" jointly organized by CEIBS, Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2007.

Mr. PAN Ping (潘平), aged 59, joined our Company in June 2007 and has been a vice general manager of our Company since December 30, 2010. He is primarily responsible for the business development and operations of our Company. Prior to joining our Company, Mr. PAN served as the deputy general manager and the deputy secretary of the communist party committee of Wuxi Commercial Mansion (無錫商業大廈), the general manager of Wuxi Shopping Mall (無錫商場) and the general manager and the secretary of the party committee of Wuxi Electrical Appliances Corporation (無錫交家電總公司) from 1985 to 1996. Mr. PAN served as the deputy district chief of Chong'an District, Wuxi City from 1996 to 2003. From 2003 to 2007, Mr. PAN served as a vice president of Red Star Furniture Group, mainly responsible for business development and operation. Mr. PAN also served as supervisor of Jinke Real Estate Group Co. Ltd. (金科地產集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000656) from January 2012 to March 2014 and as director from May 2014 to March 2015.

Mr. PAN completed his studies in politics at Wuxi Workers Part-Time University (無錫市工人業餘大學) in August 1977 and the study in party and politics at Communist Party School of Wuxi Municipal Committee (中共無錫市委黨校) in July 1985. Mr. PAN was accredited as a senior economist by Senior Economics Qualification Review Committee of Jiangsu Province (江蘇省經濟專業高級職務任職資格評審委員會) in June 1995.

Mr. XI Shichang (席世昌), aged 40, joined our Company in July 2010 and has been the chief financial officer of our Company since December 2010. He is primarily responsible for overseeing corporate finance and financial management of our Company. Prior to joining our Company, from October 1999 to December 2002, Mr. XI worked at Shanghai Zhong Yong Xin Accounting Firm (上海中永信會計師事務所). From January 2003 to July 2010, Mr. XI worked at Deloitte &Touche Tohmatsu Certified Public Accountants Co., Ltd.

Mr. XI graduated with a bachelor's degree in finance from Shanghai University of Finance and Economics (上海財經大學) in July 1995 and a master of business administration degree from the executive master of business administration program at CEIBS in October 2013. Mr. XI has been a Certified Public Accountant accredited by Shanghai Institution of Certified Public Accountants (上海註冊會計師協會) since June 2011.

Mr. LI Jianhong (李建宏), aged 41, joined our Company in February 2013 and has been a vice general manager of our Company since March 2013. He is primarily responsible for the investment and financing of our Company. Prior to joining our Company, Mr. LI worked as the head of the finance department of Xiamen Customs in the 1990s. Mr. LI joined Man Wah Holdings Ltd. (敏華控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 01999) in September 2000 and served as its executive director, chief operating officer and vice president from April 2005 to October 2011.

Mr. LI graduated with a bachelor's degree in accounting from Xiamen University (廈門大學) in July 1994, and obtained a distance education degree in executive master of business administration from Peking University (北京大學) in January 2007. Mr. LI obtained a master of business administration degree from Booth School of Business, University of Chicago in March 2010. Mr. LI was accredited as a Chinese Certified Public Accountant by CICPA in June 2001.

Mr. XU Guoxing (徐國興), aged 43, joined our Company in June 2007 and has been a vice general manager of our Company since December 30, 2010. He is primarily responsible for the building material distribution business and the decoration business of our Company. Prior to joining our Company, Mr. XU worked in Changzhou Red Star Furniture General Factory* (常州市紅星家俱總廠) and Changzhou Red Star Furniture Store* (常州市紅星家俱城) from 1992 to 1994, mainly responsible for the sales of furniture. Mr. XU worked as sales manager in Red Star Furniture Group from 1994 to 2007, mainly responsible for the sales of furniture. Mr. XU is Mr. XU Guofeng's brother.

Mr. XU completed the study of business administration at Nanjing College of Artillery Academy of the People Liberation Army (中國人民解放軍炮兵學院南京分院) in June 2004. He also completed the EMBA Program in October 2012 at Cheung Kong Graduate School of Business (長江商學院) and was awarded the degree of executive master of business administration. He is currently the vice president of Jiangsu Furniture Industry Association (江蘇省家居行業協會).

Mr. ZHANG Peifeng (張培峰), aged 43, joined our Company in October 2008 and has been a vice general manager of our Company since December 30, 2010. He is primarily responsible for the property management and business development of our Company. Prior to joining our Company, Mr. ZHANG worked in Whirlpool Corporation (China) (美國惠而浦水仙公司(中國)), a company mainly producing household appliances, from September 1997 to March 1999. Mr. ZHANG then worked in Shanghai B&Q Decoration and Construction Material Co., Ltd. (上海百安居裝飾建材有限公司) from June 1999 to July 2005. From August 2005 to November 2006, Mr. ZHANG worked at the Home Depot (China) (家得寶 (中國)), a company mainly selling home furniture and construction materials. From January 2007 to May 2008, Mr. ZHANG worked in Best Buy Commercial (Shanghai) Co., Ltd. (百思買商業（上海）有限公司).

Mr. ZHANG graduated with a bachelor's degree in English literature from Qufu Normal University (曲阜師範大學) in July 1994 and a master's degree in English language from Shanghai International Studies University (上海外國語大學) in February 1997.

Mr. XIE Jian (謝堅), aged 45, joined our Company in March 2011 and has been a vice general manager of our Company since April 2011. He is primarily responsible for human resources, marketing and promotion of our Company. Prior to joining our Company, Mr. XIE served as a general manager responsible for human resources and service quality of New World Department Store China Ltd. (新世界百貨 (中國) 有限公司) from April 1995 to January 2011.

Mr. XIE completed his studies in politics and education at Wuxi Education College (無錫教育學院) in July 1990. He obtained a bachelor's degree in business management through self-study examination from Nanjing University (南京大學) in July 1995. Mr. XIE was awarded as the "Excellent Trainer of the Industry" by China Building Materials Circulation Association (中國建築材料流通協會) in November 2010 and was appointed as "First Thinktank – Human Resources Expert" in October 2013 by First Thinktank (第一資源智庫).

Mr. GUO Binghe (郭丙合), aged 41, joined our Company in June 2007 and has been a vice general manager of our Company since October 2011. Since December 2013, he has also been the secretary of the Board. He is primarily responsible for legal compliance, corporate governance, internal control, investor relations and information disclosure of our Company and providing support and assistance to the Board in the performance of its duties. Prior to joining our Company, Mr. GUO worked in the investment banking division of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) from July 2001 to March 2004. He then worked in Skyone Securities Co., Ltd. (天一證券有限公司) from March 2004 to October 2005. From 2006 to 2007, Mr. GUO served as assistant chief financial officer of Red Star Furniture Group.

Mr. GUO completed his studies in English education at Anhui Education College (安徽教育學院) (now known as Hefei Normal University (合肥師範學院)) in July 1998, and obtained a master's degree in economics from Fudan University in July 2001 and a degree of executive master of business administration from Cheung Kong Graduate School of Business (長江商學院). Mr. GUO was accredited as an intermediate economist by Ningbo Municipal People's Government in January 2005.

Mr. WANG Wei (王偉), aged 45, joined our Company in June 2007 and has been a vice general manager of our Company since March 2013. He is primarily responsible for the business development and operation of our Company. Mr. WANG has held several positions successively since joining our Company, including the general manager of Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司) and Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司) from June 2007 to August 2008, the general manager of our operating center in the southwest region and Shanghai from August 2008 to June 2009, the assistant president and the general manager of our operating center in the Beijing-Shanghai Southwest region from June 2009 to August 2012, the general manager of our operating center in the Beijing-Shanghai Southwest region from September 2010 to August 2012. Prior to joining our Company, Mr. WANG served as the assistant general manager of Wuhan GOME Electrical Appliances Ltd.(武漢國美電器有限公司) from March 2004 to December 2005. From December 2005 to June 2007, Mr. WANG served as the assistant general manager of the development center of Red Star Furniture Group, mainly responsible for the operation of shopping malls in Changzhou and Xuzhou.

Mr. WANG graduated with a bachelor's degree in Chinese from Hubei University (湖北大學) in June 1992 and a master's degree in business administration from Wuhan University of Technology (武漢理工大學) in June 2005.

Mr. CHEN Donghui (陳東輝), aged 38, joined our Company in June 2007 and has been a vice general manager of our Company since March 2013. He is primarily responsible for the development of online business of our Company. Mr. CHEN has held several positions successively since joining our Company, including the general manager of the fourth operating center and the general manager of Shandong, Dongbei and Huabei regions from June 2007 to June 2010, the general manager and assistant to the president of Huabei and Dongbei regions from June 2010 to December 2013. Prior to joining our Company, Mr. CHEN held several positions successively in Red Star Furniture Group, including as its accountant from December 1994 to July 1996, the vice general manager in charge of business operation of its several operating subsidiaries from July 1996 to August 2006, and the general manager of its forth operation center and Shandong, Dongbei and Huabei regions from August 2006 to June 2007. Mr. CHEN is Ms. CHEN Shuhong's brother.

Mr. CHEN completed the advanced course of business administration at Shanghai Jiao Tong University (上海交通大學) in April 2005 and his studies in business administration through online education at East China Normal University (華東師範大學) in January 2014.

Mr. ZHANG Xian (張賢), aged 37, joined our Company in June 2007 and has been a vice general manager of our Company since March 2015. He is primarily responsible for the general operation of shopping malls and management of the pre-paid card, building materials collection and logistics businesses of our Company. Mr. ZHANG has held several positions successively since joining our Company, including the vice general manager of the fourth operating center, the vice general manager of Shandong and Dongbei regions, and the general manager of Sunan area from June 2007 to December 2010, the assistant president and the general manager of operation and promotion center from December 2010 to January 2015. Prior to joining our Company, Mr. ZHANG held several positions successively in Red Star Furniture Group, including the head of its human resources department and the director of its president office from January 1999 to January 2005, the vice general manager of its fourth operation center, the vice general manager of Shandong and Dongbei regions, and the general manager of Sunan area from January 2005 to June 2007.

Mr. ZHANG graduated with a master's degree in business administration from Guangxi Normal University (廣西師範大學) in June 2013.

COMPANY SECRETARY

Mr. GUO Binghe (郭丙合), aged 41, was appointed as our company secretary on March 20, 2015. For details of Mr. GUO's biography, please see the paragraph headed "Senior Management" above.

Ms. Leung Suet Lun (梁雪綸) was appointed as the assistant company secretary of the Company on March 20, 2015. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a fellow subsidiary of KCS Hong Kong Limited) and the assistant company secretary of the Company. Ms. Leung has over seven years of professional experience in legal, company secretarial and tax consulting fields. From September 2006 to September 2009, Ms. Leung worked in KPMG Tax Limited. From January 2012 to December 2014, Ms. Leung worked in a law firm in Hong Kong. She obtained a Bachelor's Degree in Social Sciences and a Bachelor's Degree of Laws from the University of Hong Kong in 2005 and 2006 respectively. She is a member of the Hong Kong Institute of Certified Public Accountants and a solicitor of Hong Kong.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix 14 to the Listing Rules, our Company has formed four Board committees, namely the Strategy and Investment Committee, the Audit Committee, the Remuneration and Evaluation Committee and Nomination Committee.

Strategy and Investment Committee

We have established a Strategy and Investment Committee with written terms of reference. The Strategy and Investment Committee consists of five Directors: namely Mr. CHE Jianxing, Ms. ZHANG Qi, Mr. ZHANG Qiqi, Mr. JIANG Xiaozhong and Mr. LI Zhenning. Mr. CHE Jianxing currently serves as the chairman of the Strategy and Investment Committee. The primary duties of the Strategy and Investment Committee include, but are not limited to, the following:

- researching and recommending to our Board the long-term development and strategic plans of our Company;

- researching and recommending to our Board material investments, financing proposals, capital operation and asset management of our Company, which must be approved via Board meetings or shareholders' meetings in accordance with the Articles of Association;

- researching and recommending to our Board matters that are material to the development of our Company;

- checking the implementation of above-mentioned matters that are approved via Board meetings or shareholders' meetings; and

- dealing with other strategic matters that are authorized by our Board.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. DING Yuan, Mr. LI Zhenning and Mr. ZHOU Qinye. Mr. DING Yuan, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

- proposing the appointment or change of external auditors;

- overseeing the internal audit system of our Company and its implementation;

- maintaining close communication between the internal auditors and external auditors;

- examining the financial information of our Company and its disclosure, and auditing the significant connected transactions as authorized by our Board;

- examining the rationality, efficiency and implementation of the internal control system of our Company and its subsidiaries and branch offices, and making recommendations to our Board;
- providing comments regarding the performance of internal auditors;
- overseeing the corporate governance of our Company, making recommendations to our Board, and reviewing the corporate governance report disclosed in our annual report; and
- dealing with other matters that are authorized by our Board.

Remuneration and Evaluation Committee

We have established a Remuneration and Evaluation Committee with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Remuneration and Evaluation Committee consists of three Directors, namely Mr. ZHOU Qinye, Mr. CHE Jianxing and Mr. LI Zhenning. Mr. ZHOU Qinye serves as the chairman of the Remuneration and Evaluation Committee. The primary duties of the Remuneration and Evaluation Committee include, but are not limited to, the following:

- formulating the remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the Directors, Supervisors and members of the senior management and the importance of their positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies; the remuneration plans include, but are not limited to, criteria and procedures of performance evaluation, the main evaluation system as well as the main reward and penalty scheme and system, etc.;
- examining the performance of Directors, Supervisors and members of the senior management of our Company, and conducting an annual performance evaluation;
- supervising the implementation of our Company's remuneration plan and incentive system; and
- dealing with other matters that are authorized by the Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. LI Zhenning, Mr. CHE Jianxing and Mr. Lee Kwan Hung. Mr. LI Zhenning serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- making recommendations to our Board on size and composition of our Board in accordance with our Company's operating activities, asset size and shareholding structure;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board;

- conducting extensive search and providing to our Board suitable candidates for Directors, general managers and other members of the senior management;
- reviewing and examining candidates for Directors, general managers and other members of the senior management and making recommendations to our Board; and
- dealing with other matters that are authorized by the Board.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive compensation in the form of Directors' or Supervisors' fees, salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses. The total compensation before taxation accrued to our Directors and Supervisors for the years ended December 31, 2012, 2013 and 2014 was approximately RMB29.9 million, RMB34.6 million, and RMB35.9 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors for the year ending December 31, 2015 to be approximately RMB30 million and RMB3 million, respectively.

The remuneration paid by our Company to the five highest paid individuals (including Directors and Supervisors) for the years ended December 31, 2012, 2013 and 2014 were approximately RMB27.5 million, RMB31.8 million and RMB28.8 million, respectively.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

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

Mr. CHE Jianxing is our Chairman and chief executive officer. In view of Mr. CHE's experience, personal profile and his roles in our Group as mentioned above and that Mr. CHE has assumed the role of chief executive officer and the general manager of our Group 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 after the Listing. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Listing Rules, 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) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises four independent non-executive Directors out of the 12 Directors, which is in compliance with the Listing Rules requirement of one-third, and we believe that there is sufficient check and balance 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 Company 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 Company. 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. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and general manager is necessary.

COMPLIANCE ADVISOR

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor pursuant to Rule 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

a) before the publication of any regulatory announcement, circular or financial report;

b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

d) where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

Pursuant to Rule 19A.06 of the Listing Rules, Anglo Chinese Corporate Finance, Limited will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. Anglo Chinese Corporate Finance, Limited will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, assuming the Over-allotment Option is not exercised, the following persons will, immediately following the completion of the Global Offering, have an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings:

			Shares held as of the Latest Practicable Date		Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised)[(1)]	
Name	**Type of Shares held**	**Name of interest**	**Number of Shares held**	**Approximate % of Shareholding**	**Number of Shares held**	**Approximate % of Shareholding**
Mr. CHE Jianxing[(2)] (車建興)	Domestic Shares	Interest of controlled corporation	2,480,315,772	80.52	2,480,315,772	68.44
Ms. CHEN Shuhong[(3)] (陳淑紅)	Domestic Shares	Interest of spouse	2,480,315,772	80.52	2,480,315,772	68.44
RSI[(4)]	Domestic Shares	Beneficial owner	2,480,315,772	80.52	2,480,315,772	68.44
Candlewood[(5)]	H Shares[(7)]	Beneficial owner	338,054,924	10.97	338,054,924	9.33
WPRE I[(5)]	H Shares[(7)]	Interest of controlled corporation	338,054,924	10.97	338,054,924	9.33
Springwood[(6)]	H Shares[(7)]	Beneficial owner	181,170,145	5.88	181,170,145	5.00
WPRE I Redstar[(6)]	H Shares[(7)]	Interest of controlled corporation	181,170,145	5.88	181,170,145	5.00

Notes:

(1) The calculation is based on the total number of 3,623,917,038 Shares in issue immediately after completion of the Global Offering (without taking into account any Shares that may be issued upon any exercise of Over-allotment Option).

(2) Mr. CHE Jianxing indirectly holds 80.52% of the issued share capital of our Company through his 92% direct interest in RSI and is deemed to be interested in the Shares held by RSI for the purpose of the SFO.

(3) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.

(4) 135,910,236 out of the 2,480,315,772 Shares held by RSI (representing approximately 4.41% of the total number of issued Shares prior to the completion of the Global Offering) are subject to the charge granted by RSI in favor of AVIC Capital Co., Ltd. (中航信託股份有限公司). 372,870,460 out of the 2,480,315,772 Shares held by RSI (representing approximately 12.10% of the total number of issued Shares prior to the completion of the Global Offering) are subject to the charge granted by RSI in favor of Shanghai Pudong Development Bank Co. Ltd. Putuo Branch (上海浦東發展銀行股份有限公司普陀支行). For further details of the share charges, see "— Share Charges by the Controlling Shareholders" below.

(5) Candlewood is a society with restricted liability incorporated in Barbados with WPRE I as its sole quota-holder. 277,136,972 out of the 338,054,924 Shares held by Candlewood (representing approximately 9.0% of the total number of issued Shares

prior to the completion of the Global Offering) are subject to the charge granted by Candlewood in favor of Bank of China Limited Macau Branch. For further details of the share charge, see "— Share Charge by Candlewood and Springwood" below.

(6) Springwood is a society with restricted liability incorporated in Barbados with WPRE I Redstar as its sole quota-holder. 161,759,059 out of the 181,170,145 Shares held by Springwood (representing approximately 5.25% of the total number of issued Shares prior to the completion of the Global Offering) are subject to the charge granted by Springwood in favor of Bank of China Limited Macau Branch in February 2015. For further details of the share charge, see the sub-section headed "Share Charge by Candlewood and Springwood" below.

(7) 338,054,924 Shares held by Candlewood and 181,170,145 Shares held by Springwood are Foreign Shares and will, subject to the approval by CSRC, be converted into H Shares upon Listing.

For details of the substantial shareholders who will be, directly or indirectly, interested in 10% or more of the value of any class of Shares varying rights to vote in all circumstances at general meetings of any member of our Group, see "Appendix VIII — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 1. Disclosure of Interests" in this prospectus.

SHARE CHARGES BY THE CONTROLLING SHAREHOLDERS

On February 5, 2015, RSED entered into a trust loan agreement with AVIC Capital Co., Ltd. (中航信託股份有限公司) ("**AVIC Capital**") pursuant to RSED borrowed RMB1,178 million from AVIC Capital for a period of five years from the date of each drawdown under the trust loan agreement. In connection with the trust loan agreement, 135,910,236 Shares held by RSI, representing approximately 4.41% of our total issued share capital as of the Latest Practicable Date, were charged to AVIC Capital as security on February 5, 2015.

On May 8, 2015, RSI entered into a loan agreement with Shanghai Pudong Development Bank Co. Ltd. Putuo Branch (上海浦東發展銀行股份有限公司普陀支行) ("**SPD Bank**") pursuant to which RSI borrowed an aggregate amount of RMB1,000 million from SPD Bank for a period of three years from the date of the loan agreement. In connection with the loan agreement, 372,870,460 Shares held by RSI, representing approximately 12.10% of our total issued share capital as of the Latest Practicable Date, were charged to SPD Bank as security on June 11, 2015.

Upon the Listing, the rights of each of AVIC Capital and SPD Bank as the chargee under the relevant security agreement shall be subject to the relevant laws and rules (including the Listing Rules), including, amongst others, (a) in the period of six months from the date of Listing, AVIC Capital or SPD Bank, as applicable, shall not enforce the share charge so as to cause any change to the shareholding of Mr. CHE Jianxing or RSI in our Company; and (b) in the period of six months from the date on which the period referred to in paragraph (a) above expires, AVIC Capital or SPD Bank, as applicable, shall not enforce the share charge to the extent that, immediately following the enforcement of the share charge, Mr. CHE or RSI will cease to be a Controlling Shareholder of our Company.

SHARE CHARGE BY CANDLEWOOD AND SPRINGWOOD

On February 9, 2015, Candlewood and Springwood entered into a facility agreement with Bank of China Limited Macau Branch ("**BOC Macau**") pursuant to which Candlewood and Springwood borrowed an aggregate amount of US$55 million from BOC Macau for an initial period of twelve months from the date on which the loan has been made. In connection with the facility agreement, Candlewood and Springwood charged 277,136,972 Shares and 161,759,059 Shares, representing approximately 9.00% and 5.25% of our total issued share capital as of the Latest Practicable Date respectively, to BOC Macau as security on February 28, 2015.

As of the Latest Practicable Date, the registered share capital of our Company was RMB3,080,329,038, divided into 2,561,103,969 Domestic Shares and 519,225,069 Foreign Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
2,561,103,969	Domestic Shares	70.67%
519,225,069	H Shares(note)	14.33%
543,588,000	H Shares to be issued by our Company under the Global Offering	15%
3,623,917,038		100%

Note: As of the Latest Practicable Date, the 519,225,069 Shares held by Candlewood and Springwood are Foreign Shares and will, subject to compliance with applicable laws and regulations, be converted into H Shares upon completion of the Global Offering.

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
2,561,103,969	Domestic Shares	69.12%
519,225,069	H Shares(note)	14.01%
625,126,200	H Shares to be issued by the Company under the Global Offering	16.87%
3,705,455,238		100%

Note: As of the Latest Practicable Date, the 519,225,069 Shares held by Candlewood and Springwood are Foreign Shares and will, subject to compliance with applicable laws and regulations, be converted into H Shares upon completion of the Global Offering.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class or more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50 million.

Based on the information disclosed in the above tables, we have applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, pursuant to which, the public float of our Company may fall below 25% of the issued share capital of our Company (assuming the Over-allotment Option is not exercised) or such higher percentage of Shares held by the public (if the Over-allotment Option is fully or partially exercised). We will make appropriate disclosure of the public float and confirm sufficiency of public float in successive annual reports after the Listing. For details of the waiver in respect of public float requirements, see the section headed "Waivers from Strict Compliance with the Listing Rules — Waiver in respect of Public Float Requirements" in this prospectus.

The above tables assume that the Global Offering has become unconditional and has been completed.

OUR SHARES

Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and transferred in Renminbi. Apart from certain qualified domestic investors in the PRC and any subscription or trading made under Several Provisions on the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (滬港股票市場交易互聯互通機制試點若干規定) and Pilot Measures of the Shanghai Stock Exchange for Shanghai-Hong Kong Connect (上海證券交易所滬港通試點辦法), H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and transferred between legal or natural persons of the PRC and qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in RMB.

Our promoters, namely RSI, Candlewood, Springwood and Ping'an Pharmacy, hold existing 3,003,229,047 Shares as promoter shares (as defined in the PRC Company Law). Under the PRC Company Law, promoter shares may not be sold within a period of one year from January 6, 2011, on which our Company was converted into a sino-foreign joint stock limited liability company. The lock-up period expired on January 6, 2012. The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

As of the Latest Practicable Date, 135,910,236 out of the 2,480,315,772 Shares held by RSI were subject to the charge granted by RSI in favor of AVIC Capital and 372,870,460 out of the 2,480,315,772 Shares held by RSI were subject to the charge granted by RSI in favor of SPD Bank. For further details of the share charges, see "Substantial Shareholders — Share Charges by the Controlling Shareholders" in this prospectus. Upon the Listing, the rights of each of AVIC Capital and SPD Bank as the chargee under the relevant security agreement shall be subject to the relevant laws and rules (including the Listing Rules), including, amongst others, (a) in the period of six months from the date of Listing, AVIC Capital or SPD Bank, as applicable, shall not enforce the share charge so as to cause any change to the shareholding of Mr. CHE Jianxing or RSI in our Company; and (b) in the period of six months from the date on which the period referred to in paragraph (a) above expires, AVIC Capital or SPD Bank, as applicable, shall not enforce the share charge to the extent that, immediately following the enforcement of the share charge, Mr. CHE or RSI will cease to be a Controlling Shareholder of our Company. Upon the expiration of the initial 6-month period referred to in paragraph (a) above, AVIC Capital and SPD Bank will have the right to enforce the relevant share charges under the restrictions referred to in paragraph (b) above. Therefore, it is likely that, in an event of default, the Shares subject to the relevant share charges may be transferred to the relevant charge as a result of the enforcement of the share charge by AVIC Capital and/or SPD Bank, depending on whether RSI is able to satisfy the relevant chargee's demand in alternative ways and subject to any final determination by the court or government authority with competent jurisdiction on the relevant security agreement.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix VII to this prospectus, our Domestic Shares and our H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions to be declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as the PRC laws may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the date of this prospectus. We have not approved any share issue plan other than the Global Offering.

Upon the completion of the Global Offering, we will have two classes of ordinary shares, H Shares as one class of Shares and Domestic Shares as another class of Shares. As of the date of this prospectus, the Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange. Upon the completion of the Global Offering, all unlisted Shares will be Domestic Shares held by RSI, Shanghai Jinghai, Shanghai Hongmei Investment, Shanghai Kaixing and Ping'an Pharmacy, and therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to the PRC laws. Given the above, Llinks Law Offices, our legal advisor as to the PRC laws, has advised us that the use of the term "unlisted Shares" in the Articles of Association does not contravene, and is not inconsistent with, any PRC law or regulation (including the Special Regulations and Mandatory Provisions).

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted H Shares any requisite internal approval processes, including approval by Shareholders, shall have been duly completed and the approval from the State Council's securities regulatory authority shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Hong Kong Stock Exchange is required for the listing of such converted H Shares on the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice of the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Following the listing of the converted shares on the Hong Kong Stock Exchange, any sale or possible sale of the converted shares may cause a significant decrease in the market price of the H Shares. See "Risks Relating to the Global Offering" in the Risk Factors section for further details.

MECHANISM AND PROCEDURE FOR CONVERSION

After all requisite approvals as set out above have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) the H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares will not be listed as H Shares.

So far as our Directors are aware, none of our existing Shareholders currently proposes to convert any of the Domestic Shares held by it into H Shares.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS HONG KONG STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days after listing and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas listed shares as well as the current offering and listing of shares.

The following discussion and analysis of our business, financial condition and results of operation is based on and should be read in conjunction with our audited consolidated financial information included in the Accountants' Report set forth in Appendix I and our reviewed consolidated financial information included in the Unaudited Interim Financial Information set forth in Appendix II to this prospectus and other financial information appearing elsewhere in this prospectus. Our financial information has been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section entitled "Risk Factors."

OVERVIEW

We are the leading home furnishings shopping mall operator in China with the largest operating area, the largest number of shopping malls and the broadest geographic coverage, according to Frost & Sullivan. As of December 31, 2014, we operated 158 shopping malls with a total operating area of approximately 10,752,853 sq.m. in 115 cities in 26 provinces in China, hosting over 18,000 product brands. According to Frost & Sullivan, in 2014, we had 10.8% of the market share in the chain home improvement and furnishings retail mall sector and 2.6% of the total retail market share in terms of retail turnover, the largest in China's rapidly growing home improvement and furnishings retail industry. As of December 31, 2014, we possess a strong pipeline of shopping malls, including 25 pipeline Portfolio Shopping Malls with a total estimated GFA of approximately 3,460,438 sq.m., and 359 pipeline Managed Shopping Malls with a total estimated GFA of approximately 20,471,000 sq.m. Among our pipeline Managed Shopping Malls, 39 had secured land parcels and were expected to open by the end of 2015 and 152 had secured land parcels and were expected to open after 2015.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, revenues generated from our Owned/Leased Portfolio Shopping Malls contributed 73.4%, 66.0%, 61.5%, 69.3% and 66.2% of our total revenue, respectively, and revenues generated from our Managed Shopping Malls contributed 26.6%, 33.2%, 35.1%, 28.4% and 30.9% of our total revenue, respectively. Our revenue increased from RMB5,253.7 million in 2012 to RMB6,360.7 million in 2013 and further to RMB7,935.1 million in 2014, representing a CAGR of 22.9%. Our revenue increased from RMB1,703.0 million for the three months ended March 31, 2014 to RMB1,943.1 million for the three months ended March 31, 2015. Our gross profit increased from RMB3,801.5 million in 2012 to RMB4,571.1 million in 2013 and further to RMB5,881.1 million in 2014, representing a CAGR of 24.4%. Our gross profit increased from RMB1,192.5 million for the three months ended March 31, 2014 to RMB1,430.8 million for the three months ended March 31, 2015. Our gross profit margin also increased from 72.4% in 2012 to 74.1% in 2014, and from 70.0% for the three months ended March 31, 2014 to 73.6% for the three months ended March 31, 2015. Our profit and total comprehensive income for the year increased from RMB2,256.6 million in 2012 to RMB3,269.3 million in 2013 and further to RMB3,922.0 million in 2014, representing a CAGR of 31.8%. Our profit and total comprehensive income increased from RMB845.8 million for the three months ended March 31, 2014 to RMB1,047.5 million for the three months ended March 31, 2015. Our adjusted EBITDA increased from RMB2,427.6 million in 2012 to RMB2,978.6 million in 2013 and further to RMB4,020.4 million in 2014, representing a CAGR of 28.7%. Our adjusted EBITDA increased from RMB831.4 million for the three months ended March 31, 2014 to RMB987.1 million for the three months ended March 31, 2015.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. Our financial information is presented in the currency of RMB, which is also the functional currency of our Company and its subsidiaries.

Our current liabilities exceed our current assets as of December 31, 2012, 2013 and 2014 and March 31, 2015. Taking into account the available facilities from bank and non-bank financial institutions and cash flows from operations, the Directors believe that we will continue to operate as a going concern and consequently, the financial information has been prepared on a going concern basis.

Transferred Shopping Malls

We historically engaged in the operation and management of shopping malls as well as the real estate development business. With a view to continuing to focus on our shopping mall business and in light of the strengthened control and regulation of the real estate development industry by the PRC government, we sold all of our equity interests in the companies engaging in real estate development to RSI, certain of its subsidiaries and certain independent third parties between October 2011 and December 2011. After the disposal, we ceased to engage in any real estate development business. RSI holds the real estate business we disposed of through RSED, which is held as to 61.0% by RSI. See "History and Reorganization — Business Reorganization — Disposal of Real Estate Business."

After the completion of the disposal, seven of the disposed entities engaging in the real estate business, namely Huayun Trade, Changchun Property, Yunnan Property, Shenyang Jingsen, Dalian Investment, Xinglong Property and Greenland Jinniu, held the Transferred Shopping Malls. The Transferred Shopping Malls were transferred to RSED because they were developed in combination with other commercial or residential properties owned by disposed entities and we were not able to retain the Transferred Shopping Malls separately prior to completion of the development of those properties. See "History and Reorganization — Business Reorganization — Repurchase of the Transferred Shopping Malls."

In order to consolidate the results of operation of our shopping malls held by RSED and minimize potential competition and conflict of interest between our Controlling Shareholders and us, we entered into the Repurchase Framework Agreements relating to our repurchase of the Transferred Shopping Malls from the disposed entities. Pursuant to the Repurchase Framework Agreements, we (i) have legally binding obligations to repurchase the Transferred Shopping Malls held by Huayun Trading, Changchun Property, Yunnan Property and Shenyang Jingsen once such Transferred Shopping Malls can be separately transferred to us; and (ii) have been granted an option to repurchase the Transferred Shopping Malls held by Dalian Investment, Xinglong Property and Greenland Jinniu, from the relevant subsidiaries of RSED. We subsequently exercised our options to repurchase the Transferred Shopping Malls held by Dalian Investment and Xinglong Property. See "History and Reorganization — Business Reorganization — Repurchase of the Transferred Shopping Malls."

The total consideration for the repurchase of the four Transferred Shopping Malls held by Huayun Trading, Changchun Property, Yunnan Property and Shenyang Jingsen was approximately RMB2,210.8 million. The total consideration for the repurchase of Dalian Shopping Mall and Xinglong Shopping Mall was approximately RMB1,411.0 million. The consideration is determined by reference to the land acquisition costs and construction costs of the relevant Transferred Shopping Malls and our proportionate shareholding percentage in the relevant companies holding the Transferred Shopping Malls. See "History and Reorganization — Business Reorganization — Repurchase of the Transferred Shopping Malls."

With respect to each of the Transferred Shopping Malls, we operated and managed such Transferred Shopping Mall under our brand "Red Star Macalline" prior to the completion of our repurchase under a contract management arrangement, and according to the Repurchase Framework Agreements we retain all the risks and rewards that are attributable to such Transferred Shopping Mall. See "History and Reorganization — Business Reorganization — Repurchase of the Transferred Shopping Malls."

In view of the legally binding obligation as to the six Transferred Shopping Malls that we have agreed to repurchase or have exercised our options to repurchase, to the extent the assets, liabilities, income and expenses are directly attributable to these Transferred Shopping Malls, such items have been consolidated into our financial information for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015. Income, expenses, assets and liabilities have been identified by the management using a specific identification method. See Note 2 to the Accountants' Report set forth in Appendix I to this prospectus.

In August 2013 and December 2013, we completed the repurchase of 65.0% of the equity interest in Tianjin International Expo and 70.0% of the equity interest in Changchun Shibo, respectively. See "History and Reorganization — Business Reorganization — Repurchase of the Transferred Shopping Malls."

Business Combination Under Common Control

In June 2014 and September 2014, we acquired 100.0% of the equity interest in Sunan Construction and 100.0% of the equity interest in Shenyang Expo, respectively. As Sunan Construction and Shenyang Expo were ultimately controlled by Mr. Che Jianxing prior to and after these acquisitions, we applied merger accounting. As such, we have consolidated the results of Sunan Construction and Shenyang Expo into our consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014 and as of and for the three months ended March 31, 2015, as if Sunan Construction and Shenyang Expo had been our consolidated subsidiaries on such dates and during such periods. See Note 2 to the Accountants' Report set forth in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATION

The results of our operations are affected by a number of factors, including in particular the factors described below.

Performance of Our Owned/Leased Portfolio Shopping Malls

We have been deriving and expect to continue to derive the majority of our revenues from our Owned/Leased Portfolio Shopping Malls. Revenues from operation of our

Owned/Leased Portfolio Shopping Malls depend primarily on the level of our rent, management fees and fees for our other value-added services, occupancy rates and the total number of our Owned/Leased Portfolio Shopping Malls in operation. Factors affecting our rent and management fees include the maturity and location of the relevant shopping mall, the rental level of commercial properties of the relevant city and area, the supply of comparable properties in the places where we operate, the overall demand in the market, and general economic conditions in China and in cities and regions where we operate. We typically enter into one-year exhibition space agreements with our tenants with the ability to terminate upon our two-month prior notice. As a result, we may constantly adjust our rent and management fees based on the prevailing market conditions. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our average effective unit income from operation per sq.m. per month was RMB116, RMB111, RMB115 and RMB116, respectively, while our average effective unit income from operation per sq.m. per month for our mature shopping malls was RMB130, RMB135, RMB144 and RMB146, respectively. Occupancy rates largely depend on our ability to leverage our market recognition to charge rent at a premium compared to the rental level at comparable properties and the general economic conditions in China and in cities and regions where we operate. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our occupancy rate was 90%, 97%, 96% and 96%, respectively. During the Track Record Period, we expanded our Portfolio Shopping Mall network rapidly from 38 as of December 31, 2012 to 52 as of December 31, 2014. Along with such expansion, revenues generated from our Owned/Leased Portfolio Shopping Malls increased from RMB3,851.6 million for the year ended December 31, 2012 to RMB4,883.8 million for the year ended December 31, 2014.

Performance of Our Managed Shopping Malls

Revenues generated from our Managed Shopping Malls are primarily affected by the number of new Managed Shopping Mall projects for which we have entered into contract management agreements, the stage of their development and the number of Managed Shopping Malls in operation. Our Managed Shopping Mall business expanded rapidly during the Track Record Period. As of December 31, 2012, 2013 and 2014 and March 31, 2015, we had 77, 85, 106 and 107 Managed Shopping Malls in operation, respectively, and 177, 255, 359 and 380 pipeline Managed Shopping Malls, respectively. As a result of such expansion, revenues generated from our Managed Shopping Malls increased from RMB1,399.9 million for the year ended December 31, 2012 to RMB2,786.4 million for the year ended December 31, 2014 and revenues generated from our Managed Shopping Malls increased from RMB484.4 million for the three months ended March 31, 2014 to RMB601.3 million for the three months ended March 31, 2015. For each Managed Shopping Mall, we collect a relatively large amount of initiation and entrance fees upfront from our partners after entering the relevant contract management agreement, and such fees are recognized in stages upon achieving major milestones such as the grant of land use rights and the opening of the relevant shopping mall. Therefore, our initiation and entrance fees are affected by the number of new pipeline Managed Shopping Malls, the timing of land use rights grants and the schedule of shopping mall openings. For example, our initiation and entrance fees increased significantly from RMB527.2 million in 2012 to RMB1,014.1 million in 2014 due to the increase in the number of our pipeline Managed Shopping Malls that we recognized initiation and entrance fee in the year from 51 in 2012 to 89 in 2014. We also provide consultation and management services during the construction of our Managed Shopping Malls and in return, we collect consultation and management fees from the construction contractors. The construction consultation and management fees are primarily affected by the amount of construction work for each Managed Shopping Mall and the number of Managed Shopping Malls opened in the relevant year for which we had provided construction consultation services. As the number of pipeline Managed Shopping Malls grew, construction consultation and management fees increased from RMB154.1 million in 2012 to RMB272.0 million in 2013, and further to RMB679.3 million in 2014. Once a Managed Shopping Mall is opened, we charge annual management fees for our ongoing services, and the growth and performance of our post-opening Managed Shopping Mall business are primarily affected by the total number of shopping malls in operation during the relevant period. Along with the expansion of our Managed Shopping Mall network, our annual management fees increased from RMB718.6 million in 2012 to RMB854.7 million in 2013, and further to RMB1,092.9 million in 2014, representing a CAGR of 23.3%.

Lifecycle of Our Shopping Malls

Our profitability is affected by the proportion of shopping malls at different stages of their lifecycle.

Among our Portfolio Shopping Malls, the shopping malls at a mature stage enjoy customer recognition at the relevant locations and are able to generate high rent and management fee revenues with relatively low marketing expenses, leading to higher profit margins than the new shopping malls. In contrast, while opening a new shopping mall may drive our future growth, it could initially have a negative impact on our profit margin. At the ramp-up stage, we typically give a rent-free period of three months to our new tenants and incur substantial marketing expenses at a higher proportion of the rent and management fee revenue of the relevant shopping mall. It usually takes a new shopping mall two to five years to build up market recognition and attract sufficient customer flow in order to charge a sufficient level of rent and management fees, while the operating costs of a new shopping mall remain relatively stable as it matures. After that, it may take up to another five to 14 years to generate sufficient returns to cover our initial investment in a Self-owned Portfolio Shopping Mall. Therefore, the overall performance of our Portfolio Shopping Malls, in particular their profitability, may be affected by our expansion schedule and the proportion of shopping malls at the ramp-up stage.

For our Managed Shopping Malls, the gross margin of our services tends to be higher during the pre-opening stage. Under our standard contract management agreements, we receive a relatively large amount of initiation and entrance fees upfront that are recognized during the pre-opening stage, and substantially all of the pre-opening development costs, including the land premium and construction costs, are directly borne by our Managed Shopping Mall partners. We also generate consulting and management fees from construction contractors during the pre-opening stage. As a result, the gross margin of our Managed Shopping Mall business is enhanced as we open more Managed Shopping Malls during a particular period. In contrast, after a Managed Shopping Mall is opened, we incur substantial operating expenses in our day-to-day management, although our partners reimburse us for such operating expenses as part of our management and consulting fees, and pay us an annual management fee, which may be tied to the performance of the Managed Shopping Malls. As a result, our gross margin with respect to Managed Shopping Malls in operation, while lower than during the pre-opening stage, is relatively stable throughout the lifecycle of the relevant shopping mall. As the number of Managed Shopping Malls grows along our expansion, the post-opening services may account for a growing proportion of our revenue and the overall gross margin of our Managed Shopping Malls may be increasingly affected by our post-opening business. In the short term, the gross margin of our Managed Shopping Mall business may fluctuate, depending on the proportion of contributions by the pre-opening and post-opening business during the relevant period, which is mainly affected by our expansion and development schedule. Taking advantage of this model, we aim to efficiently extend our geographic reach under this model with more certain overall return, low upfront investments, and stable long-term revenue streams.

Operational Efficiency and Effectiveness of Cost Control

Our ability to achieve higher operational efficiency and realize economies of scale is key to our business growth and results of operation. We have developed a proprietary enterprise resource planning system that covers all aspects of our business operations and centralizes our financial budgeting and control. The enterprise resource planning system is on pace with the expansion of our business and is customized to meet our business needs. We also endeavor to lower our operating costs by controlling our headcounts, implementing energy conservation measures, and improving the marketing efficiency. During our expansion, we continuously monitored our headcount and managed to control its growth. We also started to implement energy conservation measures at various shopping malls, and plan to continue to roll out such measures to our other shopping malls across China. We also engage more frequently in targeted marketing campaigns through Internet portals and search engines, through our M Style membership program and at the sites of residential property projects instead of using traditional media to generate higher marketing impact for all of our shopping malls and increase marketing efficiency. In addition, we provide value-added services to our tenants and host promotion activities jointly with our tenants to promote their brands and products across the country. We leverage our centralized management and economies of scale to generate marketing synergies from all of our shopping malls, and in turn increase tenant loyalty and provide leverage to support the level of our rent, management fees and fees for our other value-added services. For the years ended December 31, 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, our selling and distribution expenses accounted for 15.4%, 14.5%, 13.3%, 12.2% and 13.3% of our revenues, respectively, and our administrative expenses accounted for 12.5%, 12.1%, 11.6%, 10.4% and 11.4% of our revenues, respectively.

Economic and Other Conditions in China and Our Areas of Operation

Our business depends on consumer demand for home improvement and furnishings products and services, which are affected by continued economic growth, urbanization, growth of disposable income and rising standards of living. China's economy in general, and the areas in which we operate in particular, have experienced rapid growth in recent years. Such economic growth and the accompanying urbanization have had a significant impact on the property markets in cities and regions where we operate, as periods of economic growth are typically accompanied by increasing rent for investment properties and the growth of the residential property market affects consumer demand for home improvement and furnishings products and services. In recent years, the real estate market grew rapidly across different cities in China, driving up the rent for investment properties and the prices and sales volumes for residential housing. At the same time, to prevent overheating of the real estate market, especially the residential property market, the PRC government has adopted administrative measures to control the real estate market, which affected housing prices and sales volume at different locations. Economic growth has also led to a substantial increase in per capita disposable income and rising standards of living in our target cities and regions, and has boosted consumer demand and confidence, including demand for upgrades of home improvement and furnishings products.

The overall economic growth in China will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. It is difficult to determine the exact impact of any prolonged global economic slowdown on China's economy, its growth rate and the PRC property markets, and the economic growth that we have seen may not continue in the future. In 2014, China's GDP expanded by 7.4%, which was its slowest rate in the past twenty years and below the PRC government's growth target. While such growth may gradually become more balanced with higher contribution by consumption and services that may benefit retail industries like ours, a slowdown of economic growth or downturn in China or in our target cities or regions, or the shifting focus of China's economy growth, may affect our future growth, business and financial condition.

Fair Value of Our Investment Properties

Property values are affected by, among other factors, supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments, construction costs and the timing of the development of properties. We state our investment properties at fair value on our consolidated statements of financial position as non-current assets as of each financial statements date based on the valuations prepared by Jones Lang LaSalle, an independent property valuer, and record changes in the fair value of investment properties in our consolidated statements of profit or loss and other comprehensive income. See "— Description of Certain Items in the Statement of Operations — Changes in the Fair Value of Investment Properties." Property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may be higher or lower if the valuer uses a different set of bases and assumptions or if the valuation is conducted by another qualified independent professional valuer using the same or a different set of bases and assumptions.

Gains or losses arising from changes in the fair value of our investment properties may have a substantial effect on our profits. As of December 31, 2012, 2013 and 2014 and March 31, 2015, the fair value of our investment properties amounted to RMB51,195.0 million, RMB58,190.0 million, RMB62,966.0 million and RMB64,277.0 million, respectively. For the years ended December 31, 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, we recorded gains from increases in the fair value of investment properties of RMB1,112.5 million, RMB2,055.1 million, RMB2,415.3 million, RMB570.5 million and RMB731.5 million, respectively. The fair value of each of our investment properties has fluctuated, and is likely to continue to fluctuate, in accordance with the prevailing property market conditions. Any decrease in the fair value of our investment properties will adversely affect our profitability. In addition, increases in the fair value of investment properties are unrealized and do not generate any cash inflow until such investment properties are disposed of. We may therefore experience higher profitability as a result of increases in the fair value of investment properties without a corresponding improvement on our liquidity position. Future increases in the fair value of investment properties, if any, may not be comparable to those recognized during the Track Record Period.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of our consolidated financial information requires selecting accounting policies and making estimates and assumptions that affect items reported in the combined financial information. The determination of these accounting policies is fundamental to our results of operation and financial position and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial position, results of operation or cash flows. For more information regarding our significant accounting policies and the summary of significant accounting judgments and estimates, see Notes 4 and 5 to the Accountants' Report set forth in Appendix I and Notes 3 and 4 to the Unaudited Interim Financial Information set forth in Appendix II to this prospectus.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Rent

Rent collected from our tenants is recognized in profit or loss on a straight-line basis over the term of the relevant exhibition space agreements.

Initiation and Entrance Fees

We usually charge our Managed Shopping Mall partners initiation and entrance fees prior to opening the relevant Managed Shopping Mall, and our Directors were required to consider when it is appropriate to recognize the revenue for initiation and entrance fees. As the initiation and entrance fees permit only initiation, and all other services are paid for separately, including a separate annual management fee payable to us after the relevant shopping mall is opened, our Directors are satisfied that initiation and entrance fees can be recognized as revenue when no significant uncertainty as to its collectability exists.

Rendering of Services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract when it is probable that the economic benefits will flow to us and the outcome of the transaction involving the relevant services can be estimated reliably.

Sale of Goods

Revenue from the sale of goods is recognized when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Investment Properties

Investment properties are properties held to earn rent and/or for capital appreciation, including properties under construction for such purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on the derecognition of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period in which the property is derecognized.

Investment properties of RMB51,195.0 million, RMB58,190.0 million, RMB62,966.0 million and RMB64,277.0 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively, are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have adopted a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors have exercised their judgment and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of our investment properties and the corresponding adjustments to the amount of fair value gain or loss reported in profit or loss.

One of the investment properties is held under a finance lease. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, there is no reasonable certainty that ownership will be obtained by the end of the lease term.

Property, Plant and Equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The principal estimated useful lives used for this purpose are as follows:

	Estimated useful lives
Dedicated equipment	10 years
Motor vehicles	5 years
Electronic equipment and furniture	3 – 5 years
Leasehold improvements	Shorter of the term of the lease or 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. This estimate is based on the management's experience of the actual useful lives and residual values of items of property, plant and equipment of similar nature and functions. The management will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of shopping malls. The management will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives. Periodic review could result in a change in depreciation period and therefore depreciation charge in the future periods.

In addition, our management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, an adjustment will be made and recognized in the period in which such event takes place. The carrying amounts of property, plant and equipment as of December 31, 2012, 2013 and 2014 and March 31, 2015 were RMB803.4 million, RMB482.0 million, RMB362.5 million and RMB350.0 million, respectively.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the amortization of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The intangible assets are amortized on a straight-line basis over their estimated useful lives. The management assesses the estimated useful lives of intangible assets annually.

In addition, the management considers the potential impairment based on the recoverable amount. The intangible assets with finite useful lives are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology, and operating or cash flow losses associated with the intangible assets.

Determining whether an intangible asset is impaired requires an estimation of the recoverable amount of the cash-generating units, or CGUs, to which such intangible asset has been allocated. The recoverable amount of CGUs at the end of each reporting period is based on the value in use which calculation requires the management to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment of intangible assets has been made for the years ended December 31, 2012, 2013 and 2014.

The carrying amount of intangible assets was RMB12.5 million, RMB28.5 million, RMB548.9 million and RMB549.0 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on Tangible and Intangible Assets other than Goodwill

At the end of each reporting period, we review the carrying amounts of our tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is impossible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is added to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Income Tax Expense

Income tax expense represents the sum of tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which we expect, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through a sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through its sale. The Directors concluded that our investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and that as such the presumption is rebutted. Therefore, we estimated the deferred tax on the basis of recovering through use.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets of RMB183.9 million, RMB244.4 million, RMB323.2 million and RMB318.5 million have been recognized as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively, after offsetting certain deferred tax liabilities. Our ability to realize the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors determine the deferred tax assets based on the enacted or substantially enacted tax rates and our profit forecasts for coming years during which the deferred taxation assets are expected to be utilized. The Directors reviewed the assumptions and profit forecasts at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which such a recognition or reversal takes place.

Trade and Other Receivables

We make allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. In determining whether there is objective evidence of allowance for bad and doubtful debts, we take into consideration the collectability, aged analysis of trade and other receivables and estimation of future cash flows. The amount of the allowance for bad and doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, an allowance for bad and doubtful debts may arise. The carrying amount of trade and other receivables after allowance for bad and doubtful debts was RMB1,684.7 million, RMB1,061.5 million, RMB1,292.2 million and RMB1,472.9 million, as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively.

PORTFOLIO SHOPPING MALLS

Our Portfolio Shopping Malls include (i) shopping malls in which all or a majority of the operating areas are owned by us; (ii) the Transferred Shopping Malls; (iii) shopping malls leased by us; (iv) shopping malls for which we operate and consolidate their results of operation and pay the relevant property owners a fixed amount of annual fees ("**fixed-fee Portfolio Shopping Malls**"); and (v) shopping malls held together with our associates or joint venture partners and operated by us ("**JV/associate Portfolio Shopping Malls**"). With respect to the financial information in this prospectus, we categorize the abovementioned (i), (ii), (iii) and (iv) as our "**Owned/Leased Portfolio Shopping Malls**", among which (i) and (ii) are categorized as "**Owned Portfolio Shopping Malls**", and (iii) and (iv) are categorized as "**Leased Portfolio Shopping Malls**."

For the year ended December 31, 2014 and the three months ended March 31, 2014 and 2015, our fixed-fee Portfolio Shopping Malls included (a) Erdos Dongsheng Mall, (b) Yichang

Xiling Mall and (c) Quzhou Sanqu Mall. Such fixed-fee Portfolio Shopping Malls were operated by us under contract management agreements in the years ended December 31, 2012 and 2013. We entered into the abovementioned fixed-fee arrangements with respect to such fixed-fee Portfolio Shopping Malls since 2014. Accordingly, such fixed-fee Portfolio Shopping Malls were categorized as our Managed Shopping Malls for the years ended December 31, 2012 and 2013, and were categorized as our Portfolio Shopping Malls for the year ended December 31, 2014 and the three months ended March 31, 2014 and 2015.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our JV/associate Shopping Malls included (a) Suzhou Park Mall and Shenzhen Xiangmi Lake Mall, which are held together with our associates and operated by us, and (b) Wuhu Minghui Mall and Chengdu Shuangnan Mall, which are held together with our joint venture partners and operated by us. We do not consolidate the results of operation of the relevant companies holding the JV/associate Portfolio Shopping Malls into our consolidated financial information for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015. The results of operation of and our interests in the relevant companies were reflected in share of profit of associates, share of results of joint ventures, interests in associates, and interests in joint ventures in our consolidated financial information.

DESCRIPTION OF CERTAIN ITEMS IN THE STATEMENT OF OPERATIONS

The following summarizes components of certain items appearing in the Accountants' Report set forth in Appendix I and our Unaudited Interim Financial Information set forth in Appendix II to this prospectus, which we believe will be helpful in understanding the period-to-period discussion that follows below.

Revenue

Our revenue sources include (i) our Owned/Leased Portfolio Shopping Malls, (ii) our Managed Shopping Malls, (iii) sales of merchandise and related services and (iv) others. The following table sets forth a breakdown of our revenue by sources for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Owned/Leased Portfolio Shopping Malls	3,851,567	73.4	4,199,019	66.0	4,883,838	61.5	1,180,688	69.3	1,287,154	66.2
Managed Shopping Malls	1,399,875	26.6	2,114,868	33.2	2,786,354	35.1	484,408	28.4	601,253	30.9
Sales of merchandise and related services	2,266	0.0	37,152	0.6	140,896	1.8	23,828	1.4	19,075	1.0
Other	25	0.0	9,664	0.2	124,043	1.6	14,066	0.9	35,584	1.9
Revenue	**5,253,733**	**100.0**	**6,360,703**	**100.0**	**7,935,131**	**100.0**	**1,702,990**	**100.0**	**1,943,066**	**100.0**

Owned/Leased Portfolio Shopping Malls

For our Owned/Leased Shopping Malls, we provide exhibition space as well as comprehensive services to our tenants under our exhibition space agreements. See "Business — Business Model — Our Portfolio Shopping Malls — Tenant Service and Management." Revenue from our Owned/Leased Portfolio Shopping Malls primarily includes the following components: (i) rent from leasing exhibition spaces in our shopping malls to our tenants, (ii) management fees from providing continuous operation and management support to our tenants and (iii) fees from providing value-added services to our tenants. We treat these components as a whole in our day-to-day operations, and do not separately account for these components in terms of revenue. In 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, revenue from our Owned/Leased Portfolio Shopping Malls accounted for 73.4%, 66.0%, 61.5%, 69.3% and 66.2%, respectively, of our total revenue. The following table sets forth a breakdown of our revenue from Owned/Leased Portfolio Shopping Malls for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Owned Portfolio Shopping Malls . . .	3,052,245	79.2	3,320,847	79.1	3,868,302	79.2	943,375	79.9	1,017,646	79.1
Leased Portfolio Shopping Malls . . .	785,004	20.4	864,487	20.6	1,001,425	20.5	233,421	19.8	264,953	20.6
Other	14,318	0.4	13,685	0.3	14,111	0.3	3,892	0.3	4,555	0.3
Revenue from Owned/Leased Portfolio Shopping Malls . .	**3,851,567**	**100.0**	**4,199,019**	**100.0**	**4,883,838**	**100.0**	**1,180,688**	**100.0**	**1,287,154**	**100.0**

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, the increases in revenue from our Owned/Leased Portfolio Shopping Malls were primarily due to the higher level of rent, management fees and fees for other value-added services for our existing shopping malls and increased operating areas as new shopping malls were opened.

	Year ended/as of December 31,			Three months ended/as of March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
At period end:					
Number of Portfolio Shopping Malls(1)	38	44	52	46	51
- Owned Portfolio Shopping Malls	21	26	31	27	31
- Leased Portfolio Shopping Malls	13	14	17	15	16
- JV/associate Portfolio Shopping Malls	4	4	4	4	4
Total operating area (sq.m.)(1)	3,202,676	3,581,062	4,033,458	3,698,335	3,987,058
During the period:					
Average effective unit income from operation (RMB/sq.m./month):					
- Total	116	111	115	117	116
- Mature shopping malls	130	135	144	143	146

(1) The number and operating area of our Portfolio Shopping Malls includes four Portfolio Shopping Malls held by our associates and joint ventures. See "— Portfolio Shopping Malls."

The level of our rent and management fees varies among our Portfolio Shopping Malls in different cities across China and at different stages of their lifecycle. Our average effective unit income from operation in Tier I and Tier II Cities steadily (increased) for the years ended December 31, 2012, 2013 and 2014, and our average effective unit income from operation in Tier III and Other Cities (decreased) slightly as we expanded to more lower tier cities. The following table summarizes the revenue and average effective unit income from operation information for the periods indicated:

	Year ended December 31,			CAGR 2012-2014
	2012	**2013**	**2014**	**(%)**
Tier I Cities:				
Total operating income (in thousands of RMB)	1,680,654	1,779,436	2,046,360	10.3
Average effective unit income from operation (RMB/sq.m./month)	165	171	175	3.0
Tier II Cities:				
Total operating income (in thousands of RMB)	2,048,834	2,321,656	2,646,104	13.6
Average effective unit income from operation (RMB/sq.m./month)	108	102	113	2.1
Tier III and Other Cities:				
Total operating income (in thousands of RMB)	374,788	427,591	559,556	22.2
Average effective unit income from operation (RMB/sq.m./month)	59	57	53	(5.0)

See the section headed "Business — Our Shopping Malls — Project Portfolio — Our Portfolio Shopping Malls" for details of our Portfolio Shopping Malls in Tier I, Tier II and Tier III and Other Cities.

Managed Shopping Malls

Revenue from our Managed Shopping Malls includes (i) initiation and entrance fees collected from our shopping mall partners during the pre-opening stage; (ii) annual management fees collected from our shopping mall partners for post-opening consultation and management services related to the day-to-day operation of the shopping malls, typically including a fixed management fee and reimbursements for our actual operating expenses; and (iii) fees collected from construction contractors for consultation and management services we provided to them during the construction of the relevant shopping malls. In 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, revenue from our Managed Shopping Malls accounted for 26.6%, 33.2%, 35.1%, 28.4% and 30.9%, respectively, of our total revenue. The following table sets forth a breakdown of our revenue from Managed Shopping Mall operations for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
								(unaudited)		
	(in thousands, except percentages)									
Initiation and entrance fees	527,161	37.7	988,182	46.7	1,014,121	36.4	130,982	27.1	240,998	40.1
Annual management fees	718,597	51.3	854,700	40.4	1,092,892	39.2	221,982	45.8	301,180	50.1
Construction consultation and management fees	154,117	11.0	271,986	12.9	679,341	24.4	131,444	27.1	59,075	9.8
Revenue from Managed Shopping Malls	**1,399,875**	**100.0**	**2,114,868**	**100.0**	**2,786,354**	**100.0**	**484,408**	**100.0**	**601,253**	**100.0**

Our initiation and entrance fees were primarily affected by the number of our new Managed Shopping Malls being developed and the progress of their development. Our annual management fees were primarily affected by the number of our Managed Shopping Malls in operation. Our construction consultation and management fees were primarily affected by the progress of our Managed Shopping Malls under construction.

	Year ended/as of December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
At period end:					
Number of Managed Shopping Malls:					
- In operation(1)	77	85	106	89	107
- Pipeline:					
- In the process of obtaining land use rights(2)	101	102	168	108	177
- Obtained land use rights(3)	76	153	191	159	203
	254	340	465	356	487
During the period:					
Number of Managed Shopping Malls achieving milestone:					
- First installment of initiation and entrance fees recognized(4)	44	86	66	12	20
- Remaining of initiation and entrance fees recognized(4)	7	8	23	4	2
	51	94	89	16	22

(1) Managed Shopping Malls in operation refer to Managed Shopping Malls that have formally opened to the public and are in operation.

(2) Includes Managed Shopping Malls for which we have entered into contract management agreements with our partners and our partners have not obtained the relevant land use rights.

(3) Includes Managed Shopping Malls that have not opened but for which our Managed Shopping Mall partners have obtained or provided the relevant land use rights.

(4) See "— Critical Accounting Policies, Estimates and Judgments — Revenue Recognition — Initiation and Entrance Fees."

Our fee level varies among our Managed Shopping Malls in different cities across China and at different stages of their lifecycle. See "Business — Business Model — Our Managed Shopping Malls — Contract Management Arrangement."

Sales of Merchandise and Related Services

Revenue from sales of merchandise and related services is generated mainly from (i) our retail sales of home improvement and furnishings products and light building materials and provision of related services within our shopping malls and (ii) B2C sales on our online home improvement and furnishings platform.

Others

Revenue from our other value added services includes (i) fees from our strategic consultation services provided to home improvement and furnishings manufacturers with whom we have established nation-wide strategic alliances, and (ii) other services, including primarily building construction, planning and design services. It also includes revenues from our new businesses. See "Business — Our New Businesses and Recent Developments."

Cost of Sales and Services

Cost of sales and services primarily consists of payroll costs for personnel directly related to our operation of Owned/Leased Portfolio Shopping Malls. It also includes rent and fixed fees we pay for our Leased Portfolio Shopping Malls. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, cost of sales and services increased primarily due to the growth of our headcount in line with our expansion and increases in salaries and welfare benefits for our employees. The following table sets forth a breakdown of our cost of sales and services for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015.

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Owned/Leased Portfolio Shopping Malls:										
- Owned Portfolio Shopping Malls	480,483	33.1	608,907	34.0	662,709	32.3	166,431	32.6	139,963	27.3
- Leased Portfolio Shopping Malls	539,954	37.2	574,163	32.1	583,143	28.4	147,848	29.0	154,428	30.1
- Other	13,520	0.9	18,286	1.0	20,328	1.0	5,005	1.0	6,208	1.2
Total	1,033,957	71.2	1,201,356	67.2	1,266,180	61.6	319,284	62.6	300,599	58.6
Managed Shopping Malls	416,445	28.7	535,888	29.9	673,007	32.8	170,858	33.5	197,469	38.5
Sales of merchandise and related services	1,631	0.1	34,627	1.9	95,062	4.6	20,287	3.9	14,094	2.8
Other	227	0.0	17,700	1.0	19,821	1.0	70	—	146	0.1
Cost of sales and services	**1,452,260**	**100.0**	**1,789,571**	**100.0**	**2,054,070**	**100.0**	**510,499**	**100.0**	**512,308**	**100.0**

Gross Profit

Gross profit represents revenue less cost of sales and services. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our gross profit was RMB3,801.5 million, RMB4,571.1 million, RMB5,881.1 million, RMB1,192.5 million and RMB1,430.8 million, respectively, and our gross profit margin was 72.4%, 71.9%, 74.1%, 70.0% and 73.6%, respectively. The following table sets forth a breakdown of our gross profit by business segment for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Owned/Leased Portfolio Shopping Malls:										
- Own Portfolio Shopping Malls	2,571,762	67.7	2,711,940	59.3	3,205,593	54.5	776,944	65.2	877,683	61.3
- Leased Portfolio Shopping Malls	245,050	6.4	290,324	6.4	418,282	7.1	85,573	7.2	110,525	7.7
- Other	798	0.0	(4,601)	(0.1)	(6,217)	(0.1)	(1,113)	(0.1)	(1,653)	(0.1)
Total	2,817,610	74.1	2,997,663	65.6	3,617,658	61.5	861,404	72.3	986,555	68.9
Managed Shopping Malls	983,430	25.9	1,578,980	34.5	2,113,347	35.9	313,550	26.3	403,784	28.2
Sales of merchandise and related services	635	0.0	2,525	0.1	45,834	0.8	3,541	0.3	4,981	0.3
Others	(202)	0.0	(8,036)	(0.2)	104,222	1.8	13,996	1.1	35,438	2.6
Gross profit	**3,801,473**	**100.0**	**4,571,132**	**100.0**	**5,881,061**	**100.0**	**1,192,491**	**100.0**	**1,430,758**	**100.0**

The following table sets forth our gross profit margin for our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
	%	%	%	%	%
				(unaudited)	
Owned/Leased Portfolio Shopping Malls:					
- Owned Portfolio Shopping Malls	84.3	81.7	82.9	82.4	86.2
- Leased Portfolio Shopping Malls	31.2	33.6	41.8	36.7	41.7
- All	73.2	71.4	74.1	73.0	76.7
Mature shopping malls[(1)]	77.5	76.9	77.5	77.3	78.9
Managed Shopping Malls	70.3	74.7	75.8	64.7	67.2
Sales of merchandise and related services	28.0	6.8	32.5	14.9	26.1
Others	(808.0)	(83.2)	84.0	99.5	99.6
Total	72.4	71.9	74.1	70.0	73.6

Note:

(1) Gross profit margin for our mature shopping malls is calculated based on the aggregate revenue and aggregate cost of sales and services of the following Portfolio Shopping Malls. Shanghai Zhenbei Mall, Changzhou Feilong Mall, Wuxi Xishan Mall, Beijing West Fourth-ring Mall, Tianjin Hexi Mall, Tianjin Hongqiao Mall, Beijing East Fourth-ring Mall, Shanghai Wenshui Mall, Chengdu Wuhou Mall, Zhengzhou Shangdu Mall, Shenyang Tiexi Mall, Beijing North Fourth-ring Mall, Nanjing Kazimen Mall, Shanghai Pudong Hu'nan Mall, Changzhou Wujin Mall, Jinan Tianqiao Mall, Yunnan Shopping Mall, Nanjing Central Road Mall, Changzhou Decoration Mall, Changsha Helong Mall, Lianyungang Renmin Mall, Chongqing Jiangbei Mall, Changsha Shaoshan Mall, Hangzhou Gudun Mall, Chongqing Nanping Mall, Beijing North Fifth-ring Mall, Shenzhen Xiangmi Lake Mall, Chengdu Shuangnan Mall and Wuhu Minghui Mall. See the section headed "Glossary of Technical Terms" for the definition of "mature shopping malls."

The gross margin of our Owned Portfolio Shopping Malls for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015 was generally higher than our Leased Portfolio Shopping Malls because the rent or fixed fees we paid for our Leased Portfolio Shopping Malls were included in our cost of sales and services.

Other Income

Other income primarily consists of interest income from bank deposits and other loans and receivables, government grants and compensation received and receivable. Interest income is generated from our bank deposits and interest-bearing advances to related parties and third parties. Government grants are mainly related to (i) grants by the tax authority in Shanghai based on the amount of enterprise income tax and business tax we paid in the relevant periods in Shanghai, which will expire by the end of 2015, and (ii) other miscellaneous government grants based on the actual receipts, the aggregate amount of which may fluctuate from period to period. Compensation received and receivable mainly consists of payments that we received or are entitled to receive from our Managed Shopping Mall partners for their breach of the relevant contract management agreements. The following table sets forth a breakdown of our other income for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015.

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Interest income on:										
- bank deposits	24,398	11.0	30,103	15.7	30,310	17.9	8,061	22.0	9,508	50.6
- other loans and receivables	105,026	47.3	65,141	33.8	28,127	16.5	1,952	5.3	5,579	29.7
Total interest income	129,424	58.3	95,244	49.5	58,437	34.4	10,013	27.3	15,087	80.3
Government grants	91,274	41.1	96,063	49.9	87,234	51.4	21,484	58.6	1,822	9.7
Compensation received and receivable	1,249	0.6	1,138	0.6	24,046	14.2	5,189	14.1	1,887	10.0
Total	**221,947**	**100.0**	**192,445**	**100.0**	**169,717**	**100.0**	**36,686**	**100.0**	**18,796**	**100.0**

Changes in the Fair Value of Investment Properties

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, we recorded gains from increases in the fair value of investment properties of RMB1,112.5 million, RMB2,055.1 million, RMB2,415.3 million, RMB570.5 million and RMB731.5 million, respectively. All of our investment properties are situated in the PRC. The fair value of each of our investment properties is affected by, among other factors, location, supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments, construction costs and the timing of the development of properties.

Other Gains and Losses

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our other losses were RMB48.4 million, RMB30.2 million, RMB187.2 million, RMB40.9 million and RMB15.1 million, respectively. Other gains and losses primarily consist of net increase or decrease in allowance on doubtful receivables, loss on disposal of property, plant and equipment, and gains or losses on disposal of subsidiaries. Losses upon disposal of property, plant and equipment mainly relate to decorations we made on our leased properties that cannot be recovered after the termination of the leases. The following table sets forth a breakdown of our other gains and losses for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015.

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Allowance on doubtful receivables, net	(62,904)	130.0	(30,863)	102.3	(65,426)	34.9	(41,302)	100.9	(18,156)	120.6
Net foreign exchange gains	—	—	—	—	—	—	—	—	2,045	(13.6)
Gain (loss) on disposal of property, plant and equipment	(83)	0.2	(424)	1.4	(57,588)	30.8	690	(1.7)	114	(0.8)
Gain (loss) on disposal of subsidiaries	12,933	(26.7)	(48)	0.2	(66,855)	35.7	—	—	—	—
Gain on disposal of an associate	—	—	2,734	(9.1)	—	—	—	—	—	—
Others	1,667	(3.5)	(1,571)	5.2	2,672	(1.4)	(334)	0.8	945	(6.2)
Total	**(48,387)**	**100.0**	**(30,172)**	**100.0**	**(187,197)**	**100.0**	**(40,946)**	**100.0**	**(15,052)**	**100.0**

Selling and Distribution Expenses

Selling and distribution expenses primarily include advertising and marketing expenses, energy and maintenance expenses, office expenses, payroll costs for our marketing personnel and personnel related to our new businesses, depreciation and amortization expenses and other expenses. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, these expenses increased along with our expansion. We have employed various measures to control our expenses. For example, we increased the use of targeted marketing campaigns through the Internet and other new marketing channels instead of traditional media, and lowered our marketing expenses from RMB634.5 million in 2013 to RMB591.3 million in 2014. The following table sets forth a breakdown of our selling and distribution expenses for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	**2012**	**2013**	**2013**	**2014**	**2014**	**2014**	**2014**	**2015**	**2015**
	RMB	**%**	**RMB**	**%**	**RMB**	**%**	**RMB**	**%**	**RMB**	**%**
							(unaudited)			
	(in thousands, except percentages)									
Advertising and marketing expenses	567,528	70.2	634,519	68.8	591,328	56.1	105,712	50.9	138,643	53.7
Energy expenses	138,253	17.1	133,921	14.5	168,912	16.0	52,102	25.1	62,477	24.2
Maintenance expenses	35,414	4.4	41,732	4.5	63,865	6.0	15,702	7.6	18,309	7.1
Environmental expenses	42,777	5.3	49,089	5.3	78,039	7.4	11,473	5.5	12,385	4.8
Payroll	6,765	0.8	35,196	3.8	78,903	7.5	14,484	7.0	11,378	4.4
After sales service expenses	8,083	1.0	12,012	1.3	32,944	3.1	2,865	1.4	6,370	2.5
Office expenses	3,544	0.4	6,925	0.8	10,283	1.0	2,302	1.1	1,814	0.7
Depreciation and amortization	2,982	0.4	3,090	0.3	7,747	0.7	948	0.5	1,638	0.6
Other	3,375	0.4	5,684	0.7	22,890	2.2	1,944	0.9	5,400	2.0
Total	**808,721**	**100.0**	**922,168**	**100.0**	**1,054,911**	**100.0**	**207,532**	**100.0**	**258,414**	**100.0**

Administrative Expenses

Administrative expenses primarily include payroll costs and welfare expenses for our administrative personnel, office expenses, depreciation and amortization expenses, property and other miscellaneous tax, professional fees and others. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our administrative expenses increased primarily due to the growth of our headcount and increased office expenses in line with our business expansion. The following table sets forth a breakdown of our administrative expenses for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Payroll	199,200	30.5	223,526	29.0	282,452	30.6	60,803	34.2	74,743	33.8
Welfare expenses	69,706	10.7	81,702	10.6	102,244	11.1	19,159	10.8	21,491	9.7
Office expense	143,327	21.9	193,014	25.0	232,392	25.2	43,299	24.3	59,775	27.0
Tax	120,353	18.4	122,562	15.9	151,277	16.4	35,074	19.7	39,500	17.9
Professional fees	60,090	9.2	73,821	9.6	49,715	5.4	6,307	3.5	6,490	2.9
Depreciation and amortization	13,311	2.0	20,623	2.7	38,416	4.2	8,237	4.6	12,512	5.7
Other	48,168	7.3	56,026	7.2	66,077	7.1	4,991	2.9	6,600	3.0
Total	**654,155**	**100.0**	**771,274**	**100.0**	**922,573**	**100.0**	**177,870**	**100.0**	**221,111**	**100.0**

Other Expenses

Other expenses primarily consist of compensation paid and payable, donations and listing expenses. For the years ended December 31, 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, our other expenses were RMB6.1 million, RMB26.6 million, RMB112.9 million, RMB5.7 million and RMB20.3 million, respectively. Compensation paid and payable mainly consists of amounts that we paid or are required to pay as indemnification to our Managed Shopping Mall partners, landlords or tenants under our agreements with them, and may fluctuate from period to period. The following table sets forth a breakdown of our other expenses for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015.

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Compensation paid and payable	3,920	64.1	22,026	82.9	103,091	91.4	5,681	99.7	9,625	47.4
Donations	2,195	35.9	4,538	17.1	244	0.2	18	0.3	303	1.5
Listing expenses	—	—	—	—	9,520	8.4	—	—	10,379	51.1
Total	**6,115**	**100.0**	**26,564**	**100.0**	**112,855**	**100.0**	**5,699**	**100.0**	**20,307**	**100.0**

Share of Profit of Associates and Share of Results of Joint Ventures

Our Portfolio Shopping Malls include Suzhou Park Mall and Shenzhen Xiangmi Lake Mall, which are operated by our associates, and Wuhu Minghui Mall and Chengdu Shuangnan Mall, which are operated by our joint ventures. Share of profit of associates and share of results of joint ventures primarily consist of our share of profits and losses in associates and joint ventures that operate these shopping malls. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our share of profit of associates were RMB45.5 million, RMB41.6 million, RMB14.1 million, RMB1.7 million and RMB0.9 million, respectively. We had share of loss of joint ventures of RMB14.4 million and RMB9.8 million for the years ended December 31, 2012 and 2013, respectively, and share of profit of joint ventures of RMB3.7 million for the year ended December 31, 2014. We had a share of loss of joint ventures of RMB3.1 million for the three months ended March 31, 2014 and share of profit of RMB12.4 million for the three months ended March 31, 2015. Our share of profits and losses in associates and joint ventures are primarily affected by the performance of the relevant shopping mall and the fair value of the related investment properties.

Finance Costs

Finance costs primarily consist of (i) interest on bank and other borrowings, (ii) interest on finance leases and (iii) interest on bonds. Our finance costs are primarily affected by the balances of our interest bearing bank loans and corporate bonds. In addition, once an investment property is completed and the relevant shopping mall is opened, we no longer capitalize the interest expenses related to such investment property and will record them as costs. In 2014, the capitalized borrowing costs decreased as a result of an increase in the number of shopping malls opened in that year. The following table sets forth a breakdown of our finance costs for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in thousands, except percentages)									
Interest on bank and other borrowings										
- wholly repayable within five years	699,299	126.1	711,544	112.7	715,572	83.6	174,726	81.6	200,523	82.1
- not wholly repayable within five years	208,231	37.6	119,296	18.9	141,355	16.5	35,339	16.5	31,987	13.1
Interest on finance leases	23,856	4.3	23,690	3.8	23,513	2.8	5,878	2.7	5,831	2.4
Interest on bonds	14,936	2.7	111,308	17.6	180,968	21.1	45,242	21.2	64,684	26.5
Total borrowing costs	946,322	170.7	965,838	153.0	1,061,408	124.0	261,185	122.0	303,025	124.1
Less: amount capitalized in the cost of qualifying assets	(391,926)	(70.7)	(334,480)	(53.0)	(205,246)	(24.0)	(47,016)	(22.0)	(58,835)	(24.1)
Total	**554,396**	**100.0**	**631,358**	**100.0**	**856,162**	**100.0**	214,169	100.0	244,190	100.0

Income Tax Expense

Our income tax expense represents the sum of tax currently payable and deferred tax. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there are no matters in dispute or unresolved with the relevant tax authorities.

Under the EIT Law and the Implementation Regulations for the EIT Law, the tax rate for most of our PRC subsidiaries is 25.0% during the Track Record Period. Some of our PRC subsidiaries were approved to pay taxes at a preferential tax rate of 15.0% as enterprises in encouraged industries under the Western China Development Plan in accordance with the EIT Law and relevant regulations during the Track Record Period. Such preferential tax treatment will expire in December 2020.

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use core net profit and adjusted EBITDA as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. We also believe that these financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operation in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

Core Net Profit

We define core net profit as our profit and total comprehensive income, excluding gains from increases in the fair value of investment properties, other gains and losses, other expenses and other income and further adjusted for income tax effects for the aforementioned items. The use of core net profit has material limitations as an analytical tool, as it does not include all items that impact our profit and total comprehensive income for the period. Core net profit eliminates the effect of non-cash gains from increases in the fair value of investment properties and the effect of other non-recurring or non-core items such as other gains and losses, other expenses and other income, which may recur in the future.

Adjusted EBITDA

Adjusted EBITDA, as we present it, represents profit before tax, adding back finance costs, depreciation, amortization and impairment, further adjusted to exclude gains from increases in the fair value of investment properties, share of profit of associates, share of results of joint ventures, other gains and losses, other expenses and other income.

The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Depreciation expense, amortization, income taxes, finance costs, gains from increases in the fair value of investment properties, share of profit of associates, share of results of joint ventures, other gains and losses, other expenses and other income have been and may continue to be incurred in our business and are not reflected in the presentation of adjusted EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, adjusted EBITDA does not consider changes in working capital, capital expenditures and other investing activities and should not be considered as a measure of our liquidity. The term adjusted EBITDA is not defined under IFRS, and adjusted EBITDA is not a measure of profit and total comprehensive income or liquidity presented in accordance with IFRS.

Calculation of Non-IFRS Measures

We compensate for the limitations of the non-IFRS measures by reconciling the non-IFRS financial measures to the nearest IFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our core net profit and adjusted EBITDA in the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit and total comprehensive income:

	Year ended December 31,			Three months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
	(in thousands of RMB)				
Profit and total comprehensive income	**2,256,597**	**3,269,327**	**3,922,004**	**845,775**	**1,047,517**
Changes in fair value of investment properties	(1,112,493)	(2,055,060)	(2,415,278)	(570,472)	(731,494)
Add back: income tax effects[(1)]	278,123	513,765	603,820	142,618	182,874
	1,422,227	1,728,032	2,110,546	417,921	498,897
Add back: other expenses	6,115	26,564	112,855	5,699	20,307
Add back: other gains and losses	48,387	30,172	187,197	40,946	15,052
Less: other income	(221,947)	(192,445)	(169,717)	(36,686)	(18,796)
Add back: income tax effects[(2)]	41,862	33,927	(32,584)	(2,490)	(4,141)
Core net profit	**1,296,644**	**1,626,250**	**2,208,297**	**425,390**	**511,319**

Notes:

(1) Represents 25% of changes in fair value of investment properties.

(2) Represents 25% of the sum of (i) other expenses and (ii) other gains and losses after netting off (iii) other income.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(in thousands of RMB)				
Profit and total comprehensive income	**2,256,597**	**3,269,327**	**3,922,004**	**845,775**	**1,047,517**
Add: Income tax expense	838,652	1,199,552	1,428,167	306,215	387,831
Profit before tax	**3,095,249**	**4,468,879**	**5,350,171**	**1,151,990**	**1,435,348**
Add:					
Finance cost	554,396	631,358	856,162	214,169	244,190
Depreciation of property, plant and equipment	84,673	95,955	102,260	22,671	29,985
Amortization of intangible assets	4,310	4,975	14,562	1,642	5,837
Less:					
Share of profit of associates	(45,545)	(41,613)	(14,133)	(1,692)	(936)
Share of results of joint venture	14,435	9,835	(3,680)	3,135	(12,438)
Other expenses	6,115	26,564	112,855	5,699	20,307
Other gains and losses	48,387	30,172	187,197	40,946	15,052
Change in fair value of investment properties	(1,112,493)	(2,055,060)	(2,415,278)	(570,472)	(731,494)
Other income	(221,947)	(192,445)	(169,717)	(36,686)	(18,796)
Adjusted EBITDA	**2,427,580**	**2,978,620**	**4,020,399**	**831,402**	**987,055**

In light of the foregoing limitations for non-IFRS measures, when assessing our operating and financial performance, you should not consider core net profit and adjusted EBITDA in isolation or as a substitute for our profit and total comprehensive income for the period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

RESULTS OF OPERATION

The following table sets forth a summary of our consolidated results of operation by absolute amount and as a percentage of our revenue for the periods indicated. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,						Three Months Ended March 31,			
	2012	2012	2013	2013	2014	2014	2014	2014	2015	2015
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
							(unaudited)			
	(in thousands, except percentages)									
Revenue	5,253,733	100.0	6,360,703	100.0	7,935,131	100.0	1,702,990	100.0	1,943,066	100.0
Cost of sales and services	(1,452,260)	(27.6)	(1,789,571)	(28.1)	(2,054,070)	(25.9)	(510,499)	(30.0)	(512,308)	(26.4)
Gross profit	3,801,473	72.4	4,571,132	71.9	5,881,061	74.1	1,192,491	70.0	1,430,758	73.6
Other income	221,947	4.2	192,445	3.0	169,717	2.1	36,686	2.2	18,796	1.0
Changes in the fair value of investment properties	1,112,493	21.2	2,055,060	32.3	2,415,278	30.4	570,472	33.5	731,494	37.6
Other gains and losses	(48,387)	(0.9)	(30,172)	(0.5)	(187,197)	(2.4)	(40,946)	(2.4)	(15,052)	(0.8)
Selling and distribution expenses	(808,721)	(15.4)	(922,168)	(14.5)	(1,054,911)	(13.3)	(207,532)	(12.2)	(258,414)	(13.3)
Administrative expenses	(654,155)	(12.5)	(771,274)	(12.1)	(922,573)	(11.6)	(177,870)	(10.4)	(221,111)	(11.4)
Other expenses	(6,115)	(0.1)	(26,564)	(0.4)	(112,855)	(1.4)	(5,699)	(0.3)	(20,307)	(1.0)
Share of profit of associates	45,545	0.9	41,613	0.7	14,133	0.2	1,692	0.1	936	0.1
Share of results of joint ventures	(14,435)	(0.3)	(9,835)	(0.2)	3,680	0.1	(3,135)	(0.2)	12,438	0.7
Finance costs	(554,396)	(10.6)	(631,358)	(9.9)	(856,162)	(10.8)	(214,169)	(12.6)	(244,190)	(12.6)
Profit before tax	3,095,249	58.9	4,468,879	70.3	5,350,171	67.4	1,151,990	67.7	1,435,348	73.9
Income tax expense	(838,652)	(15.9)	(1,199,552)	(18.9)	(1,428,167)	(18.0)	(306,215)	(18.0)	(387,831)	(20.0)
Profit and total comprehensive income for the year	2,256,597	43.0	3,269,327	51.4	3,922,004	49.4	845,775	49.7	1,047,517	53.9
Attribute to:										
Owners of the Company	1,907,090	36.3	3,013,182	47.4	3,632,917	45.8	785,203	46.1	979,433	50.4
Non-controlling interests	349,507	6.7	256,145	4.0	289,087	3.6	60,572	3.6	68,084	3.5
	2,256,597	43.0	3,269,327	51.4	3,922,004	49.4	845,775	49.7	1,047,517	53.9
Non-IFRS Measures:										
Core net profit	1,296,644	24.7	1,626,250	25.6	2,208,297	27.8	425,390	25.0	511,319	26.3
Adjusted EBITDA	2,427,580	46.2	2,978,620	46.8	4,020,399	50.7	831,402	48.8	987,055	50.8

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenue

Revenue increased by RMB240.1 million, or 14.1%, from RMB1,703.0 million for the three months ended March 31, 2014 to RMB1,943.1 million for the three months ended March 31, 2015, primarily due to increases in revenues from our Portfolio Shopping Malls and our Managed Shopping Malls.

- *Owned/Leased Portfolio Shopping Malls.* Revenue from our Owned/Leased Portfolio Shopping Malls increased by RMB106.5 million, or 9.0%, from RMB1,180.7 million for the three months ended March 31, 2014 to RMB1,287.2 million for the three months ended March 31, 2015. This was primarily due to increases in our operating area from 3,698,335 sq.m. as of March 31, 2014 to 3,987,058 sq.m. as of March 31, 2015 with five additional Portfolio Shopping Malls for the three months ended March 31, 2015.

- *Managed Shopping Malls*. Revenue from our Managed Shopping Malls increased by RMB116.9 million, or 24.1%, from RMB484.4 million for the three months ended March 31, 2014 to RMB601.3 million for the three months ended March 31, 2015. This was primarily due to an increase of RMB110.0 million in our initiation and entrance fees, and an increase of our annual management fees as the number of our Managed Shopping Malls grew from 89 as of March 31, 2014 to 107 as of March 31, 2015.

Cost of Sales and Services

Cost of sales and services increased by RMB1.8 million, or 0.4%, from RMB510.5 million for the three months ended March 31, 2014 to RMB512.3 million for the three months ended March 31, 2015, primarily due to increases in payroll costs for our expanded workforce in line with our business expansion as well as increases in salary and welfare for our existing employees. Cost of sales for our Owned/Leased Portfolio Shopping Malls decreased by RMB18.7 million, or 5.9%, from RMB319.3 million for the three months ended March 31, 2014 to RMB300.6 million for the three months ended March 31, 2015, which was due to our cost control measures. Cost of sales for our Managed Shopping Malls increased by RMB26.6 million, or 15.6%, from RMB170.9 million for the three months ended March 31, 2014 to RMB197.5 million for the three months ended March 31, 2015, primarily due to an increase in the number of our Managed Shopping Malls.

Gross Profit

As a result of the foregoing, our gross profit increased by RMB238.3 million, or 20.0%, from RMB1,192.5 million for the three months ended March 31, 2014 to RMB1,430.8 million for the three months ended March 31, 2015. Our gross profit margin increased from 70.0% for the three months ended March 31, 2014 to 73.6% for the three months ended March 31, 2015. Our gross profit for our Owned/Leased Portfolio Shopping Malls increased by RMB125.2 million, or 14.5%, from RMB861.4 million for the three months ended March 31, 2014 to RMB986.6 million for the three months ended March 31, 2015. Our gross profit margin for our Owned/Leased Portfolio Shopping Malls increased from 73.0% for the three months ended March 31, 2014 to 76.7% for the three months ended March 31, 2015, mainly as a result of improvement in our efficiency and effective control of labor costs for our Owned/Leased Portfolio Shopping Malls. Our gross profit for our Managed Shopping Malls increased by RMB90.2 million, or 28.8%, from RMB313.6 million for the three months ended

March 31, 2014 to RMB403.8 million for the three months ended March 31, 2015. Our gross profit margin for our Managed Shopping Malls increased from 64.7% for the three months ended March 31, 2014 to 67.2% for the three months ended March 31, 2015.

Other Income

Other income decreased by RMB17.9 million, or 48.8%, from RMB36.7 million for the three months ended March 31, 2014 to RMB18.8 million for the three months ended March 31, 2015, primarily due to a decrease in government grants by RMB19.7 million, or 91.6%, from RMB21.5 million for the three months ended March 31, 2014 to RMB1.8 million. This is partially offset by an increase in interest income from RMB10.0 million for the three months ended March 31, 2014 to RMB15.1 million for the three months ended March 31, 2015, mainly due to a higher balance of bank deposits.

Changes in the Fair Value of Investment Properties

Our gains from increases in the fair value of investment properties increased by RMB161.0 million, or 28.2%, from RMB570.5 million for the three months ended March 31, 2014 to RMB731.5 million for the three months ended March 31, 2015, primarily due to an increase in rent and management fees of some of our Portfolio Shopping Malls in higher tier cities and an increase in the fair value of certain investment properties upon the completion and opening of several shopping malls.

Other Gains and Losses

Other losses decrease significantly by RMB25.8 million from RMB40.9 million for the three months ended March 31, 2014 to RMB15.1 million for the three months ended March 31, 2015, primarily due to (i) a decrease in additional allowances for doubtful debts made in the three months ended March 31, 2015 as compared to the three months ended March 31, 2014, and (ii) net foreign exchange gains of RMB2.0 million for the three months ended March 31, 2015 as a result of our issuance of additional shares in the three months ended March 31, 2015.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB50.9 million, or 24.5%, from RMB207.5 million for the three months ended March 31, 2014 to RMB258.4 million for the three months ended March 31, 2015, primarily due to (i) an increase of RMB32.9 million in advertising and marketing expenses relating to the new Portfolio Shopping Malls we opened in 2014 and (ii) an increase of RMB10.4 million in energy expenses in line with our expansion. Selling and distribution expenses as a percentage of revenue increased from 12.2% for the three months ended March 31, 2014 to 13.3% for the three months ended March 31, 2015.

Administrative Expenses

Administrative expenses increased by RMB43.2 million, or 24.3%, from RMB177.9 million for the three months ended March 31, 2014 to RMB221.1 million for the three months ended March 31, 2015, primarily due to an increase of RMB16.3 million in payroll costs and welfare expenses for our administrative staff mainly due to a higher level of compensation paid, and an increase of RMB16.5 million in office expenses in line with our expansion. Administrative expenses as a percentage of revenue increased from 10.4% for the three months ended March 31, 2014 to 11.4% for the three months ended March 31, 2015.

Other Expenses

Other expenses increased significantly by RMB14.6 million from RMB5.7 million for the three months ended March 31, 2014 to RMB20.3 million for the three months ended March 31, 2015, primarily due to listing expense and compensation paid pursuant to the relevant agreements as a result of the close of one of our Leased Portfolio Shopping Malls.

Share of Profit of Associates and Share of Results of Joint Ventures

Our share of profit of associates decreased by RMB0.8 million from RMB1.7 million for the three months ended March 31, 2014 to RMB0.9 million for the three months ended March 31, 2015. We recorded a share of profit of joint ventures in the amount of RMB12.4 million for the three months ended March 31, 2015 as compared to a share of loss of joint ventures in the amount of RMB3.1 million for the three months ended March 31, 2014.

Finance Costs

Finance costs increased by RMB30.0 million, or 14.0%, from RMB214.2 million for the three months ended March 31, 2014 to RMB244.2 million for the three months ended March 31, 2015 primarily due to an increase in bank borrowings and issuances of bonds for the three months ended March 31, 2015.

Profit Before Income Tax

As a result of the foregoing, profit before income tax increased by RMB283.3 million, or 24.6%, from RMB1,152.0 million for the three months ended March 31, 2014 to RMB1,435.3 million for the three months ended March 31, 2015.

Income Tax Expense

Our income tax expense increased by RMB81.6 million, or 26.6%, from RMB306.2 million for the three months ended March 31, 2014 to RMB387.8 million for the three months ended March 31, 2015, in line with the increase of our profit before income tax. Our effective tax rate was 26.6% for the three months ended March 31, 2014 and 27.0 % for the three months ended March 31, 2015.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit for the year increased by RMB201.7 million, or 23.8%, from RMB845.8 million for the three months ended March 31, 2014 to RMB1,047.5 million for the three months ended March 31, 2015. Our net profit margin increased from 49.7% for the three months ended March 31, 2014 to 53.9% for the three months ended March 31, 2015.

Core Net Profit

As a result of the foregoing, our core net profit for the year increased by RMB85.9 million, or 20.2%, from RMB425.4 million for the three months ended March 31, 2014 to RMB511.3 million for the three months ended March 31, 2015. Our core net profit margin increased from 25.0% for the three months ended March 31, 2014 to 26.3% for the three months ended March 31, 2015.

Adjusted EBITDA

As a result of the foregoing, our adjusted EBITDA increased by RMB155.7 million, or 18.7%, from RMB831.4 million for the three months ended March 31, 2014 to RMB987.1 million for the three months ended March 31, 2015.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Revenue increased by RMB1,574.4 million, or 24.8%, from RMB6,360.7 million in 2013 to RMB7,935.1 million in 2014, primarily due to increases in revenues from our Portfolio Shopping Malls and our Managed Shopping Malls.

- *Owned/Leased Portfolio Shopping Malls.* Revenue from our Owned/Leased Portfolio Shopping Malls increased by RMB684.8 million, or 16.3%, from RMB4,199.0 million in 2013 to RMB4,883.8 million in 2014. This was primarily due to increases in our operating area from 3,581,062 sq.m. as of December 31, 2013 to 4,033,458 sq.m. as of December 31, 2014 with eight additional Portfolio Shopping Malls in 2014. The level of our rent and management fees also increased. Our average effective unit income from operation increased from RMB111 per sq.m. per month in 2013 to RMB115 per sq.m. per month in 2014 in line with the increase of our rents and management fees and our average effective unit income from operation for our mature shopping malls increased from RMB135 per sq.m. per month in 2013 to RMB144 per sq.m. per month in 2014.

- *Managed Shopping Malls.* Revenue from our Managed Shopping Malls increased by RMB671.5 million, or 31.8%, from RMB2,114.9 million in 2013 to RMB2,786.4 million in 2014. This was primarily due to an increase in our construction consultation and management fees in 2014 as we recognized revenues from construction consultation services for 15 more Managed Shopping Malls in 2014 than in 2013, and an increase of our annual management fees as the number of our Managed Shopping Malls grew from 85 as of December 31, 2013 to 106 as of December 31, 2014.

Cost of Sales and Services

Cost of sales and services increased by RMB264.5 million, or 14.8%, from RMB1,789.6 million in 2013 to RMB2,054.1 million in 2014, primarily due to increases in payroll costs for our expanded workforce in line with our business expansion as well as increases in salary and welfare for our existing employees. Cost of sales for our Owned/Leased Portfolio Shopping Malls increased by RMB64.8 million, or 5.4%, from RMB1,201.4 million in 2013 to RMB1,266.2 million in 2014, which was slower than the growth of our revenues from our Owned/Leased Portfolio Shopping Malls mainly as a result of our cost control measures. Cost of sales for our Managed Shopping Malls increased by RMB137.1 million, or 25.6%, from RMB535.9 million in 2013 to RMB673.0 million in 2014, primarily due to an increase in the number of our Managed Shopping Malls.

Gross Profit

As a result of the foregoing, our gross profit increased by RMB1,310.0 million, or 28.7%, from RMB4,571.1 million in 2013 to RMB5,881.1 million in 2014. Our gross profit margin increased from 71.9% in 2013 to 74.1% in 2014. Our gross profit for our Owned/Leased

Portfolio Shopping Malls increased by RMB620.0 million, or 20.7%, from RMB2,997.7 million in 2013 to RMB3,617.7 million in 2014. Our gross profit margin for our Owned/Leased Portfolio Shopping Malls increased from 71.4% in 2013 to 74.1% in 2014, mainly as a result of improvement in our efficiency and effective control of labor costs for our Owned/Leased Portfolio Shopping Malls. Our gross profit for our Managed Shopping Malls increased by RMB534.3 million, or 33.8%, from RMB1,579.0 million in 2013 to RMB2,113.3 million in 2014. Our gross profit margin for our Managed Shopping Malls increased from 74.7% in 2013 to 75.8% in 2014.

Other Income

Other income decreased by RMB22.7 million, or 11.8%, from RMB192.4 million in 2013 to RMB169.7 million in 2014, primarily due to a decrease in interest income by RMB36.8 million, or 38.7%, from RMB95.2 million in 2013 to RMB58.4 million as a result of a lower balance of loans extended to third parties. This is partially offset by an increase in compensation received and receivable from RMB1.1 million in 2013 to RMB24.0 million in 2014, mainly due to compensation paid to us relating to a Managed Shopping Mall project where our former partner terminated our agreement to pursue other commercial opportunities after our services had started.

Changes in the Fair Value of Investment Properties

Our gains from increases in the fair value of investment properties increased by RMB360.2 million, or 17.5%, from RMB2,055.1 million in 2013 to RMB2,415.3 million in 2014, primarily due to an increase in rent and management fee level of some of our Portfolio Shopping Malls in higher tier cities and an increase in the fair value of certain investment properties upon the completion and opening of several shopping malls in 2014.

Other Gains and Losses

Other losses increased significantly by RMB157.0 million from RMB30.2 million in 2013 to RMB187.2 million in 2014, primarily due to the net increase of allowances for doubtful debts, losses on disposal of property, plant and equipment, and losses on disposal of subsidiaries. We made additional allowances for doubtful receivables in the amount of RMB65.4 million in 2014 mainly because we adopted more conservative criteria for review of receivables from Managed Shopping Mall business. We incurred a loss on disposal of property, plant and equipment of RMB57.6 million in 2014 as a result of the close of one of our Leased Portfolio Shopping Malls. We had losses on disposal of subsidiaries in the amount of RMB66.9 million in 2014 in connection with the disposal of a subsidiary in Shanghai and a subsidiary in Fuzhou, Fujian Province. In 2013, we did not incur significant losses on disposal of property, plant and equipment or disposal of subsidiaries.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB132.7 million, or 14.4%, from RMB922.2 million in 2013 to RMB1,054.9 million in 2014, primarily due to (i) an increase of RMB43.7 million in payroll costs in line with our expansion and the growth of our new businesses that we believe could create additional synergies with our shopping mall business, (ii) an increase of RMB35.0 million in energy expenses in line with our expansion, (iii) an increase of RMB29.0 million in environmental expenses mainly relating to the interior decoration construction of our new shopping malls opened in 2014, (iv) an increase of RMB22.1 million in maintenance expenses in line with our expansion, and (v) an increase of

RMB20.9 million in after-sales service expenses relating to the growth our environmental testing and quality assurance services provided to our customers. Such increase was partially offset by a decrease of RMB43.2 million in advertising and marketing expenses as a result of our increased use of targeted marketing campaigns through the Internet and other new marketing channels instead of traditional media. Selling and distribution expenses as a percentage of revenue decreased from 14.5% in 2013 to 13.3% in 2014.

Administrative Expenses

Administrative expenses increased by RMB151.3 million, or 19.6%, from RMB771.3 million in 2013 to RMB922.6 million in 2014, primarily due to an increase of RMB79.5 million in payroll costs and welfare expenses for our administrative staff mainly due to higher level of compensation paid, and an increase of RMB39.4 million in office expenses in line with our expansion. Such increases were partially offset by a decrease of RMB24.1 million in professional fees due to the suspension of our proposed onshore listing in China. Administrative expenses as a percentage of revenue decreased from 12.1% in 2013 to 11.6% in 2014.

Other Expenses

Other expenses increased significantly by RMB86.3 million from RMB26.6 million in 2013 to RMB112.9 million in 2014, primarily due to compensation paid pursuant to the relevant agreements as a result of the close of one of our Leased Portfolio Shopping Malls.

Share of Profit of Associates and Share of Results of Joint Ventures

Our share of profit of associates decreased significantly by RMB27.5 million from RMB41.6 million in 2013 to RMB14.1 million in 2014. This was primarily related to changes in the fair value of investment properties of a shopping mall operated by one of our associates, which was a gain in 2013 as compared to a loss in 2014. We recorded a share of profit of joint ventures in the amount of RMB3.7 million in 2014 as compared to a share of loss of joint ventures in the amount of RMB9.8 million in 2013.

Finance Costs

Finance costs increased by RMB224.8 million, or 35.6%, from RMB631.4 million in 2013 to RMB856.2 million in 2014 primarily due to an increase in bank borrowings, issuances of bonds in late 2013 and 2014, and an increased proportion of interest expenses that are not capitalized as we opened more of our Owned/Leased Portfolio Shopping Malls in 2014.

Profit Before Income Tax

As a result of the foregoing, profit before income tax increased by RMB881.3 million, or 19.7%, from RMB4,468.9 million in 2013 to RMB5,350.2 million in 2014.

Income Tax Expense

Our income tax expense increased by RMB228.6 million, or 19.1%, from RMB1,199.6 million in 2013 to RMB1,428.2 million in 2014, in line with the increase of our profit before income tax. Our effective tax rate was 26.8% in 2013 and 26.7 % in 2014.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit for the year increased by RMB652.7 million, or 20.0%, from RMB3,269.3 million in 2013 to RMB3,922.0 million in 2014. Our net profit margin decreased from 51.4% in 2013 to 49.4% in 2014.

Core Net Profit

As a result of the foregoing, our core net profit for the year increased by RMB582.0 million, or 35.8%, from RMB1,626.3 million in 2013 to RMB2,208.3 million in 2014. Our core net profit margin increased from 25.6% in 2013 to 27.8% in 2014.

Adjusted EBITDA

As a result of the foregoing, our adjusted EBITDA increased by RMB1,041.8 million, or 35.0%, from RMB2,978.6 million in 2013 to RMB4,020.4 million in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Revenue increased by RMB1,107.0 million, or 21.1%, from RMB5,253.7 million in 2012 to RMB6,360.7 million in 2013, primarily due to increases in revenues from our Portfolio Shopping Malls and our Managed Shopping Malls.

- *Owned/Leased Portfolio Shopping Malls.* Revenue from our Owned/Leased Portfolio Shopping Malls increased by RMB347.4 million, or 9.0%, from RMB3,851.6 million in 2012 to RMB4,199.0 million in 2013, primarily due to increases in our operating area from 3,202,676 sq.m. as of December 31, 2012 to 3,581,062 sq.m. as of December 31, 2013 with six additional Portfolio Shopping Malls opened in 2013, while the level of our rent and management fees remained stable. Our average effective unit income from operation remained stable at RMB116 per sq.m. per month in 2012 and RMB111 per sq.m. per month in 2013. Our average effective unit income from operation for our mature shopping malls increased from RMB130 per sq.m. per month in 2012 to RMB135 per sq.m. per month in 2013.

- *Managed Shopping Malls.* Revenue from our Managed Shopping Malls increased by RMB715.0 million, or 51.1%, from RMB1,399.9 million in 2012 to RMB2,114.9 million in 2013. This was primarily due to an increase of our initiation and entrance fees in 2013 as land use rights were secured or provided by our partners with respect to 86 Managed Shopping Malls in 2013 as compared to 44 in 2012, an increase of our annual management fees as the number of our Managed Shopping Malls in operation grew from 77 as of December 31, 2012 to 85 as of December 31, 2013, and an increase of our construction consultation and management fees as we recognized revenues from construction consultation services for six more Managed Shopping Malls in 2013 than in 2012.

Cost of Sales and Services

Cost of sales and services increased by RMB337.3 million, or 23.2%, from RMB1,452.3 million in 2012 to RMB1,789.6 million in 2013, primarily due to increases in payroll costs for our expanded workforce in line with our business expansion as well as increases in salary and welfare for our existing employees. Cost of sales for our Owned/Leased Portfolio Shopping Malls increased by RMB167.4 million, or 16.2%, from RMB1,034.0 million in 2012 to

RMB1,201.4 million in 2013 primarily due to the opening of various large Leased Portfolio Shopping Malls in late 2012 and 2013. Cost of sales for our Managed Shopping Malls increased by RMB119.5 million, or 28.7%, from RMB416.4 million in 2012 to RMB535.9 million in 2013.

Gross Profit

As a result of the foregoing, our gross profit increased by RMB769.6 million, or 20.2%, from RMB3,801.5 million in 2012 to RMB4,571.1 million in 2013. Our gross profit margin decreased from 72.4% in 2012 to 71.9% in 2013. Our gross profit for our Owned/Leased Portfolio Shopping Malls increased by RMB180.1 million, or 6.4%, from RMB2,817.6 million in 2012 to RMB2,997.7 million in 2013. Our gross profit margin for our Owned/Leased Portfolio Shopping Malls decreased from 73.2% in 2012 to 71.4% in 2013 mainly due to the opening of various large Leased Portfolio Shopping Malls in late 2012 and 2013 that had a lower profit margin. Our gross profit for our Managed Shopping Malls increased by RMB595.6 million, or 60.6%, from RMB983.4 million in 2012 to RMB1,579.0 million in 2013. Our gross profit margin for our Managed Shopping Malls increased from 70.3% in 2012 to 74.7% in 2013 due to initiation and entrance fees, which historically have generated higher gross profit margins than other sources of revenue, accounting for a larger proportion of our revenue in 2013.

Other Income

Other income decreased by RMB29.5 million, or 13.3%, from RMB221.9 million in 2012 to RMB192.4 million in 2013, primarily due to a decrease in interest income by RMB34.2 million, or 26.4%, from RMB129.4 million in 2012 to RMB95.2 million in 2013 as a result of a decrease in the balances of loans extended to third parties.

Changes in the Fair Value of Investment Properties

Our gains from increases in the fair value of investment properties increased by RMB942.6 million, or 84.7%, from RMB1,112.5 million in 2012 to RMB2,055.1 million in 2013, primarily due to the increase in the fair value of investment properties upon the completion and opening of several shopping malls in 2013, as well as the growth of the real estate market in China in 2013 as compared to 2012.

Other Gains and Losses

Other losses decreased by RMB18.2 million, or 37.6%, from RMB48.4 million in 2012 to RMB30.2 million in 2013, primarily due to a decrease in additional allowances for doubtful receivables made in 2013, partially offset by a gain on disposal of Beijing Orient Oumei in 2012 which did not recur in 2013.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB113.5 million, or 14.0%, from RMB808.7 million in 2012 to RMB922.2 million in 2013, primarily due to an increase of RMB67.0 million in our advertising and marketing expenses, and an increase of RMB28.4 million in payroll costs in line with our expansion. Selling and distribution expenses as a percentage of revenue decreased slightly from 15.4% in 2012 to 14.5% in 2013.

Administrative Expenses

Administrative expenses increased by RMB117.1 million, or 17.9%, from RMB654.2 million in 2012 to RMB771.3 million in 2013, primarily due to an increase of RMB49.7 million in office expenses in line with our expansion, an increase of RMB36.3 million in payroll, welfare and bonuses for our administrative staff, and an increase of RMB13.7 million in professional fees. Administrative expenses as a percentage of revenue decreased slightly from 12.5% in 2012 to 12.1% in 2013.

Other Expenses

Other expenses increased significantly by RMB20.5 million from RMB6.1 million in 2012 to RMB26.6 million in 2013, primarily due to an increase in compensation paid and payable in 2013 related to our performance of relevant agreements with respect to several Managed Shopping Malls.

Share of Profit of Associates and Share of Results of Joint Ventures

Our share of profit of associates decreased by RMB3.9 million, or 8.6%, from RMB45.5 million in 2012 to RMB41.6 million in 2013. Our share of loss of joint ventures decreased by RMB4.6 million, or 31.9%, from RMB14.4 million in 2012 to RMB9.8 million in 2013. The performance of the relevant shopping malls remained relatively stable in 2012 and 2013.

Finance Costs

Finance costs increased by RMB77.0 million, or 13.9%, from RMB554.4 million in 2012 to RMB631.4 million in 2013, primarily due to an increase in bank borrowings and issuances of bonds in late 2012 and 2013.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by RMB1,373.7 million, or 44.4%, from RMB3,095.2 million in 2012 to RMB4,468.9 million in 2013.

Income Tax Expense

Our income tax expense increased by RMB360.9 million, or 43.0%, from RMB838.7 million in 2012 to RMB1,199.6 million in 2013, in line with the increase of our profit before income tax. Our effective tax rate was 27.1% in 2012 and 26.8% in 2013.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit for the year increased by RMB1,012.7 million, or 44.9%, from RMB2,256.6 million in 2012 to RMB3,269.3 million in 2013. Our net profit margin increased from 43.0% in 2012 to 51.4% in 2013.

Core Net Profit

As a result of the foregoing, our core net profit for the year increased by RMB329.7 million, or 25.4%, from RMB1,296.6 million in 2012 to RMB1,626.3 million in 2013. Our core net profit margin increased from 24.7% in 2012 to 25.6% 2013.

Adjusted EBITDA

As a result of the foregoing, our adjusted EBITDA increased by RMB551.0 million, or 22.7%, from RMB2,427.6 million in 2012 to RMB2,978.6 million in 2013.

SEGMENT INFORMATION

We operate the following business segments: (i) our Owned/Leased Portfolio Shopping Malls, with revenue derived from leasing floor areas to our tenants and providing continuous operation, management and other value-added services to them; (ii) our Managed Shopping Malls, with revenue derived from providing consultation and management services to our partners to manage their shopping malls under our brand; (iii) sales of merchandise and related services, with revenue from retail sales of home improvement and furnishings products and related services; and (iv) other, with revenue derived from our strategic consultation and other services, as well as our new businesses. The following table sets forth the revenue and results of our business by segment for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Owned/Leased Portfolio Shopping Malls	Managed Shopping Malls	Sales of merchandise and related services	Others	Total
			(in thousands of RMB)		
Year ended December 31, 2012					
Revenue from external customers	3,851,567	1,399,875	2,266	25	5,253,733
Inter-segment revenue	—	—	—	100,070	100,070
Segment revenue	3,851,567	1,399,875	2,266	100,095	5,353,803
Segment profit	1,722,698	602,917	(20,942)	10,986	2,315,659
Year ended December 31, 2013					
Revenue from external customers	4,199,019	2,114,868	37,152	9,664	6,360,703
Inter-segment revenue	—	—	—	82,533	82,533
Segment revenue	4,199,019	2,114,868	37,152	92,197	6,443,236
Segment profit	1,852,334	1,143,479	(96,919)	(2,830)	2,896,064
Year ended December 31, 2014					
Revenue from external customers	4,883,838	2,786,354	140,896	124,043	7,935,131
Inter-segment revenue	—	—	—	—	—
Segment revenue	4,883,838	2,786,354	140,896	124,043	7,935,131
Segment profit	2,386,040	1,545,224	(148,475)	81,092	3,863,881
Three months ended March 31, 2014					
Revenue from external customers	1,180,688	484,408	23,828	14,066	1,702,990
Inter-segment revenue	—	—	—	—	—
Segment revenue	1,180,688	484,408	23,828	14,066	1,702,990
Segment profit	582,671	216,089	(33,394)	10,783	776,149
Three months ended March 31, 2015					
Revenue from external customers	1,287,154	601,253	19,075	35,584	1,943,066
Inter-segment revenue	—	—	—	—	—
Segment revenue	1,287,154	601,257	19,075	35,584	1,943,066
Segment profit	660,094	265,839	(22,526)	31,679	935,086

CERTAIN BALANCE SHEET ITEMS

Investment Properties

We had investment properties of RMB51,195.0 million, RMB58,190.0 million, RMB62,966.0 million and RMB64,277.0 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. The investment properties are all situated in the PRC and are used primarily for short-term leases. The fair value of our investment properties at the end of the respective periods and as of the date of the acquisition of subsidiaries were valued by Jones Lang LaSalle, a firm of independent qualified professional valuers not connected with us.

For the valuation of completed investment properties, we adopted the income approach, under which the fair value is determined by capitalization of the rental income of the property based on the existing leases and achievable in the existing market with due allowance for the reversionary income potential of the leases. For the valuation of certain investment properties held for future development, we adopted the direct comparison approach, under which we assume the sale of the relevant property in their current state with the benefit of immediate vacant possession and determine the value by making reference to comparable transactions available in the relevant market. For the valuation of other investment properties under development, we adopted the direct comparison approach, under which we assume that the properties will be developed and completed with the latest development proposal, and determine the value by reference to comparable transactions available in the relevant market while taking into account the accrued construction cost and professional fees relevant to the stage of construction at the time of valuation and the remainder of the cost and fees expected to be incurred for completing the development. In estimating the fair value of the properties, the highest and best use of the properties is their current use. See “Risk Factors — Risks Relating to Our Business and Industry — The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future” and “— The appraised value of our investment properties in the property valuation report may be different from the actual realizable value and is subject to change.”

The following table sets forth the changes in the fair value of our investment properties as of the dates indicated:

	Completed investment properties	Investment properties under development	Total
	(RMB)	(RMB) (in thousands)	(RMB)
As of January 1, 2012	**38,968,000**	**8,465,000**	**47,433,000**
Additions	58,272	3,146,586	3,204,858
Transfers	4,869,000	(4,869,000)	—
Change in the fair value recognized in profit or loss	256,728	855,765	1,112,493
Acquisition of a subsidiary	—	232,649	232,649
Disposal of a subsidiary	(788,000)	—	(788,000)
As of January 1, 2013	**43,364,000**	**7,831,000**	**51,195,000**
Additions	71,025	4,454,346	4,525,371
Transfers	6,250,000	(6,250,000)	—
Change in the fair value recognized in profit or loss	844,975	1,210,085	2,055,060
Acquisition of a subsidiary	—	414,569	414,569
As of January 1, 2014	**50,530,000**	**7,660,000**	**58,190,000**
Additions	255,236	2,727,486	2,952,722
Transfers	3,980,000	(3,980,000)	—
Change in the fair value recognized in profit or loss	1,503,764	911,514	2,415,278
Disposal of a subsidiary	—	(592,000)	(592,000)
As of January 1, 2015	**56,239,000**	**6,727,000**	**62,966,000**
Additions	53,676	525,830	579,506
Change in the fair value recognized in profit or loss	424,324	307,170	731,494
As of March 31, 2015	**56,717,000**	**7,560,000**	**64,277,000**

As of December 31, 2012, 2013 and 2014 and March 31, 2015, our investment properties with carrying amounts of RMB44,745.0 million, RMB49,264.0 million, RMB54,208.0 million and RMB56,861.0 million, respectively, were pledged as collateral to secure bank and other borrowings granted to us and our related parties.

As of the Latest Practicable Date, we were in the process of applying for the registration or transfer of title certificates for certain investment properties. This process involves review of the applications by relevant government authorities before they issue the title certificates to us. As of March 31, 2015, the carrying amount of those investment properties that were in the process of applying for the registration or transfer of title certificates was RMB5,360.0 million. In addition, Beijing North Fourth-ring Mall, one of our shopping malls, had title defects. As of March 31, 2015, the carrying amount of this investment property was RMB1,682.0 million. See "Business — Properties" and "Risk Factors — Risks Relating to Our Business and Industry — Some of our Portfolio Shopping Malls do not strictly comply with land or construction laws and regulations."

Property, Plant and Equipment

We had property, plant and equipment of RMB803.4 million, RMB482.0 million, RMB362.5 million and RMB350.0 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively, which primarily comprised leasehold improvement, dedicated equipment, motor vehicles, electronic equipment, furniture and construction in progress. The decrease in our property, plant and equipment from RMB803.4 million as of December 31, 2012 to RMB482.0 million as of December 31, 2013 was primarily due to a decrease in our leasehold improvements related to the disposal of our subsidiary Beijing Xingkai in 2013. The decrease in our property, plant and equipment from RMB482.0 million as of December 31, 2013 to RMB362.5 million as of December 31, 2014 was primarily related to the closure of one of our Leased Portfolio Shopping Malls. The decrease in our property, plant and equipment from RMB362.5 million as of December 31, 2014 to RMB350.0 million as of March 31, 2015 was primarily due to depreciation.

Inventories

Our inventories primarily comprise consumables and other materials and merchandise. We do not hold a material amount of inventories as of December 31, 2012, 2013 and 2014 and March 31, 2015. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Consumables and other materials	7,658	9,497	15,270	16,736
Merchandise	2,914	47,719	23,225	17,958
Total	**10,572**	**57,215**	**38,495**	**34,694**

The following table sets forth the turnover days of our inventories for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015. Our inventory turnover days decreased significantly for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015.

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
				(unaudited)
Inventory turnover days[(1)]	325.9	266.9	136.2	131.5

(1) Inventory turnover days is calculated as the arithmetic mean of the opening and closing balances of merchandise divided by our cost of sales and services in sales of merchandise and related services and multiplied by 365 for each year or 90 days for each three-month period, as applicable.

Trade and Other Receivables

Trade and Bills Receivables

Our trade and bills receivables primarily represented the outstanding amounts of initiation and entrance fees and annual management fees to be paid by our Managed Shopping Mall business partners. Our trade and bills receivables increased from RMB284.0 million as of December 31, 2012 to RMB350.4 million as of December 31, 2013 to RMB633.3 million as of December 31, 2014, and further to RMB715.2 million as of March 31, 2015, primarily due to an increase in trade receivables in line with the expansion of our Managed Shopping Mall business. The table below sets forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Trade receivables				
- due from third parties	228,028	340,797	701,206	840,489
- due from related parties	99,239	70,546	10,445	7,012
Less: allowance for doubtful debts	(44,978)	(71,647)	(117,283)	(134,330)
	282,289	339,696	594,368	713,171
Bills receivable	1,700	10,730	38,970	2,000
	283,989	350,426	633,338	715,171

The following table sets forth the aging analysis of trade and bills receivables, net of allowance for doubtful debts as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Less than 1 year	248,200	313,282	536,373	517,906
1-2 years	21,896	30,227	78,938	180,232
2-3 years	13,893	6,917	14,245	14,033
Over 3 years	—	—	3,782	3,000
Total	283,989	350,426	633,338	715,171

The following table sets forth the turnover days of our trade and bills receivables for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
				(unaudited)
Trade and bills receivables turnover days[(1)]	25.9	18.2	22.6	31.2

(1) Trade and bills receivable turnover days is calculated as the arithmetic mean of the opening and closing balances of trade and bills receivables divided by our revenue, and multiplied by 365 for each year or 90 days for each three-month period, as applicable.

We typically do not extend credit or only extend a limited term of credit of no more than 30 days to our Managed Shopping Mall partners for their payment of initiation and entrance fees under the relevant contract management agreements. We record trade receivables for unpaid amounts of initiation and entrance fees when we recognize the corresponding revenue under the agreement. We constantly communicate with our Managed Shopping Mall partners to settle any outstanding balance, and provide them with additional credit terms if needed based on our review of their credit track record and our ongoing business relationship.

Our turnover days of trade and bills receivables remained stable at 25.9 days in 2012, 18.2 days in 2013, 22.6 days in 2014 and 31.2 days for the three months ended March 31, 2015. The length and fluctuation of our turnover days of trade and bills receivables was primarily due to the amounts and fluctuations of the balances of our trade and bills receivables relating to our Managed Shopping Mall business. Turnover days for our Portfolio Shopping Malls are generally shorter than the turnover days for our Managed Shopping Malls, because it typically takes us a shorter period to collect our trade and bills receivables from our Portfolio Shopping Malls than receivables from our Managed Shopping Malls. Our average turnover days for our Portfolio Shopping Malls were 2.1 days in 2012, 1.3 days in 2013, 1.7 days in 2014 and 2.1 days for the three months ended March 31, 2015, and our average turnover days for our Managed Shopping Malls were 73.2 days in 2012, 38.3 days in 2013, 56.3 days in 2014 and 95.4 days for the three months ended March 31, 2015. In addition, turnover days for receivables for our Portfolio Shopping Malls are relatively stable because such receivables are individually smaller in amount and due from a larger number of tenants periodically. In contrast, turnover days for our Managed Shopping Malls may fluctuate significantly. While receivables relating to annual management fees generally have stable and low turnover days, turnover days for the initiation and entrance fee and construction consultation and management fee receivables are longer and fluctuate from period to period because such receivables typically have a relatively large individual amount and the timing of recording such receivables and the settlement thereof may vary case-by-case. For the three months ended March 31, 2015, our average turnover days for our Managed Shopping Malls were longer because (i) we typically collect more account receivables towards the end of a year, resulting in longer turnover days during the first few months of next year, and (ii) we typically experience slower collection of account receivables as a result of more holidays in the first quarter of a year. As of the Latest Practicable Date, we in aggregate recovered RMB122.1 million out of RMB594.4 million of trade receivables that were outstanding as of December 31, 2014. We have not experienced any abnormality in collecting the balances of our trade and bills receivables since December 31, 2014, and are actively following up with the relevant Managed Shopping Malls partners to collect the outstanding amounts.

We recorded allowance for doubtful debts for our trade and bills receivables in the amount of RMB45.0 million, RMB71.6 million, RMB117.3 million and RMB134.3 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. We recognize allowance for doubtful debts based on the estimated irrecoverable amounts, which are determined by reference to past default experience with respect to the counterparty and an analysis of the relevant counterparty's current financial position. Before accepting any new customer, we use past experience to assess such customer's credit quality and define the credit limits for such customer. Such limits are reviewed regularly. For receivables past due at the end of each reporting period that we did not recognize an allowance for doubtful debts, there had not been a significant change in credit quality and we believe the amounts were still recoverable based on the payment history. We do not hold any collateral over these balances.

In determining the recoverability of a trade receivable, we consider any change in the credit quality of the trade receivable from the date credit was initially granted to the end of each reporting period. Our allowance for doubtful debts included individually impaired trade receivables, the counterparties of which are experiencing severe financial difficulties, with an aggregate balance of RMB24.5 million, RMB38.2 million, RMB109.0 million and RMB123.2 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively.

Other Receivables

Our other receivables primarily comprise prepayment of marketing, promotion and other fees, loans to third parties, and short-term funding provided to minority shareholders of our non-wholly owned subsidiaries and associates pursuant to the relevant agreements. The table below sets forth a breakdown of our other receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Prepayment to third parties	93,603	129,029	117,441	135,573
Prepayment to related parties	12,350	—	55,150	13,139
Other taxes recoverable	23,880	32,704	40,159	38,010
Amounts due from third parties	118,694	124,543	178,139	219,088
Amounts due from a former subsidiary	721,591	—	—	—
Amounts due from non-controlling shareholders of subsidiaries	87,922	37,758	90,301	134,572
Amounts due from related parties	211,836	229,657	82,257	101,386
Deposits	75,182	79,735	64,880	66,853
Proceeds to be collected on behalf of the tenants	54,530	78,426	45,064	47,092
Other	19,564	21,013	22,163	26,717
Less: allowance for doubtful debts	(17,926)	(21,742)	(36,653)	(24,653)
Total	**1,400,726**	**711,123**	**658,901**	**757,777**

Our other receivables decreased from RMB1,400.7 million as of December 31, 2012 to RMB711.1 million as of December 31, 2013, primarily due to a decrease of RMB721.6 million in amounts due from Beijing Orient Oumei, a former subsidiary disposed of in September 2012. Our other receivables decreased from RMB711.1 million as of December 31, 2013 to RMB658.9 million as of December 31, 2014, primarily due to our acquisition of Sunan Construction in June 2014, which was accounted for as a business combination under common control for periods prior to the acquisition, and the settlement of receivables from related parties in connection with this acquisition. Our other receivables increased from RMB658.9 million as of December 31, 2014 to RMB757.8 million as of March 31, 2015, primarily due to additional temporary funding to third parties and additional funding to partners of our non-wholly owned subsidiaries relating to the operations of our shopping malls.

The amounts due from third parties are primarily related to our business operation and incurred in our ordinary course of business, and will be settled on an ongoing basis. The amounts due from third parties include (i) amounts due from third parties related to our business cooperation and incurred in its ordinary course of business, (ii) lending amounts from us to third parties related to our business cooperation in the means of entrusted loans and (iii) loans incurred directly from us to third parties. As advised by our PRC legal advisors, Llinks Law Offices, type (i) are not regarded as loans and do not violate the General Lending Provisions promulgated by the People's Bank of China (the "**General Lending Provisions**"), type (ii) do not violate the General Lending Provisions while type (iii) is not in compliance with the General Lending Provisions. Llinks Law Offices further advise us that according to relevant regulations, including the Reply of the Supreme People's Court on How to Deal With the Problem That the Borrower of a Corporate Lending Contract Fails to Repay the Loan within the Specified Time Limit, the creditor, i.e. us in this case, has the right to collect the principal, while the interest may be forfeited by the court. Such potential forfeiture of interest income accounts for a minimal portion of our total income and is not expected to have any material adverse effect on our business operations and financial condition. Type (i) and type (iii) are recorded as "amounts due from third parties" and type (ii) is recorded as "loan receivables" in our accounting treatment. We had RMB4.9 million, RMB8.7 million, RMB15.4 million and RMB23.3 million, respectively, of amounts under type (iii), which accounted for approximately 1%, 4%, 5% and 6% of the total amounts of "amounts due from third parties" and "loan receivables", respectively, as of December 31, 2012, 2013 and 2014 and March 31, 2015. As of the date of this prospectus, there is no pending litigation or arbitration in this regard. We have ceased incurring any loans under type (iii) and are in the process of having such loans repaid or converted into entrusted loans under type (ii), which is expected to be completed prior to the Listing, to comply with the General Lending Provisions. As a result, our Directors are of the view that the abovementioned matters do not have any material adverse effect on our business operations and financial condition.

Other Non-Current Assets

Our other non-current assets primarily comprise prepayments, funding or deposits we made relating to the acquisition and development of our Owned Portfolio Shopping Malls, including prepayments for land use rights, prepayments to our construction contractors, long-term funding provided to minority shareholders of our non-wholly owned subsidiaries and associates pursuant to the relevant agreements, and deposits paid to government authorities and contract counter-parties. These items may fluctuate according to the progress of the development of our Owned Portfolio Shopping Malls as well as funding requirements and schedules under the agreements for our non-wholly owned subsidiaries, joint ventures and associates. Our other non-current assets also include deposits paid to our lessors or counterparties for our Leased Portfolio Shopping Malls. The table below sets forth a breakdown of our other non-current assets as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Prepayment for acquisition of land use rights	796,385	787,424	284,236	284,236
Prepayment for construction of investment properties	459,619	409,808	428,397	535,787
Prepayment for acquisition of investment properties	86,224	97,215	49,156	96,522
Prepayment for acquisition of a subsidiary	—	—	62,191	62,191
Amount due from non-controlling shareholders of subsidiaries	107,200	66,000	55,000	55,000
Amount due from a former subsidiary	—	—	41,041	47,441
Amount due from related parties	273,928	62,561	96,752	34,012
Deposits paid for construction of investment properties	104,833	125,914	134,308	134,308
Deposits paid under medium term operating lease	65,699	53,277	45,264	45,264
Preliminary development cost	131,425	132,822	133,909	138,909
Others	46,650	53,632	59,086	57,214
Total	**2,071,963**	**1,788,653**	**1,389,340**	**1,490,884**

Our other non-current assets decreased from RMB2,072.0 million as of December 31, 2012 to RMB1,788.7 million as of December 31, 2013, primarily due to a decrease in the amount due from related parties with respect to Wuxi Taihu Mall, because the relevant holding entity was an associate in 2012 but became our subsidiary after our additional investment in 2013. Our other non-current assets decreased from RMB1,788.7 million as of December 31, 2013 to RMB1,389.3 million as of December 31, 2014, primarily due to a decrease in prepayment for acquisition of land use rights relating to Harbin Xikezhan Mall and Tianjin Beichen Mall, as the relevant amounts were transferred to investment properties after we obtained the land use right certificates. Our other non-current assets increased from RMB1,389.3 million as of December 31, 2014 to RMB1,490.9 million as of March 31, 2015, primarily due to an increase in payments for construction of investment properties and an increase in payment for acquisition of investment properties relating to constructions of our new Portfolio Shopping Malls.

Trade and Other Payables

Trade and Bills Payables

Our trade and bills payables primarily comprise payables related to our marketing and promotion activities, rent and fixed-fee payables for our Leased Portfolio Shopping Malls, and other miscellaneous payables. Our trade and bills payables decreased from RMB312.0 million as of December 31, 2012 to RMB206.4 million as of December 31, 2013 primarily due to payables as of December 31, 2012 related to a major nation-wide marketing campaign through traditional media in mid-2012. Our trade and bills payables remained stable at RMB180.2 million as of December 31, 2014. Our trade and bills payables increased from RMB180.2 million as of December 31, 2014 to RMB207.8 million as of March 31, 2015 primarily due to additional payables relating to our marketing and promotional activities. The table below sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Trade payables	263,029	188,460	180,171	207,777
Bills payable	49,000	17,900	—	—
Total	**312,029**	**206,360**	**180,171**	**207,777**

The following table sets forth an aging analysis of our trade and bills payables as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Less than 1 year	309,014	195,496	163,827	195,725
1-2 years	2,998	8,336	8,598	4,734
2-3 years	2	2,513	6,100	5,601
Above 3 years	15	15	1,655	1,717
Total	**312,029**	**206,360**	**180,171**	**207,777**

The following table sets forth the turnover days of our trade and bills payables for the years ended December 31, 2012, 2013 and 2014 and for the three months ended March 31, 2015.

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
				(unaudited)
Trade and bills payables turnover days[(1)]	51.2	52.9	34.3	34.1

(1) Trade and bills payable turnover days is calculated as the arithmetic mean of the opening and closing balances of trade and bills payables divided by our cost of sales and services, and multiplied by 365 for each year or 90 days for each three-month period, as applicable.

We have financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Our trade and bills payables turnover days decreased from 51.2 days in 2012 and 52.9 days in 2013 to 34.3 days in 2014 and 34.1 days for the three months ended March 31, 2015, primarily due to a high balance of trade and bills payables as of December 31, 2012.

Other Payables

Our other payables primarily comprise (i) deposits received from tenants for rent and quality assurance, (ii) staff costs, (iii) deposits received for signing contract management agreements that are expected to be converted into initiation and entrance fees within one year, (iv) initiation and entrance fees received that are expected to be returned within one year due to termination of agreement, (v) proceeds collected on behalf of our tenants for their sales through our cashier, (vi) payables relating to construction of our Owned Portfolio Shopping Malls, (vii) amounts due to third parties relating to shareholder loans from former non-controlling shareholders of our subsidiaries that became third parties after we subsequently acquired their minority interests and assumed the obligations to repay the relevant shareholder loans and amounts we collect temporarily on behalf of Managed Shopping Mall partners during day-to-day operations, (viii) amounts due to non-controlling shareholders of subsidiaries related to short-term funding provided by partners of our non-wholly owned subsidiaries under the relevant investment agreements, and (ix) amounts due to related parties mainly consisting of deposits paid by our related parties in respect of properties pledged for our Transferred Shopping Malls. For more details of such deposits, see "— Related Party Transactions — Amounts Due to and from Our Related Parties." The above items include amounts we received in advance or collected on behalf of our tenants and Managed Shopping Mall partners that may be converted into our revenue or replaced by similar advances on a rolling basis. The table below sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Staff cost payables	221,720	290,431	389,068	227,172
Dividends payable	—	—	—	364,284
Dividends payable to a non-controlling shareholder of a subsidiary	—	4,800	3,600	58,600
Other tax payables	54,931	75,342	107,815	140,359
Interest payables	42,478	62,158	69,150	133,271
Amounts due to third parties	107,694	186,088	436,367	314,650
Amounts due to non-controlling shareholders of subsidiaries	97,495	243,264	150,413	185,314
Amounts due to related parties	388,222	499,694	279,478	463,329
Construction costs payables	290,944	403,460	531,674	417,960
Proceeds collected on behalf of the tenants	791,341	1,049,852	738,912	1,735,126
Deposits received from the tenants	946,816	1,121,520	1,377,784	1,485,163
Received in advance arising from pre-paid cards	—	59,757	127,325	67,729
Intention deposit received	—	206,500	400,890	376,346
Accrued rental and other expenses	128,564	175,699	223,038	243,848
Other	94,427	111,181	87,873	77,540
Total	**3,164,632**	**4,489,746**	**4,923,387**	**6,290,691**

Our other payables increased from RMB3,164.6 million as of December 31, 2012 to RMB4,489.7 million as of December 31, 2013 to RMB4,923.4 million as of December 31, 2014 and further to RMB6,290.7 million as of March 31, 2015. Such increase was primarily due to increases in payables in line with our expansion, including increases in staff costs payables, other tax payables, intention deposits received, construction costs payables and deposits from tenants. In addition, we developed a pre-paid card business in June 2013, which led to additional amounts received in advance arising from the pre-paid cards issued by us, which represents the amount of pre-paid cards which have been issued yet not been spent or redeemed.

Other Non-Current Liabilities

Our other non-current liabilities primarily comprise (i) initiation and entrance fees received relating to our Managed Shopping Malls with respect to which the corresponding revenue is expected to be recognized after one year based on the status of the relevant project, (ii) rent payables for our leased shopping malls, (iii) amounts due to non-controlling shareholders of subsidiaries for long-term funding provided by partners of our non-wholly owned subsidiaries under the relevant investment agreements, and (iv) amounts due to related parties mainly consisting of deposits paid by our related parties in respect of properties pledged for our Transferred Shopping Malls. For more details of such deposits, see "— Related Party Transactions — Amounts Due to and from Our Related Parties." The table below sets forth a breakdown of our other non-current liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Initiation and entrance fees received in advance	781,341	601,450	744,417	703,417
Rental payable	396,012	320,060	292,323	292,818
Amounts due to non-controlling shareholders of subsidiaries	824,580	678,679	414,147	377,718
Amounts due to related parties	662,535	523,217	419,345	—
Total	**2,664,468**	**2,123,406**	**1,870,232**	**1,373,953**

Our other non-current liabilities decreased from RMB2,664.5 million as of December 31, 2012 to RMB2,123.4 million as of December 31, 2013 to RMB1,870.2 million as of December 31, 2014 and further to RMB1,374.0 million as of March 31, 2015, primarily due to a decrease of amounts due to non-controlling shareholders of subsidiaries and a decrease in amounts due to related parties. The amounts due to non-controlling shareholders of subsidiaries decreased in 2012, 2013, 2014 and the three months ended March 31, 2015, and may continue to fluctuate according to the funding requirements and schedules under the agreements for the relevant entity. The amounts due to related parties decreased as deposits made by our related parties were reduced as a result of a decrease in the balance of the loans for which our properties were pledged.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have been cash generated from operations, bank borrowings, issuance of corporate bonds and equity contribution provided by our shareholders. Our primary uses of funds have been the expansion of our Portfolio Shopping Malls network, working capital and service of our debt. Our liquidity will primarily depend on our ability to generate cash flow from operations and obtain external financing to meet our debt obligations as they become due as well as our future capital expenditures.

Cash Flow

The following table sets out selected cash flow data from our combined cash flow statements for the years ended December 31, 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(in thousands of RMB)				
Net cash from (used in) operating activities	2,991,880	3,615,518	3,247,292	795,785	1,369,077
Net cash from (used in) investing activities	(3,067,498)	(3,215,185)	(2,564,096)	(1,248,781)	(919,022)
Net cash from (used in) financing activities	283,240	(361,597)	(895,717)	(124,456)	(525,911)
Net increase/(decrease) in cash and cash equivalents	207,622	38,736	(212,521)	(577,452)	(75,856)

Net Cash from Operating Activities

We had net cash from operating activities of RMB1,369.1 million for the three months ended March 31, 2015, which was primarily attributable to our profit before income tax of RMB1,435.3 million, as adjusted by negative effects of RMB461.9 million for non-cash and non-operating items and positive effects of RMB534.8 million arising out of movements in working capital, and further offset by net income tax paid of RMB139.1 million. Our non-cash and non-operating items for the three months ended March 31, 2015 consisted mainly of (i) a fair value gain of RMB731.5 million of our investment properties, (ii) finance costs of RMB244.2 million, and (iii) depreciation of property, plant and equipment of RMB30.0 million. The net cash inflows arising out of movements in working capital were primarily due to an increase of RMB847.5 million in trade and other payables in line with our expansion and as a result of our promotional activities around the end of March 2015, partially offset primarily by (i) a decrease of RMB195.8 million in rental and service fees received in advance primarily due to slower collection in the first quarter as a result of Chinese holidays, and (ii) an increase of RMB82.1 million in trade and other receivables in line with our expansion.

We had net cash from operating activities of RMB795.8 million for the three months ended March 31, 2014, which was primarily attributable to our profit before income tax of RMB1,152.0 million, as adjusted by negative effects of RMB299.9 million for non-cash and non-operating items and positive effects of RMB109.9 million arising out of movements in working capital, and further offset by net income tax paid of RMB166.2 million. Our non-cash and non-operating items for the three months ended March 31, 2014 consisted mainly of (i) a fair value gain of RMB570.5 million of our investment properties, (ii) finance costs of RMB214.2 million, (iii) allowance provided for doubtful debt of RMB41.3 million, and (iv) depreciation of property, plant and equipment of RMB22.7 million. The net cash inflows arising out of movements in working capital were primarily due to an increase of RMB234.0 million in trade and other payables in line with our expansion, partially offset primarily by (i) an increase of RMB90.2 million in trade and other receivables in line with our expansion, and (ii) a decrease of RMB34.2 million in rental and service fees received in advance primarily due to slower collection in the first quarter as a result of Chinese holidays.

We had net cash from operating activities of RMB3,247.3 million in 2014, which was primarily attributable to our profit before income tax of RMB5,350.2 million, as adjusted by negative effects of RMB1,328.7 million for non-cash and non-operating items and negative effects of RMB119.5 million arising out of movements in working capital, and further offset by net income tax paid of RMB654.7 million. Our non-cash and non-operating items in 2014 consisted mainly of (i) a fair value gain of RMB2,415.3 million of our investment properties, (ii) finance costs of RMB856.2 million, and (iii) depreciation of property, plant and equipment of RMB102.3 million. The net cash outflows arising out of movements in working capital were primarily due to (i) an increase of RMB408.5 million in trade and other receivables in line with our expansion and (ii) a decrease of RMB105.4 million in advances from customers for rent and management fees, partially offset primarily by (i) an increase of RMB292.5 million in trade and other payables in line with our expansion, and (ii) an increase of RMB112.7 million in other non-current liabilities related to initiation and entrance fee received in advance in line with our expansion.

We had net cash from operating activities of RMB3,615.5 million in 2013, which was primarily attributable to our profit before income tax of RMB4,468.9 million, as adjusted by negative effects of RMB1,421.2 million for non-cash and non-operating items and positive effects of RMB1,183.0 million arising out of movements in working capital, and further offset by net income tax paid of RMB615.1 million. Our non-cash and non-operating items in 2013 consisted mainly of (i) a fair value gain of RMB2,055.1 million of our investment properties, (ii) finance costs of RMB631.4 million, (iii) depreciation of property, plant and equipment of RMB96.0 million, and (iv) interest income of RMB95.2 million. The net cash inflows arising out of movements in working capital were primarily due to (i) an increase of RMB825.8 million in advances from customers for rent and management fees in line with our expansion, and (ii) an increase of RMB933.7 million in trade and other payables in line with our expansion, partially offset primarily by (i) a decrease of RMB366.4 million in other non-current liabilities related to a decrease in rent payables due to the disposal of a Leased Portfolio Shopping Mall, and (ii) an increase of RMB122.4 million in trade and other receivables in line with our expansion.

We had net cash from operating activities of RMB2,991.9 million in 2012, which was primarily attributable to our profit before income tax of RMB3,095.2 million, as adjusted by negative effects of RMB579.6 million for non-cash and non-operating items and positive effects of RMB1,078.7 million arising out of movements in working capital, and further offset by net income tax paid of RMB602.4 million. Our non-cash and non-operating items in 2012 consisted mainly of (i) a fair value gain of RMB1,112.5 million of our investment properties, (ii) finance costs of RMB554.4 million, (iii) interest income of RMB129.4 million and (iv) depreciation of property, plant and equipment of RMB84.7 million. The net cash inflows arising out of movements in working capital were primarily due to (i) an increase of RMB509.1 million in trade and other payables in line with our expansion, (ii) an increase of RMB230.0 million in rental and service fee received in advance from customers for rent and management fees in line with our expansion, (iii) a decrease of RMB208.4 million in trade and other receivables mainly as a result of high balances of trade and other receivables at the end of 2011 due to timing of payments, and (iv) an increase of RMB162.3 million in other non-current liabilities in line with our expansion.

Net Cash Used in Investing Activities

We had net cash used in investing activities of RMB919.0 million for the three months ended March 31, 2015, which was primarily attributable to payments of RMB817.8 million for investment properties, property, plant and equipment, and intangible assets relating to our Portfolio Shopping Malls.

We had net cash used in investing activities of RMB1,248.8 million for the three months ended March 31, 2014, which was primarily attributable to payments of RMB1,357.0 million for investment properties, property, plant and equipment, and intangible assets relating to our Portfolio Shopping Malls.

We had net cash used in investing activities of RMB2,564.1 million in 2014, which was primarily attributable to (i) payments of RMB2,025.2 million for investment properties, (ii) payments of RMB534.8 million for intangible assets related to the licensing of the JiSheng Wellborn trademark in 2014, and (iii) payments of RMB125.0 million for establishment of an associate related to the consumer financing joint venture with Haier in November 2014, partially offset by proceeds on withdrawal of amounts due from former subsidiaries in the amount of RMB201.0 million related to the disposal of Fujian Canshan.

We had net cash used in investing activities of RMB3,215.2 million in 2013, which was primarily attributable to (i) payments of RMB3,838.2 million for investment properties, (ii) payments of RMB439.6 million for property, plant and equipment related to the interior decoration for our Portfolio Shopping Malls in 2013, and (iii) payments of RMB157.6 million for available-for-sale investments related to our acquisition of Oppein, partially offset by (i) withdrawal of amounts due from a former subsidiary in the amount of RMB721.6 million related to the disposal of Beijing Orient Oumei and (ii) withdrawal of loan receivables in the amount of RMB300.7 million.

We had net cash used in investing activities of RMB3,067.5 million in 2012, which was primarily attributable to (i) payments of RMB2,564.8 million for investment properties, (ii) placement of loan receivables of RMB1,050.0 million and (iii) payments of RMB289.9 million for property, plant and equipment related to the interior decoration for our Portfolio Shopping Malls in 2012, partially offset by (i) withdrawal of loan receivables in the amount of RMB780.0 million, and (ii) interest received in the amount of RMB129.4 million.

Net Cash from (Used in) Financing Activities

We had net cash used in financing activities of RMB525.9 million for the three months ended March 31, 2015, which was primarily attributable to (i) dividends paid in the amount of RMB2,125.7 million, (ii) repayment of borrowings in the amount of RMB550.8 million, (iii) interest paid in the amount of RMB235.6 million for our bank loans and outstanding bonds, and (iv) deposits repaid to related party in the amount of RMB231.5 million relating to counter guarantee arrangements for our Transferred Shopping Malls, which was partially offset by (i) proceeds from new borrowings raised in the amount of RMB2,253.0 million and (ii) proceeds of RMB433.0 million from new shares issued to Candlewood and Springwood.

We had net cash used in financing activities of RMB124.5 million for the three months ended March 31, 2014, which was primarily attributable to (i) repayment of borrowings in the amount of RMB284.1 million, (ii) interest paid in the amount of RMB229.5 million for our bank loans and outstanding bonds, and (iii) repayment to related party in the amount of RMB120.0 million relating to our purchase of Shuan Construction, which was partially offset by (i) proceeds from new borrowings raised in the amount of RMB400.0 million and (ii) deposits received from related party in the amount of RMB121.9 million relating to counter guarantee arrangements for our Transferred Shopping Malls.

We had net cash used in financing activities of RMB895.7 million in 2014, which was primarily attributable to (i) repayment of borrowings in the amount of RMB2,546.5 million for our bank loans, (ii) interest paid in the amount of RMB1,045.6 million for our bank loans and outstanding bonds, (iii) dividend paid in the amount of RMB720.0 million, (iv) repayment to related parties and third parties of RMB165.6 million, and (v) deemed distribution to ultimate shareholder in the amount of RMB104.6 million related to our purchase of Sunan Construction and Shenyang Tiexi Phase II Mall from our Controlling Shareholders, which was partially offset primarily by (i) proceeds of RMB2,717.2 million from new borrowings raised, and (ii) proceeds of RMB1,000.0 million from new bonds issued through private placement.

We had net cash used in financing activities of RMB361.6 million in 2013, which was primarily attributable to (i) repayment of borrowings in the amount of RMB3,538.7 million for our bank loans, (ii) dividend paid in the amount of RMB1,020.0 million, (iii) interest paid in the amount of RMB938.1 million for our bank loans and outstanding bonds, and (iv) repayment to related parties and third parties of RMB174.8 million, which was partially offset primarily by (i) proceeds of RMB4,219.1 million from new borrowings raised, (ii) proceeds of RMB1,000.0 million from new corporate bonds raised, and (iii) advances of RMB264.9 million from related parties and third parties.

We had net cash from financing activities of RMB283.2 million in 2012, which was primarily attributable to (i) proceeds of RMB4,248.2 million from new borrowings raised, (ii) proceeds of RMB1,500.0 million from new corporate bonds raised, and (iii) advances of RMB218.1 million from related parties and third parties, which was partially offset by (i) repayment of borrowings in the amount of RMB4,754.7 million for our bank loans, (ii) interest paid in the amount of RMB920.3 million for our bank loans and outstanding bonds, (iii) repayment to related parties and third parties of RMB383.1 million, and (iv) dividend paid in the amount of RMB232.3 million.

Net Current Liabilities

We had net current liabilities, or negative working capital, of RMB1,099.0 million, RMB4,328.8 million, RMB5,294.5 million, RMB6,410.4 million and RMB6,432.8 million as of December 31, 2012, 2013 and 2014, March 31, 2015 and April 30, 2015, respectively. The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

	As of December 31,			As of March 31,	As of April 30,
	2012	2013	2014	2015	2015
				(unaudited)	
	(in thousands of RMB)				
Current assets					
Inventories	10,572	57,215	38,495	34,694	27,458
Loan receivables	300,680	—	99,810	150,710	150,710
Trade and other receivables	1,684,715	1,061,549	1,292,239	1,472,948	1,528,590
Tax recoverable	10,914	11,194	22,895	20,054	27,508
Restricted bank deposits	3,000	—	7,180	15,517	13,117
Bank balances and cash	3,778,346	3,829,293	3,664,860	3,586,614	3,050,144
	5,788,227	4,959,251	5,125,479	5,280,537	4,797,527
Current liabilities					
Trade and other payables	3,476,661	4,696,106	5,103,558	6,498,468	5,992,591
Rental and service fee received in advance	1,387,505	2,213,289	2,107,893	1,912,045	2,015,144
Tax liabilities	185,447	189,110	285,338	250,516	58,302
Bank and other borrowings	1,837,637	2,182,414	2,325,523	2,431,317	2,565,401
Provisions	—	7,128	—	—	—
Bonds	—	—	597,681	598,551	598,841
	6,887,250	9,288,047	10,419,993	11,690,897	11,230,279
Net current liabilities	**(1,099,023)**	**(4,328,796)**	**(5,294,514)**	**(6,410,360)**	**(6,432,752)**

As of April 30, 2015, we had net current liabilities of RMB6,432.8 million, representing an increase of RMB22.4 million from our net current liabilities of RMB6,410.4 million as of March 31, 2015. The increase in our net current liabilities was primarily due to a decrease of RMB536.5 million in bank balances and cash, an increase of RMB134.1 million in bank and other borrowings and an increase of RMB103.1 million in rental and service fee received in advance, partially offset by a decrease of RMB505.9 million in trade and other payables and a decrease of RMB192.2 million in tax liabilities.

As of March 31, 2015, we had net current liabilities of RMB6,410.4 million, representing an increase of RMB1,115.9 million from our net current liabilities of RMB5,294.5 million as of December 31, 2014. The increase in our net current liabilities was primarily due to an increase of RMB1,394.9 million in trade and other payables and an increase of RMB105.8 million in short-term bank and other borrowings, partially offset by a decrease of RMB195.8 million in rental and service fees received in advance, an increase of RMB180.7 million in trade and other receivables, and an increase of RMB50.9 million in loan receivables.

As of December 31, 2014, we had net current liabilities of RMB5,294.5 million, representing an increase of RMB965.7 million from our net current liabilities of RMB4,328.8 million as of December 31, 2013. The increase in our net current liabilities was primarily due to an increase of RMB597.7 million in bonds, an increase of RMB407.5 million in trade and other payables, an increase of RMB143.1 million in short-term bank and other borrowings and a decrease of RMB164.4 million in bank balances and cash, partially offset by an increase of RMB230.7 million in trade and other receivables and an increase of RMB99.8 million in loan receivables.

As of December 31, 2013, we had net current liabilities of RMB4,328.8 million, representing an increase of RMB3,229.8 million from our net current liabilities of RMB1,099.0 million as of December 31, 2012. The increase in our net current liabilities was primarily due to an increase of RMB1,219.4 million in trade and other payables, an increase of RMB825.8 million in rental and service fees received in advance, a decrease of RMB623.2 million in trade and other receivables, an increase of RMB344.8 million in short-term bank and other borrowings, and a decrease of RMB300.7 million in loan receivables.

Working Capital

We had significant capital expenditure and working capital requirements in expanding our shopping malls network in 2012, 2013, 2014 and the three months ended March 31, 2015, and financed such need primarily by equity contributions, bank borrowings and issuance of corporate bonds. In addition, we plan to continue to grow our shopping mall network, and our expected capital expenditures and other cash requirements relate primarily to the establishment of new Owned Portfolio Shopping Malls. See "— Capital Expenditures." We manage our cash flow and working capital by closely monitoring and managing, among other things, the major components of our working capital and our ability to obtain additional financing. We also diligently review future cash flow requirements and assess our ability to meet our planned capital expenditures and debt repayment schedules and ensure that we maintain sufficient working capital to support our business operations and expansion plans.

We had negative working capital as of December 31, 2012, 2013 and 2014 and March 31, 2015 primarily due to the rapid increase in our current liabilities in line with our expansion. However, our current liabilities included, among others, (i) rental and service fees received in advance of RMB1,387.5 million, RMB2,123.3 million, RMB2,107.9 million and RMB1,912.0 million as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively, (ii) items included in trade and other payables relating to our Portfolio Shopping Mall and Managed Shopping Mall business, including deposits received from our tenants in the amount of RMB946.8 million, RMB1,121.5 million, RMB1,377.8 million and RMB1,485.2 million, respectively, and proceeds collected on behalf of the tenants in the amount of RMB791.3 million, RMB1,049.9 million, RMB738.9 million and RMB1,735.1 million, respectively, as of December 31, 2012, 2013 and 2014 and March 31, 2015. These items represent amounts we received in advance for our services, and our Directors are of the view that these items are likely to be converted in to our revenue or be replaced by similar advances in the ordinary course of our business and the possibility of refunding is low.

Our Directors after due and careful enquiry, are of the opinion that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account cash flows from our operations, our strong financing ability and the estimated net proceeds from the Global Offering. As of April 30, 2015, we had available unutilized overdrafts and medium term bank loan facilities in the amount of RMB3,856.6 million and an available approved limit for private placement of bonds in the amount of RMB3,000.0 million. We also monitor our indebtedness level and our ability to obtain additional financing by reviewing our gearing ratio, asset-liability ratio and interest expenses coverage ratio. Our net gearing ratio was 23.9%, 29.7%, 30.9% and 36.7% as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. Our asset-liability ratio was 45.7%, 48.4%, 48.0% and 50.6% as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. Our interest expenses coverage ratio was 2.57, 3.08, 3.79 and 3.26 for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. See "— Key Financial Ratios." We also plan to use a portion of the proceeds of the Global Offering as working capital, which we expect, together with the available facilities from bank and non-bank institutions and our operating cash flow, to be adequate to support our cash outlays, including planned capital expenditures. For a further description of our working capital condition and liquidity risks, see Note 7 of the Accountants' Report set forth in Appendix I of this prospectus.

Operating Lease Commitments

We lease certain of our shopping malls under non-cancellable operating leases. These leases have terms ranging from one to 20 years, and the majority of the lease agreements are renewable at the end of the lease term at the then market rate. The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases as of the balance sheet dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Within one year	574,647	556,838	562,414
In the second to the fifth year inclusive	2,070,100	1,781,014	2,218,732
After the fifth year	5,037,107	3,722,433	3,649,027
Total	**7,681,854**	**6,060,285**	**6,430,173**

Capital Commitments

In addition to the operating lease commitments set forth above, we had the following capital commitments as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Contracted, but not provided for:				
- Capital expenditure in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries)	3,304,158	2,817,893	4,707,735	4,040,501

We expect to fund such capital commitments principally from the net proceeds of the Global Offering, bank loans and cash generated from our operations.

INDEBTEDNESS

Interest-Bearing Bank and Other Borrowings

Our short-term and long-term borrowings are primarily in the form of bank loans. We finance a significant portion of our business operations and capital expenditures with borrowings obtained from commercial banks and non-bank institutions in China. In view of our creditworthiness and the current availability of funds in China, we believe that we are able to continue to obtain sufficient financing from PRC financial institutions.

The table below sets forth our bank and other borrowings as of the balance sheet dates indicated.

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Bank loans, secured	8,489,767	9,476,053	9,970,829	11,834,939
Bank loans, unsecured	377,634	362,260	114,700	174,700
Other loans, secured	1,024,706	1,400,000	1,323,470	1,101,520
Total	**9,892,107**	**11,238,313**	**11,408,999**	**13,111,159**

The following table sets forth a break-down of our bank and other borrowings by maturity dates as of the dates indicated.

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Within one year or on demand	1,837,637	2,182,414	2,325,523	2,431,317
More than one year, but not exceeding two years	1,263,003	1,394,303	1,727,965	2,551,971
More than two years, but not exceeding five years	2,930,353	4,230,452	4,163,599	5,448,382
More than five years	3,861,114	3,431,144	3,191,912	2,679,489
Total	**9,892,107**	**11,238,313**	**11,408,999**	**13,111,159**

As of March 31, 2015, our secured bank loans carried interest rates ranging from 5.90% to 8.64% per annum, and our unsecured bank loans carried interest rates ranging from 5.90% to 7.80% per annum. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our bank and other loans were secured by certain of our investment properties and restricted bank deposits with net carrying amounts of approximately RMB44,812.2 million, RMB49,329.2 million, RMB54,264.7 million and RMB56,938.6 million, respectively. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our bank and other loans in the amount of RMB2,527.6 million, RMB3,488.2 million, RMB3,429.5 million and RMB4,156.3 million were also guaranteed by certain related parties. See "— Related Party Transactions — Guarantees to and from Our Related Parties."

As of March 31, 2015, we had available unutilized overdrafts and medium term bank loan facilities in the amount of RMB3,876.9 million and available approved limit for private placement of bonds in the amount of RMB3,000.0 million.

Bonds

In August 2012, we established a medium term note program (the "**2012 Program**"), under which we may issue bonds in series or tranches in aggregate nominal amount of up to RMB1,500.0 million. In August 2012, we issued our 5.44% bonds due 2015 (the "**2015**

Bonds"), in aggregate nominal value of RMB600.0 million under the 2012 Program. The 2015 Bonds carry interest at a rate of 5.44% per annum, payable annually, and will be due in August 2015. In December 2012, we issued our 6.11% bonds due 2017 (the "**2017 Bonds**"), in aggregate nominal value of RMB900.0 million under the 2012 Program. The 2017 Bonds carry interest at a rate of 6.11% per annum, payable annually, and will be due in December 2017.

In August 2013, we established a medium term note program (the "**2013 Program**"), under which we may issue bonds in series or tranches in aggregate nominal amount of up to RMB1,000.0 million. In September 2013, we issued our 7.50% bonds due 2018 (the "**2018 Bonds**"), in aggregate nominal value of RMB500.0 million under the 2013 Program. The 2018 Bonds carry interest at a rate of 7.50% per annum, payable annually, and will be due in September 2018. In December 2013, we issued our 7.50% bonds due 2016 (the "**2016 Bonds**"), in aggregate nominal value of RMB500.0 million under the 2013 Program. The 2016 Bonds carry interest at a rate of 7.50% per annum, payable annually, and will be due in December 2016.

In December 2014, through a private placement, we issued our 8.00% bonds due 2017 (the "**2017 Private Bonds**"), in aggregate nominal value of RMB1,000.0 million. The 2017 Private Bonds carry interest at a rate of 8.00% per annum, payable annually, and will be due in December 2017.

Finance Leases

We leased one of our shopping malls under a finance lease. The lease term is 40 years, which covers the major portion of the economic life of this property. The underlying obligations are subject to a fixed interest rate of 6.55% per annum. No arrangements have been entered into for any contingent rental payments. The following table sets forth an aging analysis of our finance lease obligations as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Amounts payable under finance leases:			
With one year or on demand	26,315	26,315	26,315
More than one year, but not exceeding two years	26,315	26,315	26,315
More than two years, but not exceeding five years	78,944	78,944	78,944
More than five years	809,180	780,082	753,857
Less: future finance charges	(577,885)	(554,195)	(530,682)
Present value of lease obligations	362,869	357,461	354,749
Less: Amount due within one year shown under current liabilities	(2,625)	(2,802)	(2,991)
Amount due after one year	**360,244**	**354,659**	**351,758**

Contingent Liabilities

During the Track Record Period, we were involved in legal proceedings in the ordinary course of our business from time to time. See "Business — Legal Proceedings and Litigation." We recognized a provision of RMB7.1 million in 2013 based on our estimate of the potential claim and the legal expenses with respect to one legal action. We subsequently settled the legal proceeding in June 2014. We are also in the process of registering 14,500 exhibition space agreements, and may be subject to administrative penalties as a result of non-registration. See "Business-Non-Compliance — Registration of Exhibition Space Agreements."

As of December 31, 2012, 2013 and 2014 and March 31, 2015, we issued financial guarantees jointly with our partners to a bank in respect of a loan in the amount of up to RMB400.0 million, RMB400.0 million, RMB400.0 million and RMB400.0 million, respectively, granted to one of our joint ventures. The joint venture had utilized RMB398.0 million, RMB338.0 million, RMB258.0 million and RMB180.0 million, respectively, of such loan as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively.

Save as disclosed herein, we are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Off-Balance Sheet Commitments and Arrangements

We did not have any off-balance sheet commitment or arrangement during the Track Record Period.

Statement of Indebtedness

As of April 30, 2015, being the latest practicable date for the purpose of liquidity disclosure in this prospectus, we had outstanding indebtedness of RMB18,228.9 million, consisting of interest-bearing bank and other borrowings of RMB13,331.2 million, unsecured and unguaranteed issued bonds of RMB3,464.4 million, unsecured and unguaranteed indebtedness due to related parties, non-controlling shareholders of subsidiaries and certain independent third parties of RMB1,079.4 million, and unsecured and unguaranteed obligations under finance leases of RMB353.9 million. As of April 30, 2015, our interest-bearing bank and other borrowings consisted of (i) secured and unguaranteed borrowings of RMB8,638.1 million, which were secured by our investment properties and bank deposits (ii) secured and guaranteed borrowings of RMB4,408.4 million, which were secured by our investment properties and bank deposits, and guaranteed by the Controlling Shareholders and other related parties, (iii) unsecured and guaranteed borrowings of RMB259.7 million, which were guaranteed by the Controlling Shareholders and (iv) unsecured and unguaranteed borrowings of RMB25.0 million. As of April 30, 2015, we had an available approved limit for private placement of bonds in the amount of RMB3,000.0 million. We issued financial guarantees jointly with our partners to a bank in respect of a loan in the amount of up to RMB400.0 million granted to one of our joint ventures. As of April 30, 2015, the joint venture had utilized RMB180.0 million of such loan. As of April 30, 2015, we are in the process of registering approximately 14,500 exhibition space agreements, we were advised by our PRC legal advisors, Llinks Law Offices, that a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of non-registration. The estimated total penalty is approximately RMB14.5 million to RMB145.0 million. We believe that the risk we will be penalized is remote.

As of April 30, 2015, in addition to the abovementioned available approved limit for private placement of bonds, we also had available unutilized overdrafts and medium term bank loan facilities in the amount of RMB3,856.6 million. As of April 30, 2015, RMB3,949.9 million of our indebtedness was repayable within one year. As of April 30, 2015, our secured bank loans carried interest rates ranging from 5.90% to 8.64% per annum, our unsecured bank loans carried interest rate ranging from 5.62% to 7.80% per annum, and the underlying obligations of our finance lease was subject to a fixed interest rate of 6.55% per annum. The interest rates of our unsecured bank loans were lower than those of secured bank loans because (i) a majority of our unsecured bank loans are short-term bank borrowings, which typically bear a lower interest rate; and (ii) a significant portion of our unsecured bank loans were drawn down after March 2015, since when the benchmark lending rate in the PRC has been lowered.

During the Track Record Period, there has been no material default in the payment of bank borrowings or trade and non-trade payables by us or any material breaches of finance covenants. See "Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with the restrictions and covenants in our debt agreements could result in a default or cross-default, which could cause repayment of our debt to be accelerated." The Directors confirm that there are no material covenants in our interest-bearing bank and other borrowings that impose a substantial limitation on our ability to obtain further financing. See "Risk Factors — Risks Relating to Our Business and Industry — We have substantial indebtedness and may incur additional indebtedness in the future."

Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as of April 30, 2015. As of the Latest Practicable Date, we did not have any external debt financing plans. Our Directors confirm that there has been no material change in our indebtedness position since December 31, 2014 up to the date of this prospectus.

RELATED PARTY TRANSACTIONS

Transactions with Our Related Parties

The table below sets forth our transactions with related parties for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(in thousands of RMB)				
Initiation fees and annual management fees received and receivable from our related parties	28,083	48,791	38,608	7,000	7,792
Construction services provided to our related parties	—	16,000	—	—	—
Rental income from our related parties	1,017	1,090	1,039	283	302
Interest income from our related parties	475	—	—	—	—
Rental expenses paid to related parties	14,136	14,136	54,857	13,455	13,800

Our transactions with related parties mainly consist of (i) services provided to our related parties for Managed Shopping Malls owned by them, (ii) construction services provided to our related parties, (iii) lease of properties to our related parties, (iv) loans extended to our related parties, and (v) lease of properties from our related parties. For more details regarding our contract management agreements with and our lease of properties from our related parties, see "Connected Transactions."

In February 2012, we acquired 5.0% equity interest in Bengbu Expo from Mr. Che Jianxing for a consideration of RMB0.3 million. In April 2013, we disposed of a 10.0% equity interest in Cixi Xinkai Home Furnishing Plaza Company Limited to RSED for a consideration of RMB6.0 million.

Guarantees to and from Our Related Parties

The table below sets forth guarantees provided to and received from our related parties as of the dates indicated.

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Guarantees provided to related parties	398,000	338,000	258,000	180,000
Guarantees provided by related parties	2,527,645	3,488,180	3,429,487	4,156,333

Guarantees provided to related parties include guarantees we provide to our joint venture. See "— Indebtedness — Contingent Liabilities." For details of guarantees provided by related parties, see "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence."

Properties Pledged for Related Parties

We also pledge properties for our related parties. Pledges provided for related parties are related to the Transferred Shopping Malls in the form of mortgage by the relevant holding company of the property for the entire project to obtain development related bank loans. See "— Basis of Presentation — Transferred Shopping Malls" and "History and Development — Business Reorganization" and Note 50(c)(ii) of the Accountants' Report in "Appendix I — Accountants' Report" in this prospectus. For properties pledged for related parties, we have received deposits from relevant related parties based on the proportion of our interests with respect to the relevant Transferred Shopping Mall in the whole property pledged to banks. As of the Latest Practicable Date, all properties pledged for related parties had been released other than the pledge with respect to Dalian Shopping Mall. Such pledge with respect to Dalian Shopping Mall will be released upon the repayment of the underlining loan by the end of 2015. In light of the above, as the outstanding pledge concerns only the Dalian Shopping Mall for which we have received deposits from the relevant related parties in respect of our portion of the property, in the opinion of the Directors, the fair value of such pledge provided by us is not significant as the related parties are in a good financial position.

Amounts Due to and from Our Related Parties

The table below sets forth amounts due to and from our related parties as of the dates indicated.

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(in thousands of RMB)			
Trade receivables	99,239	70,546	10,445	7,012
Prepayments	12,350	—	55,150	13,139
Other receivables(1)	211,836	229,657	82,257	101,386
Other non-current assets(2)	273,928	62,561	96,752	34,012
Rental service fee received in advance	29,450	27,499	10,584	10,409
Other payables(1)	179,637	378,796	48,014	43,984
Amounts due to related parties in respect of pledges provided	871,120	644,115	650,809	419,345

(1) These amounts are unsecured, interest free and repayable on demand.

(2) The amounts are unsecured, interest free and repayable on demand after the relevant related parties become profitable. In the opinion of the Directors, the amounts shown are to be settled after twelve months from the respective dates indicated, and are therefore classified as non-current assets.

Amounts due to related parties in respect of pledges provided consist of deposits paid by our related parties to us as counter-security for pledges we provided to them relating to the Transferred Shopping Malls. Such deposits may be increased or withdrawn in accordance with the drawdown or repayment of the relevant mortgage loans. As of the Latest Practicable Date, all amounts due to related parties in respect of pledges provided had been repaid to the relevant related parties, other than the deposits with respect to Dalian Shopping Mall. Such deposits with respect to Dalian Shopping Mall will be repaid upon the completion of the transfer of Dalian Shopping Mall to us. The deposits are interest free and repayable upon the expiration of the relevant mortgage loans.

The Directors confirm that all related party transactions disclosed herein were negotiated on an arm's length basis, reflected normal commercial terms and that their terms are fair and reasonable to us, and they would not distort our results in 2012, 2013, 2014 and the three months ended March 31, 2015 or otherwise make our historical results not reflective of our future performance.

CAPITAL EXPENDITURES

Our capital expenditures, which consist of additions to investment properties and property, plant and equipment, was RMB3,494.8 million, RMB4,965.0 million, and RMB3,040.6 million in 2012, 2013 and 2014, respectively. Our principal capital expenditures relate to our purchase of investment properties and property, plant and equipment for additional shopping malls. We have historically funded our capital expenditures through internally generated cash, bank borrowings, corporate bond offerings and equity contributions.

We plan to open 25 new Portfolio Shopping Malls within three to five years. See "Business — Our Shopping Malls — Project Portfolio." We expect to incur substantial capital expenditures in aggregate amount of approximately RMB10,614.1 million in connection with these projects since December 31, 2014 based on our current estimates, out of which RMB4,014.7 million is expected to be incurred in 2015. We plan to finance such capital expenditures with cash from operations, additional bank borrowings, as well as a portion of the proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds." We may also incur capital expenditures in acquiring interests in other shopping malls or properties at prime locations in our target cities if attractive opportunities arise.

However, our current plans with respect to future capital expenditures are subject to change based upon the evolution of our business plan, including potential acquisitions, market conditions and our outlook on future business conditions. Other than as required by law and the Hong Kong Listing Rules, we do not undertake any obligation to publish updates of our capital expenditures plans. See "Forward-looking Statements."

We expect to finance our capital expenditure in 2015 and 2016 through a combination of operating cash flows, our proceeds from the Global Offering, bank loans and issuances of bonds. Cash requirements relating to our expansion plan may vary significantly based on market opportunities. Our ability to satisfy our capital expenditure requirements may be affected by our financial condition and results of operation and the liquidity of the international and domestic financial markets. We cannot assure you that we will be able to complete our expansion plan on terms acceptable to us or at all or that we will have sufficient financial resources to complete our expansions.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios as of the dates or for the periods indicated:

	Year ended/as of December 31,			Three months ended/as of March 31,	
	2012	2013	2014	2014	2015
Current ratio (times)	0.84×	0.53×	0.49×	—	0.45x
Quick ratio (times)	0.84×	0.53×	0.49×	—	0.45x
Gross gearing ratio (%)	35.3%	40.8%	40.7%	—	46.6%
Net gearing ratio (%)	23.9%	29.7%	30.9%	—	36.7%
Asset-liability ratio (%)	45.7%	48.4%	48.0%	—	50.6%
Return on equity (%)	7.1%	9.7%	10.9%	—	11.4%
Return on total assets (%)	3.4%	5.1%	5.7%	—	5.8%
Gross profit margin (%)	72.4%	71.9%	74.1%	70.0%	73.6%
Net profit margin (%)	43.0%	51.4%	49.4%	49.7%	53.9%
Core net profit margin (%)	24.7%	25.6%	27.8%	25.0%	26.3%
Interest expenses coverage ratio (times)	2.57×	3.08×	3.79×	3.18x	3.26x

Current Ratio

Current ratio is our current assets divided by our current liabilities at the end of each period. Our current ratio decreased from 0.84 as of December 31, 2012 to 0.53 as of December 31, 2013, primarily as a result of our business expansion and the corresponding increases in working capital items including trade and other payables and rental fees received in advance. Our current ratio remained stable at 0.49 as of December 31, 2014 and decreased slightly to 0.45 as of March 31, 2015, primarily.

Quick Ratio

Quick ratio is our current assets less inventories divided by current liabilities at the end of each period. Our quick ratio decreased from 0.84 as of December 31, 2012 to 0.53 as of December 31, 2013, and remained stable at 0.49 as of December 31, 2014 and 0.45 as of March 31, 2015. The trend was consistent with the changes of our current ratio as we had small inventory balances as of December 31, 2012, 2013 and 2014 and March 31, 2015.

Gross Gearing Ratio

Gross gearing ratio is our total interest-bearing bank and other borrowings, bonds and obligations under finance leases as a percentage of total equity at the end of each period. Our gross gearing ratio increased from 35.3% as of December 31, 2012 to 40.8% as of December 31, 2013 and 40.7% as of December 31, 2014 and further to 46.6% as of March 31, 2015, which was in line with our business expansion and increased funding needs that we financed with bank and other borrowings and corporate bond issuances in 2013, 2014 and the three months ended March 31, 2015.

Net Gearing Ratio

Net gearing ratio is our total interest-bearing bank and other borrowings, bonds and obligations under finance leases net of bank balances and cash as a percentage of total equity at the end of each period. Our net gearing ratio increased from 23.9% as of December 31, 2012 to 29.7% as of December 31, 2013 and 30.9% as of December 31, 2014 and further to 36.7% as of March 31, 2015, which was in line with our business expansion and increased funding needs that we financed with bank and other borrowings and corporate bond issuances in 2013, 2014 and the three months ended March 31, 2015.

Asset-Liability Ratio

Asset-liability ratio is calculated by dividing total liabilities by total assets at the end of each period. Our asset-liability ratio fluctuated slightly at 45.7%, 48.4%, 48.0% and 50.6% as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. This was mainly because we actively monitored our liabilities and maintained the level of additional debts in line with our total assets as we expanded.

Return on Equity

Return on equity is our profit and total comprehensive income as a percentage of the arithmetic mean of the total equity at the beginning and the end of each period, which is then annualized, if applicable. Our return on equity increased from 7.1% for the year ended December 31, 2012 to 9.7% for the year ended December 31, 2013 to 10.9% for the year ended December 31, 2014 and further to 11.4% for the three months ended March 31, 2015. This was primarily due to the growth of our profit and total comprehensive income over the same period.

Return on Total Assets

Return on total assets is our profit and total comprehensive income as a percentage of the arithmetic mean of the opening and closing balances of our total assets period, which is then annualized, if applicable. Our return on total assets increased from 3.4% for the year ended December 31, 2012 to 5.1% for the year ended December 31, 2013 to 5.7% for the year ended December 31, 2014 and further to 5.8% for the three months ended March 31, 2015. This was primarily due to the growth of our profit and total comprehensive income over the same period.

Gross Profit Margin

Gross profit margin is our gross profit as a percentage of our revenue for each period.

Net Profit Margin

Net profit margin is our profit and total comprehensive income as a percentage of our revenue for each period.

Core Net Profit Margin

Core net profit margin is our core net profit as a percentage of our revenue for each period.

Interest Expenses Coverage Ratio

Interest expenses coverage ratio is our adjusted EBITDA divided by our interest expenses before capitalization for each period. Our interest expenses coverage ratio increased from 2.57 in 2012 to 3.08 in 2013 to 3.79 in 2014 and from 3.18 for the three months ended March 31, 2014 to 3.26 for the three months ended March 31, 2015, primarily because we actively monitored our liabilities and financing costs and maintained the level of debts and interest expenses in line with our cash flows as we expanded.

LISTING EXPENSES

As of March 31, 2015, we had incurred approximately RMB19.9 million expenses for the Global Offering, and we expect to incur an additional RMB244.4 million prior to the completion of the Global Offering, of which approximately RMB14.1 million is expected to be charged to our consolidated income statement and approximately RMB230.3 million is expected to be capitalized as deferred expenses and charged against equity upon the Listing under the relevant accounting standards. We do not expect these expenses to have a material impact on our results of operation for 2015.

MARKET RISKS

Our activities expose us to a variety of risks, primarily including interest rate risk, credit risk and liquidity risk. Our major financial instruments include available-for-sale investments, trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings, bonds and obligations under finance leases. Our management continuously manages and monitors our exposures to risks associated with these financial instruments, and our overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on our financial performance.

Interest Rate Risk

We are exposed to the risk of changes in market interest rates relating to our financial assets and liabilities. We currently do not use derivative financial instruments to hedge our interest rate risk.

Our exposure to cash flow interest rate risk is due to the fluctuation of the prevailing market interest rates on our bank balances, restricted bank deposits and bank and other borrowings which carry at prevailing deposit interest rates or variable interest rates based on the interest rates quoted by the People's Bank of China. For the years ended December 31, 2012, 2013 and 2014, if the interest rate on our then outstanding bank balances and restricted bank deposits had been increased/decreased by 25 basis points, with all other variables held constant, our post-tax profit for the respective years would have increased/decreased by RMB9.6 million, RMB9.7 million and RMB9.3 million, respectively. We are also exposed to fair value interest rate risk relating to our fixed rate bank and other borrowings.

We are also exposed to interest rates on financial liabilities, including trade and other payables, borrowings and financial guarantees with a floating interest rate. For the years ended December 31, 2012, 2013 and 2014, if the interest rate on our then outstanding bank and other borrowings had been increased/decreased by 50 basis points, with all other variables held constant, our post-tax profit for the respective years would have decreased/increased by RMB22.9 million, RMB22.5 million and RMB25.2 million, respectively.

Credit Risk

We face credit risk due to the potential failure to discharge an obligation by the counterparties with respect to our financial assets, including trade and other receivables, and the amounts of contingent liabilities in relation to financial guarantees issued by us to third parties.

In order to minimize the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt and debt investment at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

We do not have a significant concentration of credit risk on trade receivables as counterparties of our trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. We have concentration of credit risk on amounts due from our related parties. However, we believe that such risk is limited as the related parties currently have a good financial position and the balances of amounts due from related parties were low. We have concentration of credit risk on liquid funds deposited with several banks. However, we believe that such risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

We have established a liquidity risk management framework to meet our short-, medium- and long-term funding and liquidity requirements. We manage our liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. As of December 31, 2012, 2013 and 2014 and March 31, 2015, we had available unutilized overdrafts and medium term bank loan facilities in the amount of RMB4,076.3 million, RMB4,301.3 million, RMB4,620.0 million and RMB3,876.9 million, respectively, and available limits under our approved limit for private placement of bonds of approximately nil, RMB4,000.0 million, RMB3,000.0 million and RMB3,000.0 million, respectively.

The following table sets forth the maturity profile of our non-derivative financial liabilities. The remaining contractual maturity is based on the agreed repayment terms. The amounts are undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay, and include both interest and principal cash flows. For variable interest rate instruments for non-derivative financial liabilities, the amounts are subject to change if changes in variable interest rates differ from those estimates of interest rates determined as of December 31, 2014. The amounts of financial guarantee contracts are the maximum amounts we could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee.

	Weighted Effective Average Interest Rate	On Demand or Less than 1 Year	1 Year to 2 Years	2 Years to 5 Years	Over 5 Years	Total Undiscounted Cash Flows	Carrying Amount
	%	(in thousands of RMB)					
At December 31, 2012							
Trade and other payables		3,421,730	—	—	—	3,421,730	3,421,730
Other non-current liabilities		—	1,487,115	—	—	1,487,115	1,487,115
Bank and other borrowings — fixed rate	7.65	91,122	273,382	—	—	364,504	330,600
Bank and other borrowings — variable rate	7.31	1,828,909	1,140,703	3,678,707	6,025,106	12,673,425	9,561,507
Bonds	6.34	87,630	87,630	1,697,610	—	1,872,870	1,467,172
Obligation under financial leases	6.55	26,315	26,315	78,944	809,180	940,754	360,244
Financial guarantee contracts		398,000	—	—	—	398,000	—
		5,853,706	3,015,145	5,455,261	6,834,286	21,158,398	16,628,368
At December 31, 2013							
Trade and other payables		4,561,007	—	—	—	4,561,007	4,561,007
Other non-current liabilities		—	1,201,896	—	—	1,201,896	1,201,896
Bank and other borrowings — fixed rate	6.87	408,899	349,026	542,405	1,526,684	2,827,014	2,100,000
Bank and other borrowings — variable rate	7.27	1,867,204	1,191,493	4,857,886	3,667,201	11,583,784	9,138,313
Bonds	7.01	162,630	762,630	2,234,980	—	3,160,240	2,459,627
Provisions		7,128	—	—	—	7,128	7,128
Obligation under financial leases	6.55	26,315	26,315	78,944	780,082	911,656	354,659
Financial guarantee contracts		338,000	—	—	—	338,000	—
		7,371,183	3,531,360	7,714,215	5,973,967	24,590,725	19,822,630
At December 31, 2014							
Trade and other payables		4,868,418	—	—	—	4,868,418	4,868,418
Other non-current liabilities		—	833,492	—	—	833,492	833,492
Bank and other borrowings — fixed rate	6.98	536,357	267,881	1,090,804	1,227,691	3,122,733	2,537,898
Bank and other borrowings — variable rate	7.27	1,808,882	1,675,734	4,052,085	3,519,755	11,056,456	8,871,101
Bonds	7.43	842,630	709,990	2,684,990	—	4,237,610	3,458,998
Obligation under financial leases	6.55	26,315	26,315	78,944	753,857	885,431	351,758
Financial guarantee contracts		258,000	—	—	—	258,000	—
		8,340,602	3,513,412	7,906,823	5,501,304	25,262,141	20,921,665

SENSITIVITY ANALYSIS

Sensitivity Analysis on Fair Value Change of Investment Properties

For the year ended December 31, 2014 and the three months ended March 31, 2015, we had gains from changes in the fair value of investment properties of RMB2,415.3 million and RMB731.5 million, respectively. The following table illustrates the sensitivity of the profit and total comprehensive income for the year attributable to owners of the Company to fair value change of investment properties for the year ended December 31, 2014 and the three months ended March 31, 2015:

	Year ended December 31, 2014					
Changes in percentage on gains from the changes in fair value of investment properties compared to our actual gains from changes in fair value of investment properties	-20%	-10%	-5%	5%	10%	20%
Impact on the profit and total comprehensive income for the year attributable to owners of the Company (RMB in millions)	(314.97)	(157.49)	(78.74)	78.74	157.49	314.97

	Three months ended March 31, 2015					
Changes in percentage on gains from the changes in fair value of investment properties compared to our actual gains from changes in fair value of investment properties	-20%	-10%	-5%	5%	10%	20%
Impact on the profit and total comprehensive income for the year attributable to owners of the Company (RMB in millions)	(100.16)	(50.08)	(25.04)	25.04	50.08	100.16

If the gains from changes in fair value of investment properties rises or declines by 5%, the consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014 will be not less than RMB3,711.7 million or RMB3,554.2 million, respectively, or 2.2% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014. If the gains from changes in fair value of investment properties rises or declines by 5%, the consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015 will be not less than RMB1,004.5 million or RMB954.4 million, respectively, or 2.6% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015.

If the gains from changes in fair value of investment properties rises or declines by 10%, the consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014 will be not less than RMB3,790.4 million or RMB3,475.4 million, respectively, or 4.3% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014. If the gains from changes in fair value of investment properties rises or declines by 10%, the consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015 will be not less than RMB1,029.5 million or RMB929.4 million, respectively, or 5.1% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015.

If the gains from changes in fair value of investment properties rises or declines by 20%, the consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014 will be not less than RMB3,947.9 million or RMB3,318.0 million, respectively, or 8.7% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014. If the gains from changes in fair value of investment properties rises or declines by 20%, the consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015 will be not less than RMB1,079.6 million or RMB879.3 million, respectively, or 10.2% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015.

Sensitivity Analysis on Average Effective Unit Income from Operations and Occupancy Rates

The following table illustrates the sensitivity of the profit and total comprehensive income for the period attributable to owners of the Company to (i) our average effective unit income from operations for the year ended December 31, 2014 and the three months ended March 31, 2015 and (ii) our occupancy rates as of December 31, 2014 and March 31, 2015.

	Year ended December 31, 2014			
Changes in percentage on our average effective unit income from operations	-10%	-5%	5%	10%
Impact on the profit and total comprehensive income for the year attributable to owners of the Company (RMB in millions)	(318.07)	(159.04)	159.04	318.07
Changes in percentage on our occupancy rates	-10%	-5%	5%	10%
Impact on the profit and total comprehensive income for the year attributable to owners of the Company (RMB in millions)	(318.07)	(159.04)	159.04	318.07

	Three months ended March 31, 2015			
Changes in percentage on our average effective unit income from operations	-10%	-5%	5%	10%
Impact on the profit and total comprehensive income for the year attributable to owners of the Company (RMB in millions)	(82.82)	(41.41)	41.41	82.82
Changes in percentage on our occupancy rates	-10%	-5%	5%	10%
Impact on the profit and total comprehensive income for the year attributable to owners of the Company (RMB in millions)	(82.82)	(41.41)	41.41	82.82

If our average effective unit income from operations rises or declines by 5%, the consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014 will be not less than RMB3,792.0 million or RMB3,473.9 million, respectively, or 4.4% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014. If our average effective unit income from operations rises or declines by 5%, the consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015 will be not less than RMB1,004.5 million or RMB954.4 million, respectively, or 4.2% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015.

If our average effective unit income from operations rises or declines by 10%, the consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014 will be not less than RMB3,951.0 million or

RMB3,314.9 million, respectively, or 8.9% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014. If our average effective unit income from operations rises or declines by 10%, the consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015 will be not less than RMB1,062.3 million or RMB896.6 million, respectively, or 8.5% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015.

If our occupancy rate rises or declines by 5%, the consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014 will be not less than RMB3,792.0 million or RMB3,473.9 million, respectively, or 4.4% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014. If our occupancy rates rises or declines by 5%, the consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015 will be not less than RMB1,004.5 million or RMB954.4 million, respectively, or 4.2% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015.

If our occupancy rate rises or declines by 10%, the consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014 will be not less than RMB3,951.0 million or RMB3,314.9 million, respectively, or 8.9% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the year attributable to owners of the Company for the year ended December 31, 2014. If our occupancy rates rises or declines by 10%, the consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015 will be not less than RMB1,062.3 million or RMB896.6 million, respectively, or 8.5% higher or lower, respectively, than the actual consolidated profit and total comprehensive income for the period attributable to owners of the Company for the three months ended March 31, 2015.

The above sensitivity analysis is intended for reference only and does not necessarily reflect the increase or decrease of the relevant items, and any variation could exceed the ranges given. The above sensitivity analysis is based on the assumptions that (i) all items other than the gains from changes in the fair value of investment properties, the related deferred tax or our revenues from Owned/Leased Portfolio Shopping Malls, as applicable, remain constant, (ii) the changes at the end of the relevant period have a uniform impact on our performance during the entire period, (iii) charges in our average effective unit income from operations or our occupancy rates have a uniform impact on our revenues from Owned/Leased Portfolio Shopping Malls, and (iv) all other variables, if any, remain constant.

DIVIDEND AND DIVIDEND POLICY

We declared dividends of RMB1,020.0 million, RMB720.0 million and RMB2,490.0 million for the years ended December 31, 2012, 2013 and 2014, respectively, and paid dividends of RMB1,020.0 million and RMB720.0 million in 2013 and 2014, respectively. As of the date of this prospectus, we had paid dividends for the year ended December 31, 2014 in full. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

After completion of the Global Offering, our shareholders will be entitled to receive dividends we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of shareholders. In addition, our Controlling Shareholders will be able to influence the approval by our shareholders in a general meeting of any payment of dividends.

PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits as calculated according to PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if our financial statements may indicate that we are profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Moreover, future dividend payments will also depend upon the availability of dividends received from our subsidiaries, joint ventures and associates. Our subsidiaries and joint ventures in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries and joint ventures for us to pay dividends. Failure by our subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including in periods in which we are profitable. Distributions from our subsidiaries and joint ventures may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries or joint ventures may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2014, we had reserves available for distribution to our shareholders in the amount of RMB3,682.8 million.

PROPERTY VALUATION

Jones Lang LaSalle, an independent property valuer, has valued our investment properties, including properties with respect to the Transferred Shopping Malls, at RMB64,277.0 million as of March 31, 2015. The texts of its letter, summary of valuation and the valuation certificates are set forth in Appendix IV to this prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in our audited consolidated financial statements as of December 31, 2014 as set forth in “Appendix I — Accountants’ Report” to this prospectus with the valuation of these properties as of March 31, 2015 as set forth in “Appendix IV — Property Valuation Report” to this prospectus.

	(thousands of RMB)
Fair Value as of January 1, 2015 (Audited)	62,966,000
Additions	579,506
Change in fair value recognized in profit or loss	731,494
Fair Value as of March 31, 2015 (Unaudited)	**64,277,000**
Impact of 22% interest owned by a third party in Jinan Tianqiao Mall(1)	419,000
Impact of reference value of Hangzhou Gudun Mall	(219,000)
Impact of reference value of Beijing North Fourth-Ring Mall	(1,682,000)
Valuation of properties owned by our group as of March 31, 2015 as set out in Appendix IV to this prospectus	**62,795,000**

Note:

(1) According to an agreement between us and a non-controlling shareholder of one of our subsidiaries which holds Jinan Tianqiao Mall, Jinan Red Star Macalline Shibo Home Living Plaza Company Limited, the non-controlling shareholder is entitled to 22% interest of such shopping mall. Due to the difference between accounting treatment and property valuation basis, such 22% interest in Jinan Tianqiao Mall is not taken into account when calculating our fair value of investment properties in our financial statements, as opposed to being taken into account when preparing the property valuation report.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of our adjusted net tangible assets prepared on the basis of the notes set forth below for the purpose of illustrating the effect of the Global Offering on our net tangible assets attributable to equity holders of the Company as of December 31, 2014 as if the Global Offering had taken place on December 31, 2014, assuming the Over-allotment option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of December 31, 2014 or any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2014(1)	Estimated net proceeds of the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share(4)	
	RMB'000	RMB'000	RMB'000	RMB(3)	HK$(3)
Based on an Offer Price of HK$11.18 per Offer Share	32,896,081	4,637,454	37,533,535	10.59	13.24
Based on an Offer Price of HK$13.28 per Offer Share	32,896,081	5,518,648	38,414,729	10.84	13.55

Notes:

(1) The consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2014 have been calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB 33,444,992,000 as of December 31, 2014 as set out in the Accountants' Report set forth in Appendix I to this prospectus with an adjustment for intangible assets attributable to owners of the Company as of December 31, 2014.

(2) The estimated net proceeds from the Global Offering are based on 543,588,000 H Shares and the indicative Offer Prices of HK$11.18 or HK$13.28 per Offer Share, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of underwriting fees and commissions and other listing related expenses (excluding approximately RMB9,502,000 in listing expenses which has been charged to profit or loss in 2014) paid or payable by the Company, and without taking into account (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood and Springwood in February 2015, respectively, (ii) any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or (iii) any H Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of H Shares granted to the Board. The estimated net proceeds from Global Offering is converted from Hong Kong dollars into RMB at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Federal Reserve Board. No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 3,543,588,000 Shares were in issue assuming that the Global Offering had been completed on December 31, 2014 and without taking into account (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood and Springwood in February 2015, (ii) any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option, (iii) any H Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of H Shares granted to the Board, (iv) dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015, or (v) any trading results on other transactions of the Group that were entered into subsequent to December 31, 2014. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share are converted from RMB into Hong Kong dollars at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Federal Reserve Board. No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(4) As aforementioned, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share does not take into account (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood and Springwood in February 2015, respectively. or (ii) dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015. Had the net proceeds received by the Company of RMB432,974,000 and the increase of share capital of RMB80,329,038 arising from the issuance of shares in February 2015 and dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015 been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share would be further adjusted to RMB9.79 (equivalent to HK$12.24, based on the indicative Offer Prices of HK$11.18), or RMB10.03 (equivalent to HK$12.54, based on the indicative Offer Prices of HK$13.28). The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share are converted from RMB into Hong Kong dollars at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Federal Reserve Board. No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

RECENT DEVELOPMENTS

In January 2015, Candlewood and Springwood subscribed for 60,917,952 Shares and 19,411,086 Shares for an aggregate consideration of approximately RMB433.0 million. The transaction was completed in February 2015. See "History and Development — Major Changes in Our Shareholding Structure — Further Investment by Candlewood and Springwood." In February 2015, Lianyungang Fairbay and the Minority Shareholders (excluding Ping'an Pharmacy), transferred all their equity interests in our Company to RSI for a total consideration of approximately RMB2,019.5 million. The transaction was completed in February 2015. See "History and Development — Major Changes in Our Shareholding Structure — Acquisition of the Minority Interests."

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since December 31, 2014 and up to the date of this prospectus, there has been no material adverse change in our financial position or prospects, revenue or gross profit margin, and no event has occurred that would materially affect the information shown in the Accountant's Report set forth in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Hong Kong Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

In the event that the Over-allotment Option is not exercised, we estimate the net proceeds of the Global Offering which we will receive, assuming an offering price of HK$12.23 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$6,335.7 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering for the following purpose, subject to changes in light of our evolving business needs and changing market conditions:

- approximately HK$2,534.3 million (representing approximately 40% of our total estimated net proceeds) will be used to finance the development of nine of our new Portfolio Shopping Malls, namely Wuhan Etouwan Mall, Tianjin Tanggu Mall, Shenyang Yuhong Mall, Hefei Silihe Mall, Zhongshan Gangkou Mall, Wuhan Hanyang Mall, Nanjing Pukou Mall, Harbin Xikezhan Mall and Wuxi Taihu Mall. The total costs paid and to be paid for these nine shopping malls as of March 31, 2015 are RMB4,288.7 million and RMB3,100.7 million, respectively. The net proceeds allocated to the nine projects will be used for funding of the construction costs to be incurred for these shopping malls. The planned distribution of this portion of the net proceeds among the nine projects is set out below. For details on these projects, see "Business — Our Shopping Malls — Project Portfolio — Our Portfolio Shopping Malls";

Projects	Percentages of Proceeds
Wuhan Etouwan Mall	4.0%
Tianjin Tanggu Mall	4.0%
Shenyang Yuhong Mall	2.0%
Hefei Silihe Mall	5.0%
Zhongshan Gangkou Mall	2.0%
Wuhan Hanyang Mall	2.0%
Nanjing Pukou Mall	9.0%
Harbin Xikezhan Mall	6.0%
Wuxi Taihu Mall	6.0%
Total	**40.0%**

- approximately HK$1,647.3 million (representing approximately 26% of our total estimated net proceeds) will be used to invest in or acquire other home improvement and furnishings retailers and other market participants in the new sectors we are expanding into along the home improvement and furnishings value chain in China. As of the Latest Practicable Date, we had no finalized or definitive understandings, commitments or agreements and had not been in any related negotiations with respect to any such investments or acquisitions;

- approximately HK$887.0 million (representing approximately 14% of our total estimated net proceeds) will be used to refinance our existing indebtedness, including our five loan facilities with outstanding principal amounts of RMB678.4 million at Industrial and Commercial Bank of China, RMB175.0 million at Bank of China, RMB105.0 million at Bank of China, RMB30.0 million at Bank of China and RMB20.0 million at Bank of China as of the Latest Practicable Date, with maturities of December 2018, December 2019, December 2017, June 2018 and October 2018, respectively, and the effective interest rate of 7.4630%, 6.5500%, 5.8425%, 6.2225% and 5.8425%, respectively, as of the Latest Practicable Date. See "Financial Information — Indebtedness;"
- approximately HK$633.6 million (representing approximately 10% of our total estimated net proceeds) will be used to finance the development of our O2O business and information technology systems; and
- approximately HK$633.6 million (representing approximately 10% of our total estimated net proceeds) will be used for working capital and other general corporate purposes.

Assuming the Over-allotment Option is not exercised, (i) our net proceeds will be increased to approximately HK$6,886.4 million in the event that the Offer Price is fixed at HK$13.28 per Offer Share (being the high end of the Offer Price range stated in this prospectus); and (ii) our net proceeds will be decreased to approximately HK$5,784.9 million in the event that the Offer Price is fixed at HK$11.18 per Offer Share (being the low end of the Offer Price range stated in this prospectus).

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$12.23 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$962.2 million. Assuming the Over-allotment Option is exercised in full, (i) our net proceeds will be increased to approximately HK$7,931.3 million in the event that the Offer Price is fixed at HK$13.28 per Offer Share (being the high end of the Offer Price range stated in this prospectus); and (ii) our net proceeds will be decreased to approximately HK$6,664.5 million in the event that the Offer Price is fixed at HK$11.18 per Offer Share (being the low end of the Offer Price range stated in this prospectus), where we intend to reduce the amount of the net proceeds to be used for working capital and other general corporate purposes proportionately.

In the event that we receive additional net proceeds if the Over-allotment Option is exercised or the Offer Price is fixed higher than the mid-point of the Offer Price range, we intend to use the additional net proceeds to refinance in all or in part additional indebtedness, including our four loan facilities with outstanding principal amounts of RMB492.1 million at Bank of Communications, RMB380.0 million at Huaxia Bank, RMB170.0 million at Industrial and Commercial Bank of China and RMB380.0 million at Bohai Bank as of the Latest Practicable Date, with maturities of June 2020, December 2022, June 2021 and December 2023, respectively, and the effective interest rates of 6.8775%, 6.9662%, 7.08% and 7.4835%, respectively.

Rationale for Use of Proceeds for Future Acquisitions

We believe our intended use of proceeds for future acquisitions is appropriate for our business and will maximize our growth opportunities.

In order to capitalize on any future acquisition opportunities, we intend to allocate approximately 26.0% of our total estimated net proceeds for investment in or acquisition of other home improvement and furnishings retailers and other market participants in the new sectors we are expanding into along the home improvement and furnishings value chain in

China. We do not have any definite acquisition plan at present, but we will evaluate potential acquisition targets in the ordinary course of our business. We currently contemplate that any future acquisitions would be pursued as follows:

- we may invest in or acquire other home improvement and furnishings retailers in China in order to further expand our market share in the home improvement and furnishings retail industry. We may, in particular, pursue such an acquisition where such home improvement and furnishings retailer complements our brand, tenant portfolio and geographic footprint.

- we may invest in or acquire other market participants in the new sectors we are expanding into along the home improvement and furnishings value chain in China in order to establish our presence in such new sectors and further enhance our leading position in the home improvement and furnishings industry. We may, in particular, pursue such an acquisition where the target has a successful track record in the relevant new sectors.

In connection with any acquisition, we would, among other things:

- assess the investment returns and other benefits that we expect will result from the acquisition;

- consider appropriate valuation methodologies while negotiating the amount and form of acquisition consideration, as well as the accounting impact of the acquisition;

- conduct due diligence and, if we deem appropriate, engage professional parties to assist with due diligence;

- if we deem appropriate, engage a financial advisor and obtain an independent valuation and/or fairness opinion; and

- evaluate the challenges and expenses that could arise during integration of the acquired business and development of an integration plan.

Any future acquisition will be discussed and reviewed by the Board of Directors and will be subject to the final approval of the Board of Directors in accordance with our Articles of Association. We will also comply with any shareholder approval requirements that may arise under our Articles of Association, the Listing Rules or the applicable laws, regulations and rules. Please refer to Appendix VII to this prospectus for a discussion of our Articles of Association. As of the date of this prospectus, we have not identified any acquisition targets.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

HONG KONG UNDERWRITERS

Hong Kong Underwriters

China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited
Citigroup Global Markets Asia Limited
China Merchants Securities (HK) Co., Limited
ICBC International Securities Limited
CMB International Capital Limited
Quam Securities Company Limited
Cinda International Securities Limited
CIMB Securities Limited
BNP Paribas Securities (Asia) Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Shenwan Hongyuan Capital (H.K.) Limited
DBS Asia Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are initially offering 54,358,800 H Shares (subject to reallocation) for subscription by the public in Hong Kong on, and subject to the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

- certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Underwriters' Representatives (for themselves and on behalf of the Underwriters),

the Hong Kong Underwriters have agreed severally but not jointly to subscribe or procure subscribers to subscribe for, or failing which to subscribe for themselves, the Hong Kong Offer Shares which are being offered but not taken up under the Hong Kong Public Offering on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Underwriters' Representatives (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

(1) there develops, occurs, exists or comes into effect:

(a) any new law or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent governmental authority in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to any member of the Group or the Global Offering (each a "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change, or any event or series of events likely to result in or representing a change or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory, or market conditions or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets and interbank markets and credit markets, a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any of the Relevant Jurisdictions; or

(c) any event or series of events or circumstance, in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, earthquake volcanic explosion, riot, public disorder, civil commotion, declaration or acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, MERS and such related/mutated forms, economic sanction, in whatever form) in or affecting any Relevant Jurisdiction; or

(d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(e) (A) any moratorium, suspension or limitation on trading in Shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or Singapore Stock Exchange or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services or procedures in or affecting any Relevant Jurisdiction; or

(f) (A) any change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(g) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC in circumstances where the matter to be disclosed would, in the opinion of the Underwriters' Representatives, adversely affect the marketing for or implementation of the Global Offering; or

(h) materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(i) any litigation or claim being threatened or instigated against, or any contravention of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the SFO or any of the Listing Rules by, any member of the Group; or

(j) any of the chairman or chief executive officer vacating his office, any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental authority that it intends to take any such action; or

(k) any demand by creditors for repayment of indebtedness or a petition or an order is made for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(l) a prohibition on the Company for whatever reason from allotting or selling the H Shares (including the Over-allotment Option shares) pursuant to the terms of the Global Offering,

which, in the sole and absolute opinion of the Underwriters' Representatives (for themselves and on behalf of the other Hong Kong Underwriters): (A) is or is likely to be or will be materially adverse to the assets, liabilities, business, management, shareholder's equity, profit, losses, results of operations, financial or trading position, or prospects of the Group as a whole; or (B) has or is likely to have or will have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for under Hong Kong Public Offering or the level of interest under the International Offering; or (C) makes or is likely to make or will make it inexpedient or impracticable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or (D) would have the effect of making any part of the Hong Kong Underwriting Agreement (including but not limited to underwriting) inexpedient or impracticable or incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Underwriters' Representatives:

(a) that any statement contained in this prospectus, the Application Forms, formal notice, the application proof and post hearing information packs and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material respect or misleading in any respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, formal notice, the application proof and post hearing information packs are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(b) any contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law or any of the Listing Rules or any other applicable Laws; or

(c) non-compliance of the this prospectus, the Application Forms, formal notice, the preliminary offering circular, and the offering circular or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(d) any matter has arisen or has been discovered which would, had it arisen or discovered immediately before the date of this prospectus result in a material misstatement in or, not having been disclosed in this prospectus, constitute a material omission therefrom; or

(e) either (i) there has been a breach of any of the representations, warranties, undertakings given by any of the Company or any of the Controlling Shareholders under the Hong Kong Underwriting Agreement or (ii) any of the representations, warranties and undertakings given by the Company or any of the Controlling Shareholders in the Hong Kong Underwriting Agreement is untrue, incorrect or misleading; or

(f) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the withdrawal of consent by any Underwriters' Representative without a reason) prior to the issue of this prospectus; or

(g) any event, act or omission which gives or is likely to give rise to any liability of the Company or a Controlling Shareholder pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement and the International Underwriting Agreement; or

(h) the grant or agreement to grant by the Listing Committee of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(i) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(j) any breach of any of the obligations of any Controlling Shareholder or the Company under the Hong Kong Underwriting Agreement; or

(k) any material adverse change or prospective adverse change or development in the assets, business, management, shareholder's equity, profits, losses, properties, results of operations, financial or trading position or prospects of the Group,

the Underwriters' Representatives may (for themselves and on behalf of the other Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such issue within six months from the date on which our securities first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering (including the Over-allotment Option), it/he/she will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Hong Kong Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its/his/her shareholdings in our Company is made in the Hong Kong Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of our Company in respect of which it/he/she is shown in this prospectus to be the beneficial owners (the "**Relevant Securities**"); and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would then cease to be a controlling shareholder of our Company.

In addition, in accordance to Note 3 to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and us that, at any time during the period commencing on the date by reference to which disclosure of its/his/her shareholdings is made in this prospectus and ending on the date which is 12 months after the Listing Date, it/he/she will, when it/he/she pledges or charges any Relevant Securities beneficially owned by it/him/her in favor of any authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Relevant Securities so pledged or charged, and when it/he/she receives any indication, either verbal or written, from any such pledgee or chargee of the Relevant Securities that any of the pledged or charged Relevant Securities will be disposed of, immediately inform our Company of any indication.

We will also, as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders, inform the Hong Kong Stock Exchange and disclose such matters as soon as possible by way of an announcement as required under the Listing Rules.

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, We have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the "First Six-Month Period"), we will not without the prior written consent of the Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(i) offer, accept subscription for, pledge, mortgage, charge, lend, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any H Shares of the Company or any interest therein (including, without limitation, to any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase any H Shares) (the "Held Interests"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction described in paragraphs (i), (ii) or (iii) above,

whether any of the foregoing transactions is to be settled by delivery of the Shares, in cash or otherwise (whether or not the issue of the H Shares will be completed within the First Six-Month Period). In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "Second Six-Month Period"), Our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect such transaction it shall take all reasonable steps to ensure that it will not create a disorderly or false market in the H Shares. Each of the Controlling Shareholders hereby undertakes to each of the Joint Sponsors, the Joint Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings in this paragraph.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has jointly and severally agreed undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Underwriters' Representatives (for themselves or on behalf of Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(i) at any time during the First Six-Month Period, it/he will not:

(A) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, charge or pledge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) not involving a change of legal ownership of such Shares other than on enforcement for a bona fide commercial loan in compliance with the Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any H Shares), or deposit any H Shares with a depositary in connection with the issue of depositary receipts; or

(B) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the H Shares or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares); or

(C) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i)(A) or (i)(B) above; or

(D) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i)(A), (i)(B) or (i)(C) above,

in each case, whether any of the transactions specified in paragraphs (i)(A), (i)(B) or (i)(C) above is to be settled by delivery of the H Shares or the shares of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of the H Shares will be completed within the First Six-Month Period); and

(ii) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (i)(A), (i)(B) or (i)(C) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company; and

(iii) until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in paragraphs (i)(A), (i)(B) or (i)(C) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Indemnity

We have agreed to indemnify, among others, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement as the case may be.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). The Company may also in its sole discretion pay the Hong Kong Underwriters an additional incentive fee of up to 1.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$12.23 per Offer Share (being the mid-point of the indicative Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) are expected to be approximately HK$267.6 million. Such commissions and fees are payable by our Company.

Assuming an Offer Price of HK$12.23 per Offer Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees (assuming the full payment discretionary incentive fee and the exercise of the Over-allotment Option in full), together with Hong Kong Stock Exchange listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$363.7 million in total. Such commissions, fees and expenses are payable by our Company.

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Hong Kong Underwriters' Interest in our Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters on or about the Price Determination Date, shortly after the determination of the Offer Price. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to procure subscribers to subscribe for, or failing which to subscribe for themselves, their respective applicable proportions of the International Offer Shares being offered pursuant to the International Offering which are not taken up under the International Offering.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Share, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Share), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Share at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to reallocation and the Over-allotment Option):

(i) the Hong Kong Public Offering of 54,358,800 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the section entitled "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 489,229,200 Offer Shares (subject to reallocation as mentioned below and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A pursuant to an exemption from the registration requirements of the Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

Our Company has obtained the requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering.

The Offer Shares will represent 15% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph entitled "Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section entitled "The Hong Kong Public Offering — Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 54,358,800 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent 1.50% of the Company's enlarged share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section entitled "Conditions of the Hong Kong Public Offering" below.

Allocation

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 27,179,400 Offer Shares for pool A and 27,179,400 Offer Shares for pool B.

The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less.

The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. In addition, multiple or suspected multiple applications and any application for more than 27,179,400 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares under the Hong Kong Public Offering to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules, so as to enable the Company to offer under the Hong Kong Public Offering, initially, approximately 10% of the total number of H Shares being offered in the Global Offering, subject to reallocation between the Hong Kong Public Offering and the International Offering as follows:

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 10 times or more but less than 20 times of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 81,538,400 H Shares, representing approximately 15% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 20 times or more but less than 40 times of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 108,717,600 H Shares, representing 20% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 40 times or more number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 190,256,000 H Shares, representing approximately 35% of the H Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Underwriters' Representatives deem appropriate. In addition, the Underwriters' Representatives may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Underwriters' Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Underwriters' Representatives deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$13.28 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing of the Global Offering", is less than the maximum price of HK$13.28 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above and the Over-allotment Option, the International Offering will consist of an aggregate of 489,229,200 Offer Shares to be offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing of the Global Offering" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Underwriters' Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Underwriters' Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Underwriters' Representatives (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Underwriters' Representatives have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 81,538,200 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the

International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 16.87% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, June 19, 2015, and in any event on or before Thursday, June 25, 2015, by agreement between the Underwriters' Representatives (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$13.28 per H Share and is expected to be not less than HK$11.18 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Underwriters' Representatives (for themselves and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issue of a notice in the reduction of the Offer Price, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Underwriters' Representatives (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. **Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with our Company and the Underwriters' Representatives will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Underwriters' Representatives may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Underwriters' Representatives.

The Offer Price for H Shares under the Global Offering is expected to be announced on Thursday, June 25, 2015.

The final offer price, the indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, June 25, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaredstar.com.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for or purchase securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements of the relevant jurisdictions. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any persons acting for it (for itself and on behalf of the Underwriters) may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of our Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering and conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any persons acting for it, and may be discontinued at any time. The number of Shares that may be over-allocated will not be greater than the number of Shares that may be sold upon exercise of the Over-allotment Option, being an aggregate of 81,538,200 additional Shares, which is 15% of the Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of our Company's enlarged issued share capital on completion of the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or agreeing to purchase our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling or agreeing to sell our Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares.

- there is no certainty as to the extent to which, and the time or period for which, the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation and selling of any such long position in the open market by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our Shares;

- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date and is expected to expire on Sunday, July 19, 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, June 26, 2015, it is expected that dealings in the Offer

Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, June 26, 2015. Our H Shares will be traded in board lots of 200 H Shares each.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among others:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Underwriters' Representatives (for themselves and on behalf of the Underwriters by Thursday, June 25, 2015), the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Underwriters' Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company, the Joint Sponsors and the Underwriters' Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;

- a connected person or a core connected person of the Company or will become a connected person or a core connected person of the Company immediately upon completion of the Global Offering;
- an associate or a close associate of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 16, 2015 till 12:00 noon on Friday, June 19, 2015 from:

(i) any of the following offices of the Underwriters' Representatives:

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Center
1 Harbour View Street
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

(ii) any of the following branches of the receiving banks:

Industrial and Commercial Bank of China (Asia) Limited

District	Branch name	Address
Hong Kong Island	Central Branch	1/F, 9 Queen's Road Central
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317–319 Des Voeux Road Central, Sheung Wan
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road
Kowloon	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon
	Yaumatei Branch	542 Nathan Road, Yaumatei
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423–427 Castle Peak Road Tsuen Wan
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34–38 Tai Wing Lane, Tai Po

Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Aberdeen Sub-Branch	Shop 3, G/F, 2/4 & 14/16 Nam Ning Street, Aberdeen Centre (Site 4), Aberdeen
Kowloon	Hunghom Sub-Branch	Flat/Rm A6, G/F., Wing Kwai Building, 1–3 Tak Man Street, Whampoa Estate
New Territories	Tiu Keng Leng Sub-Branch	Unit L2-064 & 065, Metro Town Shopping Mall, 8 King Ling Road, Tiu Keng Leng
	Fanling Sub-Branch	Shop No. 84A–84B, G/F., Flora Plaza, Fanling

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 16, 2015 till 12:00 noon on Friday, June 19, 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker 's cashier order attached and marked payable to "ICBC (ASIA) NOMINEE LIMITED — RED STAR MACALLINE PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, June 16, 2015 — 9:00 a.m. to 5:00 p.m.
- Wednesday, June 17, 2015 — 9:00 a.m. to 5:00 p.m.
- Thursday, June 18, 2015 — 9:00 a.m. to 5:00 p.m.
- Friday, June 19, 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, June 19, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Underwriters' Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first — named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company, the Joint Sponsors and the Underwriters' Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk.**

Detailed instructions for application through the **White Form eIPO** service are on the designated website at **www.eipo.com.hk.** If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at **www.eipo.com.hk,** you authorize the **White Form eIPO** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 am on Tuesday, June 16, 2015 until 11:30 a.m. on Friday, June 19, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, June 19, 2015 or such later time under the "10. Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Red Star Macalline Group Corporation Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Underwriters' Representatives and our H Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Joint Sponsors and the Underwriters' Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

- agree with the Company, for itself and for the benefit of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

(a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each Shareholder of the Bank) that H Shares in the Company are freely transferable by their holders; and
- authorise the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of

200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, June 16, 2015 — 9:00 a.m. to 8:30 p.m.(1)
- Wednesday, June 17, 2015 — 8:00 a.m. to 8:30 p.m.(1)
- Thursday, June 18, 2015 — 8:00 a.m. to 8:30 p.m.(1)
- Friday, June 19, 2015 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., Tuesday, June 16, 2015 until 12:00 noon, Friday, June 19, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon, Friday, June 19, 2015, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic **application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, Friday, June 19, 2015 or such later time under the "10. Effect of Bad Weather on the Opening of the Applications Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 19, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, June 19, 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, June 25, 2015 in South China

Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.chinaredstar.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.chinaredstar.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than Thursday, June 25, 2015;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, June 25, 2015 to 12:00 midnight, Wednesday, July 1, 2015;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, June 25, 2015 to Sunday, June 28, 2015;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, June 25, 2015 to Saturday, June 27, 2015 at all the designated receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, see "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions)

Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Underwriters' Representatives, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Underwriters' Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$13.28 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, June 25, 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, June 25, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., Friday, June 26, 2015 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, June 25, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, June 25, 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, June 25, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, June 25, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in

"Publication of Results". You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m., Thursday, June 25, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, June 25, 2015, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, June 25, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, June 25, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, June 25, 2015.

You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m., Thursday, June 25, 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, June 25, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, June 25, 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

June 16, 2015

The Directors
紅星美凱龍家居集團股份有限公司
Red Star Macalline Group Corporation Ltd.
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 紅星美凱龍家居集團股份有限公司 Red Star Macalline Group Corporation Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2014 (the "Relevant Periods") for inclusion in the prospectus of the Company dated June 16, 2015 (the "Prospectus") in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the People's Republic of China (the "PRC") on January 6, 2011 as a sino-foreign joint stock limited company under the PRC laws upon the conversion of 上海紅星美凱龍企業管理有限公司 Shanghai Red Star Macalline Enterprise Management Company Limited (formerly known as 上海紅星美凱龍家居家飾品有限公司 Shanghai Red Star Macalline Home Furnishing Company Limited), a company with limited liability incorporated in the PRC. The conversion is more fully explained in the section "History and Development" of the Prospectus. Since its incorporation, the Company has been the holding company of the Group.

The Group is principally engaged in operating and managing home furnishing shopping malls.

During the Relevant Periods and as at the date of this report, the particulars of the Company's subsidiaries, which operate in the PRC, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
上海紅星美凱龍環球家居設計博覽有限公司** Shanghai Red Star Macalline Global Home Furnishing Design Expo Company Limited ("Shanghai Global")	PRC January 9, 2008	Registered RMB50,000,000 Paid up capital RMB50,000,000	94%	94%	94%	94%	Shopping mall operation
杭州紅星美凱龍世博家居有限公司* Hangzhou Red Star Macalline Shibo Home Furnishing Company Limited ("Hangzhou Shibo")	PRC March 19, 2008	Registered RMB20,000,000 Paid up capital RMB20,000,000	100%	100%	100%	100%	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
武漢紅星美凱龍正達物流有限公司* Wuhan Red Star Macalline Zhengda Logistics Company Limited ("Wuhan Zhengda")	PRC April 29, 2008	Registered RMB50,000,000 Paid up capital RMB50,000,000	58%	58%	58%	58%	Shopping mall operation
昆山紅星美凱龍全球家居有限公司* Kunshan Red Star Macalline Global Home Furnishing Company Limited ("Kunshan Global")	PRC August 12, 2008	Registered RMB1,000,000 Paid up capital RMB1,000,000	100%	100%	100%	100%	Brand management
桐鄉紅星美凱龍世博家居廣場管理有限公司* Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited ("Tongxiang Shibo")	PRC July 7, 2008	Registered RMB500,000 Paid up capital RMB500,000	100%	100%	100%	100%	Brand management
北京紅星美凱龍企業經營管理有限公司* Beijing Red Star Macalline Business Management Company Limited ("Beijing Business Management")	PRC October 8, 2008	Registered RMB3,000,000 Paid up capital RMB3,000,000	100%	100%	100%	100%	Brand management
無錫紅星美凱龍經營管理有限公司* Wuxi Red Star Macalline Business Management Company Limited ("Wuxi Business Management")	PRC December 12, 2008	Registered RMB1,000,000 Paid up capital RMB1,000,000	100%	100%	100%	100%	Brand management
衢州紅星美凱龍世博市場管理服務有限公司* Quzhou Red Star Macalline Shibo Market Management Service Company Limited ("Quzhou Shibo")	PRC December 3, 2008	Registered RMB1,000,000 Paid up capital RMB1,000,000	100%	100%	100%	100%	Brand management
杭州紅星美凱龍環球家居有限公司* Hangzhou Red Star Macalline Global Home Furnishing Company Limited ("Hangzhou Global")	PRC March 27, 2008	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Brand management
長沙紅星美凱龍家居生活廣場有限公司* Changsha Red Star Macalline Home Furnishing Plaza Company Limited ("Changsha Home Furnishing")	PRC September 28, 2007	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Shopping mall operation
上海紅星美凱龍品牌管理有限公司* Shanghai Red Star Macalline Brand Management Company Limited ("Shanghai Brand Management")	PRC February 25, 2009	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Brand management

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
重慶紅星美凱龍環球家居生活廣場有限責任公司* Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited ("Chongqing Global")	PRC May 21, 2009	Registered RMB10,000,000 Paid up capital RMB10,000,000	100%	100%	100%	100%	Shopping mall operation
常熟紅星美凱龍全球家居有限公司** Changshu Red Star Macalline Global Home Furnishing Company Limited ("Changshu Global")	PRC June 9, 2009	Registered RMB1,000,000 Paid up capital RMB1,000,000	100%	100%	100%	100%	Brand management
南京紅星國際家居廣場管理服務有限公司** Nanjing Red Star International Home Furnishing Plaza Management Service Company Limited ("Nanjing Management")	PRC July 1, 2009	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Brand management
紅星美凱龍世博（天津）家居生活廣場有限公司** Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited ("Tianjin Shibo") (note a)	PRC January 15, 2009	Registered RMB142,000,000 Paid up capital RMB142,000,000	51%	51%	51%	51%	Shopping mall operation
北京和合聚眾廣告傳媒有限公司* Beijing Hehe Juzhong Advertising Company Limited ("Beijing Hehe Juzhong")	PRC July 13, 2009	Registered RMB1,000,000 Paid up capital RMB1,000,000	70%	70%	70%	70%	Advertisement
北京星凱京洲傢俱廣場有限公司** Beijing Xingkai Jingzhou Furniture Plaza Company Limited ("Beijing Xingkai Jingzhou")	PRC August 11, 2010	Registered RMB30,000,000 Paid up capital RMB30,000,000	51%	51%	51%	51%	Shopping mall operation
武漢紅星美凱龍世博家居廣場發展有限公司* Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited ("Wuhan Shibo")	PRC August 20, 2010	Registered RMB353,000,000 Paid up capital RMB353,000,000	100%	100%	100%	100%	Shopping mall operation
上海紅星美凱龍家居藝術設計博覽有限公司* Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited ("Shanghai Design Expo")	PRC December 2, 2010	Registered RMB445,000,000 Paid up capital RMB445,000,000	100%	100%	100%	100%	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
上海紅星美凱龍全球家居市場經營管理有限公司** Shanghai Red Star Macalline Global Home Furnishing Market Management Company Limited ("Shanghai Global Market")	PRC January 26, 2011	Registered RMB500,000 Paid up capital RMB500,000	99%	99%	99%	99%	Market management
煙臺紅星美凱龍家居有限公司* Yantai Red Star Macalline Home Furnishing Company Limited ("Yantai Home Furnishing") (note a)	PRC January 31, 2011	Registered RMB175,000,000 Paid up capital RMB175,000,000	50%	50%	50%	50%	Shopping mall operation
瀋陽名都家居廣場有限公司* Shenyang Mingdu Home Furnishing Plaza Company Limited ("Shenyang Mingdu")	PRC April 27, 2011	Registered RMB255,000,000 Paid up capital RMB255,000,000	60%	60%	60%	60%	Shopping mall operation
北京世紀歐美商業投資有限公司** Beijing Century Oumei Business Investment Company Limited ("Beijing Century Oumei")	PRC May 12, 2011	Registered RMB50,000,000 Paid up capital RMB50,000,000	80%	80%	80%	80%	Shopping mall operation
重慶紅星美凱龍博覽家居生活廣場有限責任公司* Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited ("Chongqing Expo")	PRC June 20, 2011	Registered RMB280,000,000 Paid up capital RMB280,000,000	100%	100%	100%	100%	Shopping mall operation
長沙市銀紅家居有限公司* Changsha Yinhong Home Furnishing Company Limited ("Changsha Yinhong") (note g)	PRC July 22, 2011	Registered RMB30,000,000 Paid up capital RMB30,000,000	70%	100%	100%	100%	Shopping mall operation
上海晶都投資有限公司* Shanghai Jingdu Investment Company Limited ("Shanghai Jingdu Investment")	PRC September 20, 2011	Registered RMB10,000,000 Paid up capital RMB10,000,000	51%	51%	51%	51%	Investment management
天津紅星美凱龍家居家飾生活廣場有限公司* Tianjin Red Star Macalline Home Furnishing and Decorating Plaza Company Limited ("Tianjin Home Furnishing")	PRC July 1, 2011	Registered RMB100,000,000 Paid up capital RMB100,000,000	100%	100%	100%	100%	Shopping mall operation

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			2012	2013	2014		
盤錦紅星美凱龍全球家居生活廣場有限公司* Panjin Red Star Macalline Global Home Furnishing Plaza Company Limited ("Panjin Global")	PRC October 10, 2011	Registered RMB90,000,000 Paid up capital RMB90,000,000	51%	51%	51%	51%	Shopping mall operation
上海紅星美凱龍商務諮詢有限公司* Shanghai Red Star Macalline Business Consulting Company Limited ("Shanghai Business Consulting")	PRC September 28, 2011	Registered RMB1,000,000 Paid up capital RMB1,000,000	100%	100%	100%	100%	Business consulting
瀋陽紅星美凱龍家居有限公司* Shenyang Red Star Macalline Home Furnishing Company Limited ("Shenyang Home Furnishing")	PRC November 18, 2011	Registered RMB30,000,000 Paid up capital RMB30,000,000	100%	100%	100%	100%	Shopping mall operation
上海紅星美凱龍商貿有限公司* Shanghai Red Star Macalline Trading Company Limited ("Shanghai Trading")	PRC December 21, 2011	Registered RMB50,000,000 Paid up capital RMB50,000,000	100%	100%	100%	100%	Investment management
哈爾濱紅星美凱龍世博家居廣場有限公司* Harbin Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Harbin Shibo") (note g)	PRC December 19, 2011	Registered RMB50,000,000 Paid up capital RMB50,000,000	51%	100%	100%	100%	Shopping mall operation
上海星家裝飾建材有限公司** Shanghai Xingjia Home Decorating Material Company Limited ("Shanghai Xingjia Material")	PRC February 9, 2012	Registered RMB20,000,000 Paid up capital RMB20,000,000	100%	100%	100%	100%	Sales of decorating material
重慶紅星美凱龍中坤家居生活廣場有限責任公司* Chongqing Red Star Macalline Zhongkun Home Furnishing Plaza Company Limited ("Chongqing Zhongkun")	PRC March 5, 2012	Registered RMB100,000,000 Paid up capital RMB100,000,000	55%	55%	55%	55%	Shopping mall operation
煙臺紅星國際家居管理有限公司* Yantai Red Star International Home Furnishing Management Company Limited ("Yantai International")	PRC July 19, 2012	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Brand management
中山紅星美凱龍世博家居廣場有限公司* Zhongshan Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Zhongshan Shibo")	PRC July 26, 2012	Registered RMB50,000,000 Paid up capital RMB50,000,000	100%	100%	100%	100%	Shopping mall operation

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			At December 31,			At date of this report	
			2012	2013	2014		
瀋陽大東紅星美凱龍傢俱建材市場有限公司* Shenyang Dadong Red Star Macalline Home Furnishing Company Limited ("Shenyang Dadong")	PRC September 6, 2012	Registered RMB3,000,000 Paid up capital RMB3,000,000	100%	100%	100%	100%	Shopping mall operation
西安紅星美凱龍家居生活廣場有限公司* Xi'an Red Star Macalline Home Furnishing Plaza Company Limited ("Xi'an Home Furnishing")	PRC July 5, 2012	Registered RMB200,000,000 Paid up capital RMB40,000,000	75%	75%	75%	75%	Shopping mall operation
大慶紅星美凱龍世博家居有限公司* Daqing Red Star Macalline Shibo Home Furnishing Company Limited ("Daqing Shibo")	PRC November 28, 2012	Registered RMB50,000,000 Paid up capital RMB50,000,000	70%	70%	70%	70%	Shopping mall operation
常州家頻道家居飾品有限公司** Changzhou Jiapindao Home Furnishing and Decorating Company Limited ("Changzhou Jiapindao")	PRC December 13, 2012	Registered RMB1,000,000 Paid up capital RMB1,000,000	100%	100%	100%	100%	Sales of decorating material
北京紅星美凱龍家居市場有限公司** Beijing Red Star Macalline Home Furnishing Company Limited ("Beijing Home Furnishing")	PRC September 21, 2012	Registered RMB2,000,000 Paid up capital RMB2,000,000	100%	100%	100%	100%	Brand management
上海晶庭企業管理有限公司** Shanghai Jingting Enterprise Management Company Limited ("Shanghai Jingting") (note b)	PRC November 19, 2012	Registered RMB5,000,000 Paid up capital RMB5,000,000	60%	60%	N/A	N/A	Shopping mall operation
武漢紅星美凱龍環球家居廣場發展有限公司* Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited ("Wuhan Global")	PRC January 22, 2013	Registered RMB50,000,000 Paid up capital RMB50,000,000	N/A	100%	100%	100%	Shopping mall operation
天津星美麗家商貿有限公司** Tianjin Xingmei Lijia Trading Company Limited ("Tianjin Xingmei Lijia") (note g)	PRC January 29, 2013	Registered RMB10,000,000 Paid up capital RMB10,000,000	N/A	70%	100%	100%	Sales of decorating material
北京世紀凱隆商業投資有限公司* Beijing Century Kailong Business Investment Company Limited ("Beijing Century Kailong")	PRC February 28, 2013	Registered RMB10,000,000 Paid up capital RMB10,000,000	N/A	100%	100%	100%	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
天津紅星美凱龍時尚家居廣場有限公司* Tianjin Red Star Macalline Home Fashion Plaza Company Limited ("Tianjin Fashion")	PRC March 27, 2013	Registered RMB5,000,000 Paid up capital RMB5,000,000	N/A	100%	100%	100%	Shopping mall operation
上海紅星美凱龍同悅家居市場經營管理有限公司* Shanghai Red Star Macalline Tongyue Home Furnishing Market Management Company Limited ("Shanghai Tongyue")	PRC April 28, 2013	Registered RMB500,000 Paid up capital RMB500,000	N/A	100%	100%	100%	Market management
合肥紅星美凱龍世博家居廣場有限公司* Hefei Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Hefei Shibo")	PRC May 20, 2013	Registered RMB100,000,000 Paid up capital RMB100,000,000	N/A	100%	100%	100%	Shopping mall operation
南京紅星美凱龍國際家居有限責任公司* Nanjing Red Star International Home Furnishing Company Limited ("Nanjing International")	PRC May 30, 2013	Registered RMB314,290,000 Paid up capital RMB314,290,000	N/A	100%	100%	100%	Shopping mall operation
上海紅星美凱龍億家裝飾工程有限公司** Shanghai Red Star Macalline Yijia Home Decorating Company Limited ("Shanghai Yijia")	PRC June 6, 2013	Registered RMB20,000,000 Paid up capital RMB20,000,000	N/A	100%	100%	100%	Decorating design
上海星易通匯商務服務有限公司* Shanghai Xingyi Tonghui Business Service Company Limited ("Shanghai Xingyi Tonghui")	PRC June 27, 2013	Registered RMB50,000,000 Paid up capital RMB50,000,000	N/A	100%	100%	100%	Business service
上海紅星美凱龍家品會電子商務有限公司** Shanghai Red Star Macalline Jiapinhui E-Commerce Company Limited ("Jiapinhui E-Commerce")	PRC June 26, 2013	Registered RMB18,400,000 Paid up capital RMB18,400,000	N/A	100%	100%	100%	E-Commerce
上海悠美家居有限公司** Shanghai Youmei Home Furnishing Company Limited ("Shanghai Youmei")	PRC July 16, 2013	Registered RMB20,000,000 Paid up capital RMB20,000,000	N/A	100%	100%	100%	Sales of decorating material
天津紅星美凱龍世貿家居有限公司* Tianjin Red Star Macalline World Trade Home Furnishing Company Limited ("Tianjin World Trade")	PRC September 5, 2013	Registered RMB200,000,000 Paid up capital RMB200,000,000	N/A	100%	100%	100%	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
上海美昊裝飾設計工程有限公司** Shanghai Meihao Home Decorating Design Company Limited ("Shanhai Meihao")	PRC October 10, 2013	Registered RMB2,000,000 Paid up capital RMB2,000,000	N/A	80%	80%	80%	Decorating design
哈爾濱紅星美凱龍國際家居有限公司* Harbin Red Star Macalline International Home Furnishing Company Limited ("Ha'erbin International")	PRC October 31, 2013	Registered RMB50,000,000 Paid up capital RMB50,000,000	N/A	100%	100%	100%	Shopping mall operation
上海津麗龍裝飾設計工程有限公司** Shanghai Jinlilong Home Decorating Design Company Limited ("Shanghai Jinlilong")	PRC December 5, 2013	Registered RMB5,000,000 Paid up capital RMB5,000,000	N/A	80%	80%	80%	Decorating design
上海峰迪瀧裝飾設計工程有限公司** Shanghai Fengdilong Home Decorating Design Company Limited ("Shanghai Fengdilong")	PRC November 20, 2013	Registered RMB2,000,000 Paid up capital RMB2,000,000	N/A	80%	80%	80%	Decorating design
紅星喜兆投資有限公司* Red Star Xizhao Investment Company Limited ("Xizhao Investment")	PRC December 12, 2013	Registered RMB100,000,000 Paid up capital RMB100,000,000	N/A	100%	100%	100%	Investment management
天津紅星美凱龍國際家居博覽有限公司* Tianjin Red Star Macalline International Home Furnishing Expo Company Limited ("Tianjin International Expo")	PRC July 18, 2013	Registered RMB314,285,714 Paid up capital RMB314,285,714	N/A	65%	65%	65%	Shopping mall operation
長春紅星美凱龍世博家居生活廣場有限公司* Changchun Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Changchun Shibo")	PRC December 16, 2013	Registered RMB68,000,000 Paid up capital RMB68,000,000	N/A	70%	70%	70%	Shopping mall operation
紅星美凱龍家居商場管理有限公司** Red Star Macalline Home Furnishing Mall Management Company Limited ("RSM Mall Management")	PRC January 16, 2014	Registered RMB50,000,000 Paid up capital RMB50,000,000	N/A	N/A	100%	100%	Investment management
上海家鼎建築裝飾設計工程有限公司** Shanghai Jiading Construction Home Decorating Design Company Limited ("Shanghai Jiading")	PRC January 6, 2014	Registered RMB5,000,000 Paid up capital RMB5,000,000	N/A	N/A	80%	80%	Decorating design

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			2012	2013	2014		
上海永典裝飾設計工程有限公司** Shanghai Yongdian Home Decorating Design Company Limited ("Shanghai Yongdian")	PRC January 9, 2014	Registered RMB5,000,000 Paid up capital RMB2,000,000	N/A	N/A	70%	70%	Decorating design
揚州紅星美凱龍國際家居廣場有限公司* Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited ("Yangzhou International")	PRC March 22, 2014	Registered RMB3,000,000 Paid up capital RMB3,000,000	N/A	N/A	100%	100%	Brand management
長沙雅禮裝飾設計工程有限公司** Changsha Yali Home Decorating Design Company Limited ("Changsha Yali")	PRC April 3, 2014	Registered RMB2,500,000 Paid up capital RMB1,300,000	N/A	N/A	70%	70%	Decorating design
上海景旺裝飾設計工程有限公司** Shanghai Jingwang Home Decorating Design Company Limited ("Shanghai Jingwang")	PRC March 20, 2014	Registered RMB3,000,000 Paid up capital RMB3,000,000	N/A	N/A	65%	65%	Decorating design
上海紅星美凱龍龍美家居有限公司* Shanghai Red Star Macalline Longmei Home Furnishing Company Limited ("Shanghai Longmei")	PRC April 22, 2014	Registered RMB1,000,000 Paid up capital RMB1,000,000	N/A	N/A	100%	100%	Market management
重慶家欣裝飾設計工程有限公司** Chongqing Jiaxin Home Decorating Design Company Limited ("Chongqing Jiaxin")	PRC April 29, 2014	Registered RMB2,000,000 Paid up capital RMB2,000,000	N/A	N/A	70%	70%	Decorating design
成都尚鼎居裝飾工程有限公司** Chengdu Shangdingju Home Decorating Company Limited ("Chengdu Shangdingju")	PRC May 14, 2014	Registered RMB2,000,000 Paid up capital RMB2,000,000	N/A	N/A	70%	70%	Decorating design
河南西西里亞物業管理有限公司* Henan Xixiliya Property Management Company Limited ("Xixiliya Property Management")	PRC June 24, 2014	Registered RMB1,000,000 Paid up capital RMB1,000,000	N/A	N/A	100%	100%	Property management
上海紅星美凱龍住建集采商貿有限公司* Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company Limited ("Shanghai Bulk Purchasing")	PRC August 6, 2014	Registered RMB20,000,000 Paid up capital RMB20,000,000	N/A	N/A	100%	100%	Decorating design

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上海臻星裝飾工程有限公司** Shanghai Zhenxing Home Decorating Company Limited ("Shanghai Zhenxing")	PRC August 14, 2014	Registered RMB3,000,000 Paid up capital RMB3,000,000	N/A	N/A	70%	70%	Decorating design
長春星美家裝飾工程有限公司** Changchun Xingmei Home Decorating Company Limited ("Changchun Xingmei")	PRC September 9, 2014	Registered RMB2,000,000 Paid up capital RMB2,000,000	N/A	N/A	70%	70%	Decorating design
蘭州紅星美凱龍世博家居廣場有限公司* Lanzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Lanzhou Shibo") (note h)	PRC August 12, 2014	Registered RMB30,000,000 Paid up capital Nil	N/A	N/A	100%	100%	Shopping mall operation
上海吉盛偉邦環球家居品牌管理有限公司* Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited ("Jisheng Wellborn Brand Management") (note h)	PRC August 6, 2014	Registered RMB100,000,000 Paid up capital Nil	N/A	N/A	100%	100%	Brand management
上海紅星美凱龍裝飾家居市場經營管理有限公司** Shanghai Red Star Macalline Home Decorating and Furnishing Market Management Company Limited ("Shanghai Decorating")	PRC July 29, 2014	Registered RMB500,000 Paid up capital RMB500,000	N/A	N/A	100%	100%	Market management
成都心屋裝飾工程設計有限公司** Chengdu Xinwu Home Decorating Design Company Limited ("Chengdu Xinwu") (note h)	PRC November 6, 2014	Registered RMB1,000,000 Paid up capital Nil	N/A	N/A	65%	65%	Decorating design
福州紅星美凱龍世博家居廣場有限公司* Fuzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Fuzhou Shibo") (note b)	PRC November 4, 2011	Registered RMB50,000,000 Paid up capital RMB50,000,000	51%	51%	N/A	N/A	Shopping mall operation
呼和浩特市紅星美凱龍世博家居廣場有限責任公司* Huhehaote Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Huhehaote Shibo") (note b)	PRC August 15, 2012	Registered RMB100,000,000 Paid up capital RMB100,000,000	60%	60%	N/A	N/A	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
上海星易家投資有限責任公司* Shanghai Xingyijia Investment Company Limited ("Xingyijia Investment") (note b)	PRC July 16, 2013	Registered RMB50,000,000 Paid up capital RMB50,000,000	N/A	80%	N/A	N/A	E-Commerce
北京星凱愛琴海購物中心有限公司** Beijing Xingkai Aegean Sea Shopping Mall Company Limited ("Beijing Xingkai") (note b)	PRC March 7, 2011	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	N/A	N/A	N/A	Shopping mall operation
陝西紅星歐凱家居家飾品商業管理有限公司* Shaanxi Red Star Oukai Home Furnishing and Decorating Business Management Company Limited ("Shaanxi Oukai") (note c)	PRC December 25, 2008	Registered RMB1,000,000 Paid up capital RMB1,000,000	100%	N/A	N/A	N/A	Brand management
常州美凱龍國際電腦家電裝飾城有限公司* Changzhou Macalline International Computer and Home Appliance City Company Limited ("Changzhou International")	PRC June 2, 1999	Registered RMB10,000,000 Paid up capital RMB10,000,000	100%	100%	100%	100%	Shopping mall operation
常州世界傢俱家居廣場有限公司* Changzhou Worldwide Home Furnishing Plaza Company Limited ("Changzhou Worldwide")	PRC April 16, 2002	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Shopping mall operation
無錫紅星美凱龍國際傢俱裝飾有限公司* Wuxi Red Star Macalline International Home Furnishing Company Limited ("Wuxi International")	PRC September 29, 1999	Registered RMB50,000,000 Paid up capital RMB50,000,000	100%	100%	100%	100%	Shopping mall operation
連雲港紅星美凱龍國際家居廣場有限公司* Lianyungang Red Star Macalline International Home Furnishing Plaza Company Limited ("Lianyungang International")	PRC September 2, 2005	Registered RMB3,000,000 Paid up capital RMB3,000,000	100%	100%	100%	100%	Shopping mall operation
南京紅星國際傢俱裝飾城有限公司* Nanjing Red Star International Home Furnishing City Company Limited ("Nanjing Furnishing City")	PRC August 13, 1999	Registered RMB20,000,000 Paid up capital RMB20,000,000	100%	100%	100%	100%	Shopping mall operation
南京名都家居廣場有限公司* Nanjing Mingdu Home Furnishing Plaza Company Limited ("Nanjing Mingdu")	PRC October 11, 2006	Registered RMB80,000,000 Paid up capital RMB80,000,000	100%	100%	100%	100%	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
上海紅星美凱龍裝飾傢俱城有限公司* Shanghai Red Star Macalline Home Furnishing City Company Limited ("Shanghai Furnishing City")	PRC April 11, 2000	Registered RMB50,000,000 Paid up capital RMB50,000,000	94%	94%	94%	94%	Shopping mall operation
上海紅星美凱龍傢俱有限公司* Shanghai Red Star Macalline Furniture Company Limited ("Shanghai Furniture")	PRC July 21, 2003	Registered RMB10,000,000 Paid up capital RMB10,000,000	100%	100%	100%	100%	Shopping mall operation
長沙紅星美凱龍國際家居藝術博覽中心有限公司* Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited ("Changsha International")	PRC November 15, 2004	Registered RMB3,000,000 Paid up capital RMB3,000,000	100%	100%	100%	100%	Shopping mall operation
濟南紅星美凱龍世博家居生活廣場有限公司* Jinan Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Jinan Shibo")	PRC January 19, 2006	Registered RMB102,600,000 Paid up capital RMB102,600,000	70%	70%	70%	70%	Shopping mall operation
成都紅星美凱龍世博家居生活廣場有限責任公司* Chengdu Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Chengdu Shibo")	PRC January 12, 2006	Registered RMB30,000,000 Paid up capital RMB30,000,000	100%	100%	100%	100%	Shopping mall operation
鄭州紅星美凱龍國際家居有限公司* Zhengzhou Red Star Macalline International Home Furnishing Company Limited ("Zhengzhou International") (note a)	PRC June 24, 2005	Registered RMB30,000,000 Paid up capital RMB30,000,000	50%	50%	50%	50%	Shopping mall operation
常州紅星美凱龍裝飾家居用品市場有限公司** Changzhou Red Star Macalline Home Furnishing and Decorating Market Company Limited ("Changzhou Home Furnishing")	PRC December 14, 2005	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Market management

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
上海紅星美凱龍傢俱裝飾市場經營管理有限公司** Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited ("Shanghai Home Furnishing")	PRC November 26, 2004	Registered RMB3,000,000 Paid up capital RMB3,000,000	97%	97%	97%	97%	Market management
上海紅星美凱龍廣告有限公司** Shanghai Red Star Macalline Advertising Company Limited ("Shanghai Advertising")	PRC May 31, 2006	Registered RMB1,000,000 Paid up capital RMB1,000,000	100%	100%	100%	100%	Advertisement
上海紅星美凱龍家居市場經營管理有限公司* Shanghai Red Star Macalline Home Furnishing Market Management Company Limited ("Shanghai Management")	PRC August 15, 2006	Registered RMB20,000,000 Paid up capital RMB20,000,000	90%	90%	90%	90%	Market management
上海山海藝術家俱有限公司** Shanghai Shanhai Art Furniture Company Limited ("Shanhai Art Furniture") (note g)	PRC May 18, 2005	Registered RMB247,500,000 Paid up capital RMB247,500,000	60%	60%	88%	88%	Shopping mall operation
北京紅星美凱龍國際傢俱建材廣場有限公司* Beijing Red Star Macalline International Home Furnishing Plaza Company Limited ("Beijing International")	PRC June 1, 2001	Registered RMB50,000,000 Paid up capital RMB50,000,000	100%	100%	100%	100%	Shopping mall operation
北京紅星美凱龍世博傢俱廣場有限公司* Beijing Red Star Macalline Shibo Furniture Plaza Company Limited ("Beijing Shibo Furniture")	PRC November 12, 2004	Registered RMB29,990,000 Paid up capital RMB29,990,000	100%	100%	100%	100%	Shopping mall operation
北京紅星美凱龍世博傢俱建材廣場有限公司** Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Beijing Shibo Home Furnishing")	PRC July 6, 2007	Registered RMB2,000,000 Paid up capital RMB2,000,000	100%	100%	100%	100%	Market management
紅星美凱龍環球(北京)傢俱建材廣場有限公司** Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited ("Beijing Global")	PRC July 10, 2008	Registered RMB10,000,000 Paid up capital RMB10,000,000	100%	100%	100%	100%	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
天津紅星美凱龍國際家居廣場有限公司* Tianjin Red Star Macalline International Home Furnishing Plaza Company Limited ("Tianjin International")	PRC January 2, 2003	Registered RMB30,000,000 Paid up capital RMB30,000,000	100%	100%	100%	100%	Shopping mall operation
天津紅星美凱龍國際傢俱建材廣場有限公司* Tianjin Red Star Macalline International Home Furnishing Plaza Company Limited ("Tianjin Home Furnishing")	PRC September 30, 2002	Registered RMB38,000,000 Paid up capital RMB38,000,000	100%	100%	100%	100%	Shopping mall operation
北京美凱龍傢俱建材市場有限公司** Beijing Macalline Home Furnishing Material Market Company Limited ("Beijing Furniture")	PRC December 17, 2002	Registered RMB3,000,000 Paid up capital RMB3,000,000	100%	100%	100%	100%	Market management
包頭紅星美凱龍家居生活廣場有限責任公司* Baotou Red Star Macalline Home Furnishing Plaza Company Limited ("Baotou Home Furnishing")	PRC April 15, 2008	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Shopping mall operation
上海紅星美凱龍全球家居有限公司* Shanghai Red Star Macalline Global Home Furnishing Company Limited ("Shanghai Global")	PRC July 11, 2005	Registered RMB150,000,000 Paid up capital RMB150,000,000	100%	100%	100%	100%	Shopping mall operation
上海星凱程鵬企業管理有限公司* Shanghai Xingkai Chengpeng Business Management Company Limited ("Xingkai Chengpeng")	PRC October 28, 2011	Registered RMB1,000,000,000 Paid up capital RMB1,000,000,000	100%	100%	100%	100%	Investment management
上海紅美電子商務有限公司** Shanghai Hongmei E-Commerce Company Limited ("Hongmei E-Commerce")	PRC November 24, 2011	Registered RMB50,000,000 Paid up capital RMB50,000,000	100%	100%	100%	100%	E-Commerce
重慶紅星美凱龍世博家居生活廣場有限責任公司* Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Chongqing Shibo")	PRC August 11, 2005	Registered RMB30,000,000 Paid up capital RMB30,000,000	100%	100%	100%	100%	Shopping mall operation
重慶市西克廣告有限責任公司** Chongqing Xike Advertising Company Limited ("Chongqing Xike Advertising") (note i)	PRC March 23, 2007	Registered RMB1,100,000 Paid up capital RMB1,100,000	100%	100%	100%	N/A	Advertisement

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
常州紅陽家居生活廣場有限公司** Changzhou Hongyang Home Furnishing Plaza Company Limited ("Changzhou Hongyang")	PRC January 14, 2008	Registered RMB60,000,000 Paid up capital RMB60,000,000	51%	51%	51%	51%	Shopping mall operation
江蘇蘇南建築安裝工程有限公司* Jiangsu Sunan Construction Company Limited ("Sunan Construction") (note j)	PRC August 16, 2001	Registered RMB50,170,000 Paid up capital RMB50,170,000	100%	100%	100%	100%	Construction
瀋陽紅星美凱龍博覽家居有限公司* Shenyang Red Star Macalline Home Furnishing Expo Company Limited ("Shenyang Expo")	PRC September 18, 2013	Registered RMB50,000,000 Paid up capital RMB50,000,000	N/A	100%	100%	100%	Shopping mall operation
上海新偉置業有限公司** Shanghai Xinwei Home Purchasing Company Limited ("Shanghai Xinwei")	PRC November 11, 2003	Registered RMB50,000,000 Paid up capital RMB50,000,000	96%	96%	96%	96%	Shopping mall operation
成都長益紅星美凱龍家居市場經營管理有限公司** Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited ("Chengdu Changyi") (note a)	PRC August 24, 1992	Registered RMB20,000,000 Paid up capital RMB20,000,000	50%	50%	50%	50%	Shopping mall operation
上海鼎勝建築工程管理設計有限公司** Shanghai Dingsheng Construction Management and Design Company Limited ("Shanghai Dingsheng")	PRC September 1, 1993	Registered RMB5,000,000 Paid up capital RMB5,000,000	100%	100%	100%	100%	Decorating design
鄭州紅星美凱龍全球家居生活廣場經營管理有限公司* Zhengzhou Red Star Macalline Global Home Furnishing Plaza Management Company Limited ("Zhengzhou Management")	PRC September 20, 2007	Registered RMB1,000,000 Paid up capital RMB1,000,000	51%	51%	51%	51%	Market management
上海虹欣歐凱家居有限公司* Shanghai Hongxin Oukai Home Furnishing Company Limited ("Shanghai Hongxin Oukai") (note a)	PRC January 19, 2007	Registered RMB100,000,000 Paid up capital RMB100,000,000	50%	50%	50%	50%	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
廊坊市凱宏家居廣場有限公司* Langfang Kaihong Home Furnishing Plaza Company Limited ("Langfang Kaihong") (note d)	PRC December 10, 2010	Registered RMB100,000,000 Paid up capital RMB100,000,000	70%	70%	70%	70%	Shopping mall operation
無錫紅星美凱龍家居生活廣場有限公司* Wuxi Red Star Macalline Home Furnishing Plaza Company Limited ("Wuxi Home Furnishing") (note e)	PRC October 30, 2012	Registered RMB235,000,000 Paid up capital RMB235,000,000	49%	90%	100%	100%	Shopping mall operation
上海紅星美凱龍知識產權代理有限公司** Shanghai Red Star Macalline Intellectual Property Agency Company Limited ("Intellectual Property Agency") (note f)	PRC June 17, 2013	Registered RMB500,000 Paid up capital RMB500,000	N/A	N/A	100%	100%	Intellectual Property Agency
無錫市紅星傢俱城有限公司* Wuxi Red Star Home Furnishing City Company Limited ("Wuxi Furnishing City") (note b)	PRC September 29, 1999	Registered RMB50,000,000 Paid up capital RMB300,000	N/A	N/A	N/A	N/A	Shopping mall operation
北京東方歐美時代家居廣場有限公司** Beijing Orient Oumei Time Home Furnishing Company Limited Company Limited ("Beijing Orient Oumei") (note b)	PRC May 12, 2011	Registered RMB50,000,000 Paid up capital RMB50,000,000	N/A	N/A	N/A	N/A	Shopping mall operation
銀川紅星美凱龍世博家居有限公司* Yinchuan Red Star Macalline Shibo Home Furnishing Company Limited ("Yinchuan Shibo") (note c)	PRC October 28, 2008	Registered RMB1,000,000 Paid up capital RMB1,000,000	N/A	N/A	N/A	N/A	Shopping mall operation
山西太原紅星美凱龍置業有限公司* Shanxi Taiyuan Home Furnishing Company Limited ("Taiyuan Home Furnishing") (note c)	PRC July 2, 2010	Registered RMB100,000,000 Paid up capital RMB100,000,000	N/A	N/A	N/A	N/A	Shopping mall operation
福州紅星美凱龍實業有限公司* Fuzhou Red Star Macalline Industrial Company Limited ("Fuzhou Industrial") (note c)	PRC July 16, 2010	Registered RMB50,000,000 Paid up capital RMB50,000,000	N/A	N/A	N/A	N/A	Shopping mall operation
福州紅星華班投資實業有限公司* Fuzhou Red Star Huaban Investment Industrial Company Limited ("Fuzhou Huaban Investment") (note c)	PRC August 11, 2010	Registered RMB150,000,000 Paid up capital RMB150,000,000	N/A	N/A	N/A	N/A	Shopping mall operation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2012	2013	2014		
徐州紅星美凱龍市場經營管理有限公司* Xuzhou Red Star Macalline Market Management Company Limited ("Xuzhou Management") (note c)	PRC May 5, 2011	Registered RMB3,000,000 Paid up capital RMB3,000,000	N/A	N/A	N/A	N/A	Shopping mall operation
南昌紅星美凱龍國際傢俱廣場有限公司* Nanchang Red Star Macalline International Home Furnishing Plaza Company Limited ("Nanchang Home Furnishing") (note c)	PRC June 30, 2003	Registered RMB1,000,000 Paid up capital RMB1,000,000	N/A	N/A	N/A	N/A	Shopping mall operation

* The subsidiary is directly held by the Company.

** The subsidiary is indirectly held by the Company.

All the subsidiaries were incorporated/established in the PRC as a company with limited liability. The English name of the subsidiaries are for identification purpose only and have not been registered.

Notes:

(a) The Group's equity interest in these entities is 50%. However, the Group has the practical ability to direct the relevant activities of these entities unilaterally under agreements with other shareholders of these entities. Therefore the Group has control over these entities and accounted for as subsidiaries.

(b) These subsidiaries were disposed during the Relevant Periods. Details are set out in note 45 of section A.

(c) These subsidiaries were deregistered during the Relevant Periods.

(d) In December 2012, the Group acquired 70.00% equity interest in Langfang Kaihong from an independent third party. Details are set out in note 44 of section A.

(e) Wuxi Home Furnishing was established by the Group and an independent third party in October 2012. The Group held 49% equity interest in Wuxi Home Furnishing and accounted for as interest in an associate. The Group made a capital contribution to Wuxi Home Furnishing in April 2013. Upon the completion of the capital contribution, Wuxi Home Furnishing became a subsidiary of the Company. Details are set out in note 44 of section A. The Group acquired additional interests in Wuxi Home Furnishing in 2014.

(f) In August 2014, the Group acquired 100.00% equity interest in Intellectual Property Agency from an independent third party. Details are set out in note 44 of section A. Details are set out in note 44 for section A.

(g) The Group acquired additional interests in these subsidiaries during the Relevant Periods.

(h) These subsidiaries were established in 2014 and were in the process of the initial capital injection as at December 31, 2014 and date of this report.

(i) Chongqing Xike Advertising was in the process of being deregistered as at December 31, 2014 and was deregistered in January 2015.

(j) In April 2012, RSM Enterprise Development Group (as defined in note 2 of section A) acquired 100% equity interest in Sunan Construction from an independent third party. Since then, Sunan Construction came under common control of the ultimate holding company. As the acquisition of Sunan Construction by the Group from RSM Enterprise Development Group in June 2014 is a business combination under common control, Sunan Construction is accounted for as a subsidiary of the Company since April 2012.

All companies now comprising the Group have adopted December 31, as their financial year end date.

The statutory financial statements of the Company and its subsidiaries for the Relevant Periods or since their respective dates of incorporation/establishment, where this is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated/established in the PRC and were audited by the certified public accountants set out as below:

Name of company	Financial period/year ended	Name of auditors
The Company	December 31, 2012, 2013 and 2014	德勤華永會計師事務所(特殊普通合夥) Deloitte Touche Tohmatsu CPA LLP
Shanghai Global	December 31, 2012, 2013 and 2014	上海民信會計師事務所有限公司 Shanghai Minxin Certified Public Accountants Co., Ltd.
Hangzhou Shibo	December 31, 2012, 2013 and 2014	浙江岳華會計師事務所有限公司 Zhejiang Yuehua Certified Public Accountants Co., Ltd.
Tongxiang Shibo	December 31, 2012, 2013 and 2014	嘉興百索會計師事務所有限公司 Jiaxing Baisuo Certified Public Accountants
Beijing Business Management	December 31, 2012, 2013 and 2014	北京中博華會計師事務所（普通合夥） Beijing Zhong Bohua Certified Public Accountants
Hangzhou Global	December 31, 2012, 2013 and 2014	浙江岳華會計師事務所有限公司 Zhejiang Yuehua Certified Public Accountants Co., Ltd.
Changsha Home Furnishing	December 31, 2012, 2013 and 2014	湖南佳信聯合會計師事務所 Hunan Jiaxin United Certified Public Accounting Firm
Shanghai Brand Management	December 31, 2012	上海仟一會計師事務所有限公司 Shanghai Qianyi Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	上海兆信會計師事務所有限公司 Shanghai Zhaoxin Certified Public Accountants Co., Ltd.
Chongqing Global	December 31, 2012	重慶茂源會計師事務所 Chongqing Maoyuan Certified Public Accountants

Name of company	Financial period/year ended	Name of auditors
	December 31, 2013 and 2014	大華會計師事務所 Dahua Certified Public Accountants
Nanjing Management	December 31, 2012	江蘇中立會計師事務所有限公司 Jiangsu Zhong Li Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	江蘇天甯會計師事務所有限公司 Jiangsu Tin Certified Public Accountants Co., Ltd.
Tianjin Shibo	December 31, 2012	天津中審聯有限責任會計師事務所 Tianjin Zhongshen United Certified Public Accounting Firm
	December 31, 2013 and 2014	天津津北有限責任會計師事務所 Tianjin Jinbei Certified Public Accountants Co., Ltd.
Beijing Hehe Juzhong	December 31, 2012, 2013 and 2014	北京中博華會計師事務所（普通合夥） Beijing Zhong Bohua Certified Public Accountants
Beijing Xingkai Jingzhou	December 31, 2012, 2013 and 2014	北京中博華會計師事務所（普通合夥） Beijing Zhong Bohua Certified Public Accountants
Wuhan Shibo	December 31, 2012, 2013 and 2014	湖北公信會計師事務有限公司 Hubei Gongxin Certified Public Accountants Co., Ltd.
Shanghai Design Expo	December 31, 2012, 2013 and 2014	上海民信會計師事務所有限公司 Shanghai Minxin Certified Public Accountants Co., Ltd.
Yantai Home Furnishing	December 31, 2012, 2013 and 2014	煙臺恒德有限責任會計師事務所 Yantai Hengde Certified Public Accountants Co., Ltd.
Chongqing Expo	December 31, 2012	北京興華會計師事務所有限責任公司 Beijing Xinghua Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	重慶前進博遠會計師事務所有限公司 Chongqing Qianjin-Boyuan Certified Public Accountants Co., Ltd.
Changsha Yinhong	December 31, 2012	湖南佳信聯合會計師事務所 Hunan Jiaxin United Certified Public Accounting Firm

Name of company	Financial period/year ended	Name of auditors
	December 31, 2013 and 2014	湖南貝田聯合會計師事務所 Hunan Beitian Joint Certified Public Accountants
Tianjin Home Furnishing	December 31, 2012, 2013 and 2014	天津市君天會計師事務所有限公司 Tianjin Juntian Certified Public Accountants Co., Ltd.
Panjin Global	December 31, 2012	盤錦恒睿聯合會計師事務所 Panjin hengrui United Certified Public Accounting Firm
	December 31, 2013 and 2014	盤錦永正會計師事務所有限公司 Panjin Yonghzheng Certified Public Accountants Co., Ltd.
Harbin Shibo	December 31, 2012	黑龍江開元會計師事務所有限責任公司 Heilongjiang Kaiyuan Accountant Office
	December 31, 2013 and 2014	哈爾濱濱港會計師事務所 Harbin Bingang Certified Public Accountants
Shanghai Xingjia Material	December 31, 2012, 2013 and 2014	上海至臻聯合會計師事務所（普通合夥） Eunacon Perfect Alliance CPA Partnership
Chongqing Zhongkun	December 31, 2012	北京興華會計師事務所有限責任公司 Beijing Xinghua Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	重慶恒銘會計師事務所（普通合夥） Chongqing Hengming Certified Public Accountants
Yantai International	December 31, 2012, 2013 and 2014	煙臺恒德有限責任會計師事務所 Yantai Hengde Certified Public Accountants Co., Ltd.
Zhongshan Shibo	December 31, 2012	中山香山會計師事務所有限公司 Zhongshan Xiangshan Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	廣東正中珠江會計師事務所（特殊普通合夥）中山分所 Guangdong Zhengzhong Zhujiang Certified Public Accountants
Changzhou International	December 31, 2012, 2013 and 2014	常州大誠會計師事務所有限公司 Changzhou Dacheng Certified Public Accountants Co., Ltd.
Changzhou Worldwide	December 31, 2012, 2013 and 2014	常州大誠會計師事務所有限公司 Changzhou Dacheng Certified Public Accountants Co., Ltd.

Name of company	Financial period/year ended	Name of auditors
Wuxi International	December 31, 2012, 2013 and 2014	江蘇海天會計師事務所有限公司 Jiangsu Ark Certified Public Accounetants Co., Ltd.
Nanjing Furnishing City	December 31, 2012	江蘇中立會計師事務所有限公司 Jiangsu Zhong Li Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	江蘇天甯會計師事務所有限公司 Jiangsu Tin Certified Public Accountants Co., Ltd.
Nanjing Mingdu	December 31, 2012	江蘇中立會計師事務所有限公司 Jiangsu Zhong Li Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	江蘇天甯會計師事務所有限公司 Jiangsu Tin Certified Public Accountants Co., Ltd.
Shanghai Furnishing City	December 31, 2012, 2013 and 2014	上海民信會計師事務所有限公司 Shanghai Minxin Certified Public Accountants Co., Ltd.
Shanghai Furniture	December 31, 2012, 2013 and 2014	上海正達會計師事務所有限公司 Shanghai Zhengda Certified Public Accountants Co., Ltd.
Changsha International	December 31, 2012, 2013 and 2014	湖南佳信聯合會計師事務所 Hunan Jiaxin United Certified Public Accounting Firm
Jinan Shibo	December 31, 2012, 2013 and 2014	山東天澤會計師事務所有限公司 Shandong Tianze Certified Public Accountants Co., Ltd.
Chengdu Shibo	December 31, 2012, 2013 and 2014	四川興精誠會計師事務所有限公司 Sichan Xinjingcheng Certified Public Accountants Co., Ltd.
Zhengzhou International	December 31, 2012, 2013 and 2014	河南世紀聯合會計師事務所 Henan Shiji United Certified Public Accountants
Shanhai Art Furniture	December 31, 2012, 2013 and 2014	上海兆信會計師事務所有限公司 Shanghai Zhaoxin Certified Public Accountants Co., Ltd.
Beijing International	December 31, 2012, 2013 and 2014	北京天鼎衡會計師事務所（普通合夥） Beijing Tiandingheng CPA's Firm

Name of company	Financial period/year ended	Name of auditors
Beijing Shibo Furniture	December 31, 2012, 2013 and 2014	北京中博華會計師事務所（普通合夥） Beijing Zhong Bohua Certified Public Accountants
Beijing Global	December 31, 2012, 2013 and 2014	北京中博華會計師事務所（普通合夥） Beijing Zhong Bohua Certified Public Accountants
Tianjin International	December 31, 2012	華寅五洲會計師事務所 Huayin Wuzhou Certified Public Accountants
	December 31, 2013 and 2014	天津順通有限責任會計師事務所 Tianjin Shuntong Certified Public Accountants Co., Ltd.
Tianjin Home Furnishing	December 31, 2012, 2013 and 2014	天津順通有限責任會計師事務所 Tianjin Shuntong Certified Public Accountants Co., Ltd.
Shanghai Global	December 31, 2012, 2013 and 2014	上海民信會計師事務所有限公司 Shanghai Minxin Certified Public Accountants Co., Ltd.
Hongmei E-Commerce	December 31, 2012, 2013 and 2014	上海至臻聯合會計師事務所（普通合夥） Eunacon Perfect Alliance Cpa Partnership
Chongqing Shibo	December 31, 2012	北京興華會計師事務所有限責任公司 Beijing Xinghua Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	重慶恒銘會計師事務所（普通合夥） Chongqing Hengming Certified Public Accountants
Chongqing Xike Advertising	December 31, 2012	北京興華會計師事務所有限責任公司 Beijing Xinghua Certified Public Accountants Co., Ltd.
	December 31, 2013 and 2014	重慶恒銘會計師事務所（普通合夥） Chongqing Hengming Certified Public Accountants
Changzhou Hongyang	December 31, 2012, 2013 and 2014	常州大誠會計師事務所有限公司 Changzhou Dacheng Certified Public Accountants Co., Ltd.
Shanghai Xinwei	December 31, 2012, 2013 and 2014	上海民信會計師事務所有限公司 Shanghai Minxin Certified Public Accountants Co., Ltd.
Chengdu Changyi	December 31, 2012, 2013 and 2014	四川武達會計師事務所有限責任公司 Sichuan Wuda Certified Public Accountants Co., Ltd.

Name of company	Financial period/year ended	Name of auditors
Shanghai Hongxin Oukai	December 31, 2012, 2013 and 2014	上海民信會計師事務所有限公司 Shanghai Minxin Certified Public Accountants Co., Ltd.
Langfang Kaihong	December 31, 2012, 2013 and 2014	廊坊華安達會計師事務所有限公司 Langfang Hua Anda CPA Co., Ltd.
Changzhou Jiapindao (note a)	December 31, 2013 and 2014	常州大誠會計師事務所有限公司 Changzhou Dacheng Certified Public Accountants Co., Ltd.
Daqing Shibo (note a)	December 31, 2013 and 2014	哈爾濱濱港會計師事務所 Harbin Bingang Certified Public Accountants
Beijing Home Furnishing (note a)	December 31, 2013 and 2014	天華正信(北京)會計師事務所有限公司 Tianhua Zhengxin Certified Public Accountants Co., Ltd.
Wuxi Home Furnishing (note a)	December 31, 2013 and 2014	無錫中正會計師事務所 Wuxi Zhongzheng Certified Public Accountants
Wuhan Global (note b)	December 31, 2013 and 2014	湖北公信會計師事務所有限公司 Hubei Gongxin Certified Public Accountants Co., Ltd.
Beijing Century Kailong (note b)	December 31, 2013 and 2014	天華正信(北京)會計師事務所有限公司 Tianhua Zhengxin Certified Public Accountants Co., Ltd.
Tianjin Fashion (note b)	December 31, 2013 and 2014	天津順通有限責任會計師事務所 Tianjin Shuntong Certified Public Accountants Co., Ltd.
Hefei Shibo (note b)	December 31, 2013 and 2014	華普天健會計師事務所(特殊普通合夥) Huapu Tianjian Certified Public Accountants
Nanjing International (note b)	December 31, 2013 and 2014	江蘇天甯會計師事務所有限公司 Jiangsu Tin Certified Public Accountants Co., Ltd.
Shanghai Xingyi Tonghui (note b)	December 31, 2013 and 2014	上海至臻聯合會計師事務所(普通合夥) Eunacon Perfect Alliance CPA Partnership
Jiapinhui E-Commerce (note b)	December 31, 2013 and 2014	上海滬中會計師事務所有限公司 Shanghai Huzhong Certified Public Accountants Co., Ltd.
Harbin International (note b)	December 31, 2013 and 2014	哈爾濱濱港會計師事務所 Harbin Bingang Certified Public Accountants
Tianjin World Trade (note b)	December 31, 2013 and 2014	天津市君天會計師事務所有限公司 Tianjin Juntian Certified Public Accountants Co., Ltd.

Name of company	Financial period/year ended	Name of auditors
Xizhao Investment (note b)	December 31, 2013 and 2014	西藏中融匯會計師事務所有限公司 Xizang Zhongronghui Certified Public Accountants Co., Ltd.
Tianjin International Expo (note b)	December 31, 2013 and 2014	天津順通有限責任會計師事務所 Tianjin Shuntong Certified Public Accountants Co., Ltd.
Xingyijia Investment (note b)	December 31, 2013 and 2014	上海民信會計師事務所有限公司 Shanghai Minxin Certified Public Accountants Co., Ltd.
Shenyang Mingdu (note d)	December 31, 2013 and 2014	遼寧立信達會計師事務所有限責任公司 Liaoning Lixinda Certified Public Accountants Co., Ltd.
Beijing Century Oumei (note d)	December 31, 2013 and 2014	天華正信 (北京) 會計師事務所有限公司 Tianhua Zhengxin Certified Public Accountants Co., Ltd.
Shanghai Business Consulting (note c)	December 31, 2012	上海仟一會計師事務所有限公司 Shanghai Qianyi Certified Public Accountants Co., Ltd.
Shenyang Home Furnishing (note c)	December 31, 2012	遼寧華益和會計師事務所有限公司 Liaoning Huayihe Certified Public Accountants Co., Ltd.
Shanghai Trading (note c)	December 31, 2012	上海仟一會計師事務所有限公司 Shanghai Qianyi Certified Public Accountants Co., Ltd.
Shenyang Dadong (note c)	December 31, 2012	遼寧華益和會計師事務所有限公司 Liaoning Huayihe Certified Public Accountants Co., Ltd.
Kunshan Global (note c)	December 31, 2012	蘇州仁泰會計師事務所 Suzhou Rentai C.P.A Partnership
Quzhou Shibo (note c)	December 31, 2012	衢州永泰會計師事務所 Quzhou Yongtai Certified Public Accountants
Changshu Global (note c)	December 31, 2012	江蘇永拓會計師事務所有限公司 Jiangsu Yongtuo Certified Public Accountants Co., Ltd.
Shanghai Global Market (note c)	December 31, 2012	上海民信會計師事務所有限公司 Shanghai Minxin Certified Public Accountants Co., Ltd.
Shanghai Jingdu Investment (note c)	December 31, 2012	上海仟一會計師事務所有限公司 Shanghai Qianyi Certified Public Accountants Co., Ltd.

Name of company	Financial period/year ended	Name of auditors
Baotou Home Furnishing (note c)	December 31, 2012	包頭市創信會計師事務所 Baotou Chuangxin Certified Public Accountants
Shanghai Dingsheng (note c)	December 31, 2012	上海兢實會計師事務所 Shanghai Jingshi Certified Public Accountants
Xingkai Chengpeng (note c)	December 31, 2012	上海仟一會計師事務所有限公司 Shanghai Qianyi Certified Public Accountants Co., Ltd.

Notes:

(a) No audited statutory financial statements for year ended December 31, 2012 of these subsidiaries have been prepared as they were established in 2012 and have not reached their respective first financial year end date as at December 31, 2012.

(b) These subsidiaries were established in 2013.

(c) No audited statutory financial statements for year ended December 31, 2013 and 2014 of these subsidiaries have been prepared.

(d) No audited statutory financial statements for year ended December 31, 2012 of these subsidiaries have been prepared.

No audited statutory financial statements of Sunan Construction, Wuhan Zhengda, Wuxi Business Management, Xi'an Home Furnishing, Shanghai Jingting, Lianyungang International, Changzhou Home Furnishing, Shanghai Home Furnishing, Shanghai Advertising, Shanghai Management, Beijing Shibo Home Furnishing, Beijing Furniture, Zhengzhou Management, Fuzhou Shibo, Huhehaote Shibo, Beijing Xingkai, Shaanxi Oukai, Tianjin Xingmei Lijia, Shanghai Tongyue, Shanghai Yijia, Shanghai Youmei, Shanghai Meihao, Shenyang Expo, Shanghai Fengdilong, Shanghai Jinlilong, Changchun Shibo and Intellectual Property Agency have been prepared since their respective date of incorporation/establishment.

No audited statutory financial statements of RSM Mall Management, Shanghai Jiading, Shanghai Yongdian, Yangzhou International, Changsha Yali, Shanghai Jingwang, Shanghai Longmei, Chongqing Jiaxin, Chengdu Shangdingju, Xixiliya Property Management, Shanghai Bulk Purchasing, Shanghai Zhenxing, Changchun Xingmei, Lanzhou Shibo, Jisheng Wellborn Brand Management, Shanghai Decorating and Chengdu Xinwu have been prepared for the period from the date of incorporation/establishment as they have not reached their respective first financial year end date.

For the purpose of this report, the directors of the Company (the "Directors") have prepared consolidated financial statements of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements and performed such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of section A below. No adjustments are deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the Directors who approved their issue. The Directors are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at December 31, 2012, 2013 and 2014 and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31, 2012	2013	2014
		RMB'000	RMB'000	RMB'000
Revenue	8	5,253,733	6,360,703	7,935,131
Cost of sales and services		(1,452,260)	(1,789,571)	(2,054,070)
Gross profit		3,801,473	4,571,132	5,881,061
Other income	9	221,947	192,445	169,717
Changes in fair value of investment properties		1,112,493	2,055,060	2,415,278
Other gains and losses	10	(48,387)	(30,172)	(187,197)
Selling and distribution expenses		(808,721)	(922,168)	(1,054,911)
Administrative expenses		(654,155)	(771,274)	(922,573)
Other expenses	11	(6,115)	(26,564)	(112,855)
Share of profits of associates		45,545	41,613	14,133
Share of results of joint ventures		(14,435)	(9,835)	3,680
Finance costs	12	(554,396)	(631,358)	(856,162)
Profit before tax	13	3,095,249	4,468,879	5,350,171
Income tax expense	14	(838,652)	(1,199,552)	(1,428,167)
Profit and total comprehensive income for the year		2,256,597	3,269,327	3,922,004
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		1,907,090	3,013,182	3,632,917
Non-controlling interests		349,507	256,145	289,087
		2,256,597	3,269,327	3,922,004
Earnings per share				
- Basic and diluted (RMB)	18	0.64	1.00	1.21

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2012	2013	2014
		RMB'000	RMB'000	RMB'000
Non-current assets				
Investment properties	19	51,195,000	58,190,000	62,966,000
Property, plant and equipment	20	803,420	482,019	362,452
Intangible assets	21	12,468	28,539	548,916
Interests in associates	23	85,798	104,254	216,387
Interests in joint ventures	24	705,465	695,630	699,310
Available-for-sale investments	25	33,450	187,460	192,310
Loan receivables	26	115,000	115,000	45,000
Deferred tax assets	28	183,856	244,441	323,226
Restricted bank deposits	32	64,196	65,168	49,472
Other non-current assets	29	2,071,963	1,788,653	1,389,340
		55,270,616	61,901,164	66,792,413
Current assets				
Inventories	30	10,572	57,215	38,495
Loan receivables	26	300,680	—	99,810
Trade and other receivables	31	1,684,715	1,061,549	1,292,239
Tax recoverable		10,914	11,194	22,895
Restricted bank deposits	32	3,000	—	7,180
Bank balances and cash	33	3,778,346	3,829,293	3,664,860
		5,788,227	4,959,251	5,125,479
Current liabilities				
Trade and other payables	34	3,476,661	4,696,106	5,103,558
Rental and service fee received in advance		1,387,505	2,213,289	2,107,893
Tax liabilities		185,447	189,110	285,338
Bank and other borrowings	35	1,837,637	2,182,414	2,325,523
Provisions	36	—	7,128	—
Bonds	37	—	—	597,681
		6,887,250	9,288,047	10,419,993
Net current liabilities		(1,099,023)	(4,328,796)	(5,294,514)
Total assets less current liabilities		54,171,593	57,572,368	61,497,899

	NOTES	At December 31, 2012	2013	2014
		RMB'000	RMB'000	RMB'000
Non-current liabilities				
Deferred tax liabilities	28	8,300,029	8,963,139	9,719,525
Bank and other borrowings	35	8,054,470	9,055,899	9,083,476
Bonds	37	1,467,172	2,459,627	2,861,317
Obligations under finance leases	38	360,244	354,659	351,758
Deferred income	39	141,041	137,049	198,498
Other non-current liabilities	40	2,664,468	2,123,406	1,870,232
		20,987,424	23,093,779	24,084,806
Net assets		33,184,169	34,478,589	37,413,093
Capital and reserves				
Share capital	41	3,000,000	3,000,000	3,000,000
Share premium		234,616	234,616	234,616
Reserves		25,958,043	27,401,030	30,210,376
Equity attributable to owners of the Company		29,192,659	30,635,646	33,444,992
Non-controlling interests	42	3,991,510	3,842,943	3,968,101
Total equity		33,184,169	34,478,589	37,413,093

COMPANY'S STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2012	2013	2014
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment		30,954	42,082	35,045
Intangible assets	21	8,990	26,359	543,639
Interests in subsidiaries	22	3,953,572	5,480,358	5,925,518
Interests in associates		67,628	56,350	56,350
Interests in joint ventures	24	261,877	261,877	261,877
Available-for-sale investments		33,450	29,900	31,400
Loan receivables due from subsidiaries	27	376,085	376,449	376,449
Deferred tax assets	28	76,581	89,231	161,180
Other non-current assets	29	988,751	836,609	984,418
		5,797,888	7,199,215	8,375,876
Current assets				
Inventories		—	78	90
Loan receivables		—	—	29,810
Trade and other receivables	31	6,576,964	8,501,272	10,750,417
Restricted bank deposits		3,000	—	—
Bank balances and cash	33	1,291,166	998,488	666,885
		7,871,130	9,499,838	11,447,202
Current liabilities				
Trade and other payables	34	5,050,871	6,552,173	7,099,308
Rental and service fee received in advance		683,858	1,222,251	1,050,667
Tax liabilities		34,485	37,467	149,510
Bank and other borrowings	35	629,739	337,260	139,700
Provisions	36	—	7,128	—
Bonds	37	—	—	597,681
		6,398,953	8,156,279	9,036,866
Net current assets		1,472,177	1,343,559	2,410,336
Total assets less current liabilities		7,270,065	8,542,774	10,786,212
Non-current liabilities				
Bank and other borrowings	35	240,600	—	225,000
Bonds	37	1,467,172	2,459,627	2,861,317
Deferred income		—	—	54,016
Other non-current liabilities	40	781,341	596,128	728,424
		2,489,113	3,055,755	3,868,757
Net assets		4,780,952	5,487,019	6,917,455
Capital and reserves				
Share capital	41	3,000,000	3,000,000	3,000,000
Share premium		234,616	234,616	234,616
Reserves	41	1,546,336	2,252,403	3,682,839
Total equity		4,780,952	5,487,019	6,917,455

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory surplus reserve	Merge reserve	Share options reserve	Other reserves	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000 (note c)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012	3,000,000	234,616	333,593	440,943	169,331	3,723	23,072,167	27,254,373	3,543,433	30,797,806
Profit and total comprehensive income for the year	—	—	—	—	—	—	1,907,090	1,907,090	349,507	2,256,597
Appropriate to reserve	—	—	125,320	—	—	—	(125,320)	—	—	—
Dividends declared to a non-controlling shareholder of a subsidiary (note d)	—	—	—	—	—	—	—	—	(108,700)	(108,700)
Capital injection by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	86,200	86,200
Acquisition of a subsidiary (note 44)	—	—	—	—	—	—	—	—	30,000	30,000
Disposal of a subsidiary (note 45)	—	—	—	—	—	—	—	—	831	831
Deregister of a subsidiary (note e)	—	—	—	—	—	—	—	—	(45,000)	(45,000)
Deemed contribution from the ultimate holding company (note f)	—	—	—	50,170	—	—	—	50,170	—	50,170
Deemed contribution from the ultimate holding company and non-controlling shareholders of subsidiaries (note g)	—	—	—	306,417	—	—	—	306,417	135,239	441,656
Deemed distribution to the ultimate holding company (note h)	—	—	—	(325,391)	—	—	—	(325,391)	—	(325,391)
At January 1, 2013	3,000,000	234,616	458,913	472,139	169,331	3,723	24,853,937	29,192,659	3,991,510	33,184,169

	Share capital	Share premium	Statutory surplus reserve	Merge reserve	Share options reserve	Other reserves	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000 (note c)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2013	3,000,000	234,616	458,913	472,139	169,331	3,723	24,853,937	29,192,659	3,991,510	33,184,169
Profit and total comprehensive income for the year	—	—	—	—	—	—	3,013,182	3,013,182	256,145	3,269,327
Appropriate to reserve	—	—	177,034	—	—	—	(177,034)	—	—	—
Dividends (note 17)	—	—	—	—	—	—	(1,020,000)	(1,020,000)	—	(1,020,000)
Dividends declared to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	(56,270)	(56,270)
Capital injection by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	144,700	144,700
Acquisition of a subsidiary (note 44)	—	—	—	—	—	—	—	—	10,201	10,201
Acquisition of additional interests in subsidiaries (note i)	—	—	—	—	—	(648)	—	(648)	(32,844)	(33,492)
Deemed contribution from the ultimate holding company and non-controlling shareholders of subsidiaries (note g)	—	—	—	83,758	—	—	—	83,758	117,381	201,139
Deemed distribution to the ultimate holding company (note j)	—	—	—	(633,305)	—	—	—	(633,305)	—	(633,305)
Deemed distribution to non-controlling shareholders of subsidiaries (note k)	—	—	—	—	—	—	—	—	(587,880)	(587,880)
At January 1, 2014	3,000,000	234,616	635,947	(77,408)	169,331	3,075	26,670,085	30,635,646	3,842,943	34,478,589

	Share capital	Share premium	Statutory surplus reserve	Merge reserve	Share options reserve	Other reserves	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000 (note c)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	3,000,000	234,616	635,947	(77,408)	169,331	3,075	26,670,085	30,635,646	3,842,943	34,478,589
Profit and total comprehensive income for the year	—	—	—	—	—	—	3,632,917	3,632,917	289,087	3,922,004
Appropriate to reserve	—	—	210,520	—	—	—	(210,520)	—	—	—
Dividends (note 17)	—	—	—	—	—	—	(720,000)	(720,000)	—	(720,000)
Dividends declared to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	(47,155)	(47,155)
Capital injection by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	5,750	5,750
Acquisition of additional interests in subsidiaries	—	—	—	—	—	1,066	—	1,066	(12,946)	(11,880)
Disposal of subsidiaries (note 45)	—	—	—	—	—	—	—	—	(90,468)	(90,468)
Deemed distribution to the ultimate holding company (note l)	—	—	—	(104,637)	—	—	—	(104,637)	—	(104,637)
Other (note m)	—	—	—	—	—	—	—	—	(19,110)	(19,110)
At December 31, 2014	3,000,000	234,616	846,467	(182,045)	169,331	4,141	29,372,482	33,444,992	3,968,101	37,413,093

Notes:

(a) In accordance with the Articles of Association of the Company and all subsidiaries established in the PRC, the Company and the subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(b) Merge reserve represents the differences between the existing book values of net assets of the combining entities or businesses under common control and the fair value of consideration paid when the Group acquired entities or businesses from the ultimate holding company or ultimate shareholder.

(c) Other reserve represents the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid or received when the Group acquired or disposed of partial interests in existing subsidiaries.

(d) Part of the dividends, which amounted to RMB100,000,000 was offset by amount due from a non-controlling shareholder of a subsidiary and not paid in cash.

(e) The Group did not paid any cash upon the deregister of the subsidiary as it was offset by amount due from a non-controlling shareholder of a subsidiary.

(f) In June 2014, the Group acquired 100.00% equity interests in Sunan Construction from RSM Enterprise Development Group (as defined in note 2 of section A). In April 2012, RSM Enterprise Development Group acquired 100% equity interest in Sunan Construction from an independent third party. Since then, Sunan Construction came under common control of the ultimate holding company. Thus, Sunan Construction is accounted for as a subsidiary of the Company since April 2012. The fair value of the total identifiable net assets at the date of acquisition amounting to RMB50,170,000 was recognized as deemed contribution from the ultimate holding company in merge reserve. Details are set out in note 44 of section A.

(g) The Transferred Shopping Malls (as defined in note 2 of section A) were held by RSM Enterprise Development Group during the Relevant Periods. To the extent the assets, liabilities, income and expenses that are directly attributable to the Transferred Shopping Malls, such items are included in the Financial Information throughout the Relevant Periods (see note 2 of section A). The changes of the net assets of the Transferred Shopping Malls attributable to the owners of the Company and non-controlling interests was recognized as deemed contribution from the ultimate holding company and non-controlling shareholders of subsidiaries, respectively.

(h) The amount represents the consideration paid in October 2012 arising from repurchase of the Transferred Shopping Mall held by Dalian Investment (as defined in note 2 of section A) from RSM Enterprise Development Group (see note 2 of section A), which is equal to Group's proportionate share of the existing book value of net assets directly attributable to this Transferred Shopping Mall. The consideration of RMB325,391,000 was offset by the deposits receivable in respect of the guarantees provided (see note 50) and not paid in cash.

(i) Part of the consideration, which amounted to RMB8,992,000 was offset by the amount due from a non-controlling shareholder of a subsidiary and not paid in cash.

(j) The amount represents the consideration paid in December 2013 arising from repurchase of the Transferred Shopping Mall held by Xinglong Property (as defined in note 2 of section A) from RSM Enterprise Development Group (see note 2 of section A), which is equal to the Group's proportionate share of the existing book value of net assets directly attributable to this Transferred Shopping Mall. The consideration of RMB633,305,000 was partially offset by the amount due from relevant related parties arising from disposal of Beijing Xingkai in 2013 and RMB200,000,000 was paid in cash after the offset.

(k) In August 2013, Tianjin International Expo was established following the split of Huayun Trading and transferred the Transferred Shopping Mall previously held by Huayun Trading (as defined in note 2 of section A). The Group held 65.00% (equal to the Group's proportionate share in Huayun Trading) equity interests in Tianjin International Expo.

In December 2013, Changchun Shibo was established following the split of Changchun Property and transferred the Transferred Shopping Mall previously held by Changchun Property (as defined in note 2 of section A). The Group held 70.00% (equal to the Group's proportionate share in Changchun Property) equity interests in Changchun Shibo.

The changes of the net assets, which mainly represented bank loans of RMB660,000,000 and net receivables from related parties, approximately RMB110,830,000 of these two Transferred Shopping Mall attributable to non-controlling interests arising from the split was recognized as deemed distribution to non-controlling shareholders of subsidiaries.

(l) The amount represents the cash consideration paid arising from acquisitions of equity interests in Sunan Construction and Shenyang Expo from RSM Enterprise Development Group (see note 2 of section A) and Sunan Construction's dividend to RSM Enterprise Development Group in 2014 before acquisition.

(m) In 2014, the Group entered into an agreement with a non-controlling shareholder of a subsidiary, pursuant to which, the non-controlling shareholder could get pre-agreed annual return from the subsidiary and ceased to share the result of the subsidiary over the period of 20 years. The Group recognized the financial liability at fair value, which incorporated expectations of cash flows and market interests as of the date of the recognition, and derecognized the previous carrying amount recognized in non-controlling interest.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax	3,095,249	4,468,879	5,350,171
Adjustments for:			
Finance costs	554,396	631,358	856,162
Interest income	(129,424)	(95,244)	(58,437)
Share of profits of associates	(45,545)	(41,613)	(14,133)
Share of results of joint ventures	14,435	9,835	(3,680)
Depreciation of property, plant and equipment	84,673	95,955	102,260
Amortization of intangible assets	4,310	4,975	14,562
Allowance provided for doubtful debts	62,904	30,863	65,426
Changes in fair value of investment properties	(1,112,493)	(2,055,060)	(2,415,278)
Loss on disposal of property, plant and equipment	83	424	57,588
(Gain) loss on disposal of a subsidiary	(12,933)	48	66,855
Gain on disposal of an associate	—	(2,734)	—
Operating cash flows before movements in working capital	2,515,655	3,047,686	4,021,496
Increase in inventories	(6,073)	(46,643)	(12,206)
Decrease (increase) in trade and other receivables	208,382	(122,429)	(408,540)
(Increase) decrease in other non-current assets	(25,000)	(40,957)	1,472
Increase (decrease) in rental and service fee received in advance	229,963	825,784	(105,396)
Increase in trade and other payables	509,079	933,659	292,477
Increase (decrease) in other non-current liabilities	162,321	(366,443)	112,697
Cash generated from operations	3,594,327	4,230,657	3,902,000
Income tax paid	(602,447)	(615,139)	(654,708)
Net cash from operating activities	2,991,880	3,615,518	3,247,292
INVESTING ACTIVITIES			
Interest received	129,424	95,244	58,437
Assets-related government grants received	43,947	—	66,147
Dividends received from an associate	16,000	14,600	27,000
Payments for investment properties	(2,564,818)	(3,838,186)	(2,025,238)
Payments for property, plant and equipment	(289,919)	(439,628)	(87,902)
Payments for intangible assets	(3,234)	(21,046)	(534,839)
Withdrawal of loan receivables	780,000	300,680	—
Placement of loan receivables	(1,050,000)	—	(29,810)
Proceeds on disposal of property, plant and equipment	1,046	3,738	6,308
Proceeds (net cash outflow) on acquisitions of subsidiaries (note 44)	599	13	(113)
Prepayment for acquisition of a subsidiary	—	—	(62,191)
Payments for establishment of an associate	(9,800)	(4,500)	(125,000)
Payments for capital injection into an existing joint venture	(30,377)	—	—
Payments for available-for-sale investments	(2,750)	(157,560)	—
Proceeds (net cash outflow) on disposal of subsidiaries (note 45)	8,115	51,901	(4,298)
Proceeds received upon disposal of a subsidiary in prior year	—	15,000	—
Proceeds on disposal of associates	—	5,991	—
Proceeds on disposal of available-for-sale investments	—	—	13,500
Placement of bank deposits with original maturity over three months	(12,157)	(21,568)	(52,304)

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Withdrawal of bank deposits with original maturity over three months	10,500	9,357	4,216
Payment of pledged bank deposits	(42,523)	(2,069)	(19,479)
Withdrawal of pledged bank deposits	4	4,097	27,995
Proceeds on transfer of amounts due from former subsidiaries	—	721,591	201,000
Advance to related parties and third parties	(369,190)	(189,689)	(210,803)
Repayment from related parties and third parties	317,635	236,849	183,278
Net cash used in investing activities	(3,067,498)	(3,215,185)	(2,564,096)
FINANCING ACTIVITIES			
Proceeds from new borrowings raised	4,428,209	4,219,111	2,717,208
Proceeds from new bonds raised	1,500,000	1,000,000	1,000,000
Payment of issuance costs of bonds	(34,075)	(15,600)	(12,300)
Repayment of borrowings	(4,754,661)	(3,538,667)	(2,546,522)
Capital injection by non-controlling shareholders of subsidiaries	86,200	144,700	5,750
Payment for acquisition of additional interests in subsidiaries	—	(24,500)	(11,880)
Interest paid	(920,332)	(938,103)	(1,045,646)
Dividends paid	(232,283)	(1,020,000)	(720,000)
Deemed distribution to ultimate shareholder	—	—	(104,637)
Dividends paid to a non-controlling shareholder of a subsidiary	(14,040)	(51,470)	(48,355)
Advance from related parties and third parties	218,118	264,940	29,594
Repayment to related parties and third parties	(383,124)	(174,823)	(165,623)
Deposits arising from counter guarantee agreements received from related parties (note 50)	389,228	—	127,592
Deposits arising from counter guarantee agreements paid to related parties (note 50)	—	(227,185)	(120,898)
Net cash from (used in) financing activities	283,240	(361,597)	(895,717)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	207,622	38,736	(212,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,558,567	3,766,189	3,804,925
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash (note 33)	3,766,189	3,804,925	3,592,404

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the PRC on January 6, 2011 as a sino-foreign joint stock limited company under the PRC laws upon the conversion of 上海紅星美凱龍企業管理有限公司 Shanghai Red Star Macalline Enterprise Management Company Limited (formerly known as 上海紅星美凱龍家居家飾品有限公司 Shanghai Red Star Macalline Home Furnishing Company Limited), a company with limited liability incorporated in the PRC. The parent and ultimate holding company of the Company is 上海紅星美凱龍投資有限公司 Shanghai Red Star Macalline Investment Company Limited ("RSM Investment"), a company with limited liability incorporated in the PRC. The ultimate controlling shareholder is Mr. Che Jianxing.

The respective addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" of the Prospectus.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Group's current liabilities exceed its current assets at the end of each reporting period. Taking into account

- the available unutilized overdrafts, and medium term bank loan facilities of approximately RMB4,076.3 million, RMB4,301.3 million and RMB 4,620.0 million as at December 31, 2012, 2013 and 2014 respectively;
- the available approved limits for private placement of bonds of RMB4,000.0 million and RMB3,000.0 million as at December 31, 2013 and 2014, respectively; and
- the cash flows from operations.

The Directors believe that the Group will continue to operate as a going concern and consequently, the Financial Information has been prepared on a going concern basis.

Disposal of real estate business

In 2011, the Group disposed of its equity interests in all of its subsidiaries, joint ventures and associates engaging in real estate business to RSM Investment and certain of its subsidiaries, and certain third parties. Following the completion of the disposal of real estate business, RSM Investment held the real estate business disposed of by the Group through 上海紅星美凱龍企業發展有限公司 Shanghai Red Star Macalline Enterprise Development Company Limited ("RSM Enterprise Development", together with its subsidiaries, joint ventures and associates, collectively refer to as "RSM Enterprise Development Group"), which is held as to 61% by RSM Investment. The Group has ceased to engage in any real estate business since then.

Following the completion of the disposal, seven of the disposed entities engaging in real estate business that are held by RSM Enterprise Development, namely, 天津市華運商貿物業有限公司 Tianjin Huayun Trading Property Company Limited ("Huayun Trading"), 長春紅星美凱龍全球家居置業有限公司 Changchun Red Star Macalline Global

Home Furnishing Property Company Limited ("Changchun Property"), 雲南紅星美凱龍置業有限公司 Yunnan Red Star Macalline Property Company Limited ("Yunnan Property"), 瀋陽晶森宏普房產開發有限公司 Shenyang Jingsen Hongpu Property Development Company Limited ("Shenyang Jingsen"), 大連紅星美凱龍投資發展有限公司 Dalian Red Star Macalline Investment Development Company Limited ("Dalian Investment"), 上海星龍房地產開發有限公司 Shanghai Xinglong Property Development Company Limited ("Xinglong Property") and 上海綠地集團成都金牛房地產開發有限公司 Shanghai Greenland Group Chengdu Jinniu Property Development Company Limited ("Greenland Jinniu") held certain of the home furnishing shopping malls of the Group together with certain assets and liabilities that are attributable to these home furnishing shopping malls (collectively, the "Transferred Shopping Malls"). As Yunnan Property owned 76.6% of the property right (the "Repurchased Portion") of its home furnishing shopping mall (the other 23.4% of the property right is owned by a third party), the Transferred Shopping Malls held by Yunnan Property referred to the Repurchased Portion of this home furnishing shopping mall (excluding the other 23.4% of the property right owned by a third party) together with certain assets and liabilities that are attributable to the Repurchased Portion of this home furnishing shopping mall. The Transferred Shopping Malls were developed together with other commercial and/or residential properties held by these entities and were not available for separately transfer until the completion of the whole development.

The Group entered into a serious of repurchase agreements and supplemental agreements (collectively, the "Repurchase Agreements") during the Relevant Periods with RSM Enterprise Development Group in respect of repurchase of the Transferred Shopping Malls. Pursuant to the Repurchase Agreements, the Group (i) have a legally binding obligation to repurchase the Transferred Shopping Malls held by each of Huayun Trading, Changchun Property, Yunnan Property and Shenyang Jingsen once they are available for separately transfer (the "Definitive Repurchase") and undertake all the risk and rewards that are attributable to the Transferred Shopping Malls in respect of Definitive Repurchase since the Repurchase Agreements entered into; and (ii) have been granted an option to repurchase the Transferred Shopping Malls held by each of Dalian Investment, Xinglong Property and Greenland Jinniu (the "**Optional Repurchase**"), from RSM Enterprise Development Group.

In respect of the Optional Repurchase, the Group further entered into the definitive repurchase agreements with RSM Enterprise Development Group in 2012 and 2013, respectively, to repurchase the Transferred Shopping Malls held by each of Dalian Investment and Xinglong Property.

As at December 31, 2011, The Group has paid consideration of RMB1,072,500,000, RMB268,800,000, RMB402,000,000 and RMB315,000,000 for the Transferred Shopping Malls held by each of Huayun Trading, Changchun Property, Yunnan Property and Shenyang Jingsen, respectively. In addition, the Group paid consideration of RMB325,391,000 for the Transferred Shopping Mall held by Dalian Investment in October 2012 and RMB633,305,000 for the Transferred Shopping Mall held by Xinglong Property in December 2013. The considerations are determined by the Group's proportionate share of the existing book value of net assets directly attributable to respective Transferred Shopping Mall.

In view of the legally binding obligation as to the Definitive Repurchase of the Transferred Shopping Malls held by each of Huayun Trading, Changchun Property, Yunnan Property and Shenyang Jingsen, to the extent the assets and liabilities that are directly attributable to these four Transferred Shopping Malls, they have not been de-recognized upon signing the Repurchase Agreement and such items together with the relevant income and expenses are included in the Financial Information throughout the Relevant Periods. Income and expenses, assets and liabilities have been identified by the management of the Group using a specific identification method.

In view of the exercise of the options to repurchase the Transferred Shopping Malls held by each of Dalian Investment and Xinglong Property, as these two Transferred Shopping Malls and the Group are under the common control of RSM Investment before and after the exercise of options, to the extent the assets, liabilities, income and expenses that are directly attributable to these two Transferred Shopping Malls, merger accounting has been applied and such items are included in the Financial Information throughout the Relevant Periods. Income and expenses, assets and liabilities have been identified by the management of the Group using a specific identification method.

In August 2013, Tianjin International Expo was established following the split of Huayun Trading and transferred the Transferred Shopping Mall held by Huayun Trading. The Group held 65.00% (equal to the Group's proportionate share in Huayun Trading) equity interests in Tianjin International Expo.

In December 2013, Changchun Shibo was established following the split of Changchun Property and transferred the Transferred Shopping Mall held by Changchun Property. The Group held 70.00% (equal to the Group's proportionate share in Changchun Property) equity interests in Changchun Shibo.

Business combination under common control

In June 2014, the Group has acquired 100.00% equity interests in Sunan Construction from RSM Enterprise Development Group for a consideration of RMB53,170,000.

In September 2014, the Group has acquired 100.00% equity interests in Shenyang Expo from RSM Enterprise Development Group for a consideration of RMB50,000,000.

As Sunan Construction and Shenyang Expo are ultimately controlled by RSM Investment and Mr. Che Jianxing prior to and after these acquisitions, merger accounting has been applied and the Financial Information has been prepared as if the group structure had existed throughout the Relevant Periods.

As such, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the Group as if the group structure had existed throughout the Relevant Periods, or since their respective dates of incorporation/establishment or date of acquisition from third parties, where those is a shorter period. The consolidated statements of financial position as at December 31, 2012, 2013 and 2014 include the assets and liabilities of the Group as if the group structure had existed on those dates.

3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, amendments and interpretations issued by the IASB which are effective for the accounting period beginning on January 1, 2014 throughout the Relevant Periods.

At the date of this report, the IASB has issued the following new and amendments to IFRSs that are not yet effective. The Group has not early applied these new and amendments to IFRSs.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018

2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016

3 Effective for annual periods beginning on or after January 1, 2017

4 Effective for annual periods beginning on or after July 1, 2014

5 Effective for annual periods beginning on or after January 1, 2016

6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Specifically, pursuant to IFRS 9, all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Under IFRS 9, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent according periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. Furthermore, IFRS 9 requires certain simple debt instruments to be measured at FVTOCI when certain requirements are met. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

In relation to the impairment of financial assets, IFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Directors consider that the adoption of IFRS 9 in the future will affect the classification and measurement of the available-for-sale investments held by the Group and may affect the Group's financial assets including the impairment assessment but is unlikely to affect the Group's financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the Group's financial statements until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

Except as described above, the directors of the Company consider that the application of the other new IFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance which for the Relevant Periods continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of that Ordinance.

The Financial Information has been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized 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.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during each period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this result in the non-controlling interests has a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Business combinations other than common control combination

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Acquisition of assets and liabilities through acquisition of subsidiary

Where an acquisition of an assets or a group of assets and liabilities that not constitute a business, the Group identify and recognize the individual identifiable assets acquired and liabilities assumed by allocating purchase price to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the Financial Information using the equity method of accounting. The financial statements of associates or joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Financial Information only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Initiation, entrance and membership fees.

Initiation and entrance fee, which is not related to other goods and service provided, is recognized as revenue when no significant uncertainty as to its collectability exists.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract (provided that it is probable that the economic benefits will flow to the Group and the outcome of the transaction involving the rendering of services can be estimated reliably).

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortized over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained earnings.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortization of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loan receivables, other non-current assets, trade and other receivables, restricted bank deposits, and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, bank and other borrowings, bonds, obligations under finance leases and other non-current liabilities are subsequently measured at amortized cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with IAS 37; and

(ii) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4 of Section A, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Financial Information.

Revenue recognition — Initiation and entrance fees

The Group enters into contract management arrangements with its partners to manage their shopping malls under the Group's brand name. The Group usually charge its partners initiation and entrance fees. The Directors were required to consider when it is appropriate to recognize the revenue from initiation and entrance fees.

In making their judgment, the Directors considered the detailed criteria for the recognition of revenue set out in IAS 18. As the initiation and entrance fees permits only initiation, and all other services or products are paid for separately, and there is a separate annual management fee, the Directors are satisfied that initiation and entrance fees are recognized as revenue when no significant uncertainty as to its collectability exists.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model under IAS 40 amounting to RMB51,195,000,000, RMB58,190,000,000 and RMB62,966,000,000 as at December 31, 2012, 2013 and 2014 respectively, the Directors concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time.

Therefore, in determining the Group's deferred tax on investment properties, the Directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted and the Group estimated the deferred tax on the basis of recovering through use.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period.

Investment properties

Investment properties of RMB51,195,000,000, RMB58,190,000,000 and RMB62,966,000,000 as at December 31, 2012, 2013 and 2014 respectively are stated at fair values based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors have exercised their judgment and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of fair value gain or loss reported in profit or loss.

Taxation

Deferred tax assets of RMB183,856,000, RMB244,441,000 and RMB323,226,000 have been recognized as at December 31, 2012, 2013 and 2014 respectively, after offsetting certain deferred tax liabilities as set out in note 28 of Section A. The realizability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors determine the deferred tax assets based on the enacted or substantially enacted tax rates and profit forecasts of the Group for coming years during which the deferred taxation assets are expected to be utilized. The Directors reviewed the assumptions and profit forecasts at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which such a recognition or reversal takes place.

Property, plant and equipment

The management determines the estimated useful lives, residual values and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives and residual values of items of property, plant and equipment of similar nature and functions. The management will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of shopping malls. The management will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives. Periodic review could result in a change in depreciation period and therefore depreciation charge in the future periods.

In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. The carrying amounts of property, plant and equipment as of the Group at December 31, 2012, 2013 and 2014 were RMB803,420,000, RMB482,019,000, and RMB362,452,000 respectively. The carrying amounts of property, plant and equipment of the Company as at December 31, 2012, 2013 and 2014 were RMB30,954,000, RMB42,082,000 and RMB35,045,000 respectively.

Intangible assets

The intangible assets are amortized on a straight-line basis over estimated useful lives. The management assessed the estimated useful lives of intangible assets annually.

In addition, the management considers the potential impairment based on the recoverable amount. The intangible assets with finite useful lives are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology, and operating or cash flow losses associated with the intangible assets.

Determining whether intangible assets is impaired requires an estimation of the recoverable amount of the cash-generating units ("CGUs") to which intangible assets has been allocated. The recoverable amount of CGUs at the end of each reporting period is based on the value in use calculation which requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment of intangible assets has been made during the Relevant Periods.

The carrying amount of intangible assets of the Group is RMB12,468,000, RMB28,539,000 and RMB548,916,000 as at December 31, 2012, 2013 and 2014 respectively (see note 21 of Section A).

The carry amount of intangible assets of the Company is RMB8,990,000, RMB26,359,000 and RMB543,639,000 as at December 31, 2012, 2013 and 2014 respectively (see note 21 of Section A)

Trade and other receivables

The Group and the Company makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. In determining whether there is objective evidence of allowance for bad and doubtful debts, the Group and the Company takes into consideration the collectability, aged analysis of trade and other receivables and estimation of future cash flows. The amount of the allowance for bad and doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, an allowance for bad and doubtful debts may arise.

The carrying amount of trade and other receivables of the Group is RMB1,684,715,000, RMB1,061,549,000 and RMB1,292,239,000 which is after allowance for bad and doubtful debts as at December 31, 2012, 2013 and 2014 respectively (see note 31 to section A).

The carry amount of trade and other receivables of the Company is RMB6,576,964,000, RMB8,501,272,000 and RMB10,750,417,000 which is after allowance for bad and doubtful debts as at December 31, 2012, 2013 and 2014 respectively (see note 31 to section A).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of net debts, which includes the bank and other borrowings, bonds and obligations under finance leases net of bank balances and cash, and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
The Group			
Financial assets			
Loan and receivables (including bank balances and cash)	6,414,914	5,270,661	5,377,262
Available-for-sale investment	33,450	187,460	192,310
	6,448,364	5,458,121	5,569,572
Financial liabilities			
Amortized cost	16,628,368	19,822,630	20,921,665
The Company			
Financial assets			
Loan and receivables (including bank balances and cash)	7,827,427	8,852,330	9,749,670
Available-for-sale investment	33,450	29,900	31,400
	7,860,877	8,882,230	9,781,070
Financial liabilities			
Amortized cost	7,376,723	9,343,809	10,881,510

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, loan receivables, trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, bonds and obligations under finance leases. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose primarily to the market risks of changes in interest rates.

There has been no significant change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures the risk over the Relevant Periods.

(1) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on bank balances, restricted bank deposits and bank and other borrowings which carry at prevailing deposit interest rates or variable interest rates based on the interest rates quoted by the People's Bank of China.

The Group's and the Company's fair value interest rate risk relates primarily to its fixed rate bank and other borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates on bank balances, restricted bank deposits and variable rate bank and other borrowings at the end of each reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis points increase or decrease for variable rate bank and other borrowings and a 25 basis points increase or decrease for bank balances and restricted bank deposits are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rate in respect of bank and other borrowings, bank balances and restricted bank deposits, respectively.

If interest rates had been increased by 50 basis points in respect of variable rate bank and other borrowings and all other variables were held constant, the Group's and the Company's post-tax profit for the years ended December 31, 2012, 2013 and 2014 (net of interest capitalization effect) would have decreased by

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
The Group			
Decrease in post-tax profit for the year	22,854	22,450	25,199
The Company			
Decrease in post-tax profit for the year	3,872	1,053	564

The post-tax profit for the year would have increased by the same amount as mentioned above if interest rates had been decreased by 50 basis points in respect of variable rate bank and other borrowings and all other variables were held constant.

If interest rates had been increased by 25 basis points in respect of bank balances and restricted bank deposits and all other variables were held constant, the Group's and the Company's post-tax profit for the years ended December 31, 2012, 2013 and 2014 would have increased by:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
The Group			
Increase in post-tax profit for the year	9,614	9,736	9,304
The Company			
Increase in post-tax profit for the year	3,235	2,496	1,667

The post-tax profit for the year would have decreased by the same amount as mentioned above if interest rates had been decreased by 25 basis points in respect of bank balances and restricted bank deposits and all other variables were held constant.

(2) Foreign currency risk

The Group collects all of its revenue in RMB and incurs almost all of its expenditures in RMB.

The Group currently does not have a foreign currency hedging policy as the Directors consider that the foreign exchange risk exposure of the Group is minimal. The Group will consider hedging significant foreign currency exposure should the need arise.

No sensitivity analysis has been presented as the Directors consider that the foreign exchange risk exposure of the Group is minimal.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from:

(a) The carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position at the end of each reporting period; and

(b) The amounts of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 49 of Section A.

In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt and debt investment at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's and the Company's credit risk are significantly reduced.

The Group and the Company don't have significant concentration of credit risk on trade receivables as trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Group and the Company have concentration of credit risk on the Group's and the Company's amounts due from related parties. However, the credit risk on amounts due from related parties is limited as the related parties are at a good financial position.

The Group and the Company have concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company also has concentration of credit risk on its amounts due from subsidiaries (including loan receivables from subsidiaries). The balances of amounts due from subsidiaries (including loan receivables from subsidiaries) amounted to RMB5,044,014,000, RMB7,288,086,000 and RMB8,336,607,000 as at December 31, 2012, 2013 and 2014, respectively (see notes 27 and 31).

Liquidity risk

The Directors have built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2012, 2013 and 2014, the Group has available unutilized overdrafts, and medium term bank loan facilities of approximately RMB4,076.3 million, RMB4,301.3 million and RMB4,620.0 million respectively.

As at December 31, 2013 and 2014, the Group has available approved limits for private placement of bonds of RMB4,000 million and RMB3,000 million, respectively.

In addition, the following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of each reporting period.

The Group

	Weighted effective average interest rate	On demand or less than 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2012							
Trade and other payables		3,421,730	—	—	—	3,421,730	3,421,730
Other non-current liabilities		—	1,487,115	—	—	1,487,115	1,487,115
Bank and other borrowings — fixed rate	7.65	91,122	273,382	—	—	364,504	330,600
Bank and other borrowings — variable rate	7.31	1,828,909	1,140,703	3,678,707	6,025,106	12,673,425	9,561,507
Bonds	6.34	87,630	87,630	1,697,610	—	1,872,870	1,467,172
Obligation under financial leases	6.55	26,315	26,315	78,944	809,180	940,754	360,244
Financial guarantee contracts		398,000	—	—	—	398,000	—
		5,853,706	3,015,145	5,455,261	6,834,286	21,158,398	16,628,368
At December 31, 2013							
Trade and other payables		4,561,007	—	—	—	4,561,007	4,561,007
Other non-current liabilities		—	1,201,896	—	—	1,201,896	1,201,896
Bank and other borrowings — fixed rate	6.87	408,899	349,026	542,405	1,526,684	2,827,014	2,100,000
Bank and other borrowings — variable rate	7.27	1,867,204	1,191,493	4,857,886	3,667,201	11,583,784	9,138,313
Bonds	7.01	162,630	762,630	2,234,980	—	3,160,240	2,459,627
Provisions		7,128	—	—	—	7,128	7,128
Obligation under financial leases	6.55	26,315	26,315	78,944	780,082	911,656	354,659
Financial guarantee contracts		338,000	—	—	—	338,000	—
		7,371,183	3,531,360	7,714,215	5,973,967	24,590,725	19,822,630
At December 31, 2014							
Trade and other payables		4,868,418	—	—	—	4,868,418	4,868,418
Other non-current liabilities		—	833,492	—	—	833,492	833,492
Bank and other borrowings — fixed rate	6.98	536,357	267,881	1,090,804	1,227,691	3,122,733	2,537,898
Bank and other borrowings — variable rate	7.27	1,808,882	1,675,734	4,052,085	3,519,755	11,056,456	8,871,101
Bonds	7.43	842,630	709,990	2,684,990	—	4,237,610	3,458,998
Obligation under financial leases	6.55	26,315	26,315	78,944	753,857	885,431	351,758
Financial guarantee contracts		258,000	—	—	—	258,000	—
		8,340,602	3,513,412	7,906,823	5,501,304	25,262,141	20,921,665

The Company

	Weighted effective average interest rate	On demand or less than 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012							
Trade and other payables		5,039,212	—	—	—	5,039,212	5,039,212
Bank and other borrowings — fixed rate	6.89	50,450	273,382	—	—	323,832	290,600
Bank and other borrowings — variable rate	6.96	615,678	—	—	—	615,678	579,739
Bonds	6.34	87,630	87,630	1,697,610	—	1,872,870	1,467,172
Financial guarantee contracts		398,000	—	—	—	398,000	—
		6,190,970	361,012	1,697,610	—	8,249,592	7,376,723
At 31 December 2013							
Trade and other payables		6,523,116	—	—	—	6,523,116	6,523,116
Other non-current liabilities		—	16,678	—	—	16,678	16,678
Bank and other borrowings — fixed rate	6.60	307,658	—	—	—	307,658	300,000
Bank and other borrowings — variable rate	6.60	38,447	—	—	—	38,447	37,260
Bonds	7.01	162,630	762,630	2,234,980	—	3,160,240	2,459,627
Provisions		7,128	—	—	—	7,128	7,128
Financial guarantee contracts		338,000	—	—	—	338,000	—
		7,376,979	779,308	2,234,980	—	10,391,267	9,343,809
At 31 December 2014							
Trade and other payables		7,042,805	—	—	—	7,042,805	7,042,805
Other non-current liabilities		—	15,007	—	—	15,007	15,007
Bank and other borrowings — variable rate	7.80	152,119	277,650	—	—	429,769	364,700
Bonds	7.43	842,630	709,990	2,684,990	—	4,237,610	3,458,998
Financial guarantee contracts		258,000	—	—	—	258,000	—
		8,295,554	1,002,647	2,684,990	—	11,983,191	10,881,510

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Directors consider that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Fair value measurements

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

8. REVENUE AND SEGMENT INFORMATION

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

Owned/leased Portfolio Shopping Malls: this segment derives revenue from leasing floor areas to the 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.

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

Other: this segment derives revenue from providing other comprehensive service to the customers, including strategy consultation, home design consultation, construction service and so on.

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of interest income, government grants, compensation received and receivable, changes in fair value of investment properties, loss on disposal of property, plant and equipment, gain (loss) on disposal of a subsidiary, gain on disposal of an associate, compensation paid and payable, share of profits 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.

Inter-segment sales are priced with reference to prices charged to external parties for similar products and services.

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.

Segment revenues and results

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

	Owned/leased Portfolio Shopping Malls	Managed Shopping Malls	Sales of merchandise and related services	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2012					
Revenue from external customers	3,851,567	1,399,875	2,266	25	5,253,733
Inter-segment revenue	—	—	—	100,070	100,070
Segment revenue	3,851,567	1,399,875	2,266	100,095	5,353,803
Segment profit	1,722,698	602,917	(20,942)	10,986	2,315,659
Year ended December 31, 2013					
Revenue from external customers	4,199,019	2,114,868	37,152	9,664	6,360,703
Inter-segment revenue	—	—	—	82,533	82,533
Segment revenue	4,199,019	2,114,868	37,152	92,197	6,443,236
Segment profit	1,852,334	1,143,479	(96,919)	(2,830)	2,896,064
Year ended December 31, 2014					
Revenue from external customers	4,883,838	2,786,354	140,896	124,043	7,935,131
Inter-segment revenue	—	—	—	—	—
Segment revenue	4,883,838	2,786,354	140,896	124,043	7,935,131
Segment profit	2,386,040	1,545,224	(148,475)	81,092	3,863,881

Reconciliations of segment revenues and results

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue			
Segment revenue	5,353,803	6,443,236	7,935,131
Elimination of inter-segment revenue	(100,070)	(82,533)	—
Consolidated revenue	5,253,733	6,360,703	7,935,131
Profit			
Segment profit	2,315,659	2,896,064	3,863,881
Elimination of inter-segment profit	(11,438)	(9,433)	—
Interest income	129,424	95,244	58,437
Government grants	91,274	96,063	87,234
Compensation received and receivable	1,249	1,138	24,046
Changes in fair value of investment properties	1,112,493	2,055,060	2,415,278
Loss on disposal of property, plant and equipment	(83)	(424)	(57,588)
Gain (loss) on disposals of subsidiaries	12,933	(48)	(66,855)
Gain on disposal of an associate	—	2,734	—
Compensation paid and payable	(3,920)	(22,026)	(103,091)
Central administrative expenses	(29,056)	(45,913)	(32,822)
Share of profits of associates	45,545	41,613	14,133
Share of profits of joint ventures	(14,435)	(9,835)	3,680
Finance costs	(554,396)	(631,358)	(856,162)
Consolidated profit before tax	3,095,249	4,468,879	5,350,171

Revenue from major products and services

The following is an analysis of the Group's revenue from external customers:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue from own/leased portfolio shopping malls	3,851,567	4,199,019	4,883,838
Revenue from managed shopping malls:			
- Initiation and entrance fees	527,161	988,182	1,014,121
- annual management fees	718,597	854,700	1,092,892
- construction consultation and management fees	154,117	271,986	679,341
	1,399,875	2,114,868	2,786,354
Revenue from sales of merchandise and related services			
- Sales of merchandise	2,266	26,834	96,735
- Provision of related services	—	10,318	44,161
	2,266	37,152	140,896
Other	25	9,664	124,043
	5,253,733	6,360,703	7,935,131

Geographical information

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

Revenue from major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue during the Relevant Periods.

9. OTHER INCOME

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Interest income on:			
- bank deposits	24,398	30,103	30,310
- other loans and receivables	105,026	65,141	28,127
Total interest income	129,424	95,244	58,437
Government grants (note)	91,274	96,063	87,234
Compensation received and receivable	1,249	1,138	24,046
	221,947	192,445	169,717

Note: The amount mainly represented the government grants received by the Group based on certain proportions of taxes actually paid by the Group.

10. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Allowance on doubtful receivables, net	(62,904)	(30,863)	(65,426)
Loss on disposal of property, plant and equipment	(83)	(424)	(57,588)
Gain (loss) on disposal of subsidiaries (note 45)	12,933	(48)	(66,855)
Gain on disposal of an associate	—	2,734	—
Others	1,667	(1,571)	2,672
	(48,387)	(30,172)	(187,197)

11. OTHER EXPENSES

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Donations	2,195	4,538	244
Compensation paid and payable (note)	3,920	22,026	103,091
Listing expense	—	—	9,520
	6,115	26,564	112,855

Note: The amount incurred in 2014 mainly represented the compensation paid and payable to the property owner and the tenants arising from the closure of one leased shopping mall.

12. FINANCE COSTS

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings			
- wholly repayable within five years	699,299	711,544	715,572
- not wholly repayable within five years	208,231	119,296	141,355
Interest on finance leases	23,856	23,690	23,513
Interest on bonds	14,936	111,308	180,968
Total borrowing costs	946,322	965,838	1,061,408
Less: amount capitalized in the cost of qualifying assets (note)	(391,926)	(334,480)	(205,246)
	554,396	631,358	856,162

Note: The weighted average capitalization rate on funds borrowed generally for each of three years ended December 31, 2012, 2013 and 2014 is 8.9% per annum, 8.6% per annum and 7.0% per annum respectively.

13. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Staff costs (including directors):			
- salaries and other benefits	1,010,727	1,202,332	1,542,879
- retirement benefit scheme contributions	72,602	86,609	120,772
Total staff costs	1,083,329	1,288,941	1,663,651
Less: amount capitalized in the cost of qualifying assets (note)	(15,329)	(24,516)	(18,307)
	1,068,000	1,264,425	1,645,344
Rental income and related management fee from investment properties	3,663,756	3,951,577	4,662,801
Less: direct operating expenses	(794,678)	(970,232)	(1,075,287)
	2,869,078	2,981,345	3,587,514
Operating lease rentals	483,836	548,942	541,178
Cost of inventories sold recognized as expense	1,588	31,736	89,054
Auditor's remuneration	8,000	14,650	15,241
Depreciation of property, plant and equipment	84,673	95,955	102,260
Amortization of intangible assets	4,310	4,975	14,562
Allowance for doubtful receivables, net	62,904	30,863	65,426

Note: During the Relevant Periods, the amount capitalized mainly represents costs of certain staff of the project management department and the design department, who were assigned to construction sites and engaged in specific construction projects directly.

14. INCOME TAX EXPENSES

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Current tax: - PRC enterprise income tax	502,190	622,507	729,460
Under (over) provision in prior year:			
- PRC enterprise income tax	6,308	(3,985)	9,901
Deferred tax (note 28)	330,154	581,030	688,806
Income tax expenses	838,652	1,199,552	1,428,167

The Company and all of its subsidiaries are in the PRC. Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% except for those subsidiaries described below.

Certain subsidiaries of the Group in the PRC are under the Western China Development Plan and were approved to enjoy the preferential tax rate of 15% in accordance with the EIT LAW and relevant regulations during the Relevant Periods.

The tax charge for each of three years ended December 31, 2012, 2013 and 2014 can be reconciled to the profit before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Profit before tax	3,095,249	4,468,879	5,350,171
Tax at PRC enterprise income tax rate of 25%	773,812	1,117,220	1,337,543
Tax effect of share of profits of associates	(11,386)	(10,403)	(3,533)
Tax effect of share of results of joint ventures	3,609	2,459	(920)
Tax effect of expenses not deductible for tax purpose (note 1)	12,546	17,032	17,108
Tax effect of debt restructure within the Group (note 2)	—	—	(55,451)
Tax effect of disposal of subsidiaries	(3,233)	—	14,124
Effect of tax losses and deductible temporary differences not recognized	70,929	90,402	127,033
Utilization of tax losses and deductible temporary differences not previously recognized	(1,281)	—	(2,504)
Effect of preferential tax rate of subsidiaries	(12,652)	(13,173)	(15,134)
Under (over) provision in prior year	6,308	(3,985)	9,901
	838,652	1,199,552	1,428,167

Note 1: Expenses not deductible for tax purpose mainly comprised of expenses exceeding the standard allowable deduction and donations.

Note 2: Pursuant to the debt forgiveness agreement entered into between the Company and its certain subsidiaries in 2014, the Company would waive the debt due from these subsidiaries. The losses arising from such debt forgiveness of the Company are tax deductible, while the gains of these subsidiaries are not taxable as they have accumulated tax losses which were not recognized as deferred tax assets.

15. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to directors, supervisors and chief executive are as follows:

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Performance related incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2012					
Executive directors					
Mr. Che Jianxing	—	4,727	28	2,820	7,575
Ms. Zhang Qi (appointed on May 30, 2012)	—	3,377	20	500	3,897
Mr. Xu Guofeng	—	2,450	33	1,600	4,083
Mr. Jiang Xiaozhong	—	1,850	33	2,708	4,591
Ms. Che Jianfang	—	1,850	33	1,260	3,143
Ms. Chen Shuhong	—	1,250	33	300	1,583
Mr. Joseph Raymond Gagnon (note)	—	—	—	—	—
Mr. Zhang Qiqi (note)	—	—	—	—	—
	—	15,504	180	9,188	24,872
Independent non-executive directors					
Mr. Xia Bing	500	—	—	—	500
Mr. Li Zhen-ning	500	—	—	—	500
Mr. Ding Yuan	667	—	—	—	667
Ms. Chen Yingming	500	—	—	—	500
	2,167	—	—	—	2,167
Supervisors					
Mr. Pan Ning (appointed on February 27, 2012)	—	1,283	28	545	1,856
Ms. Ng, Ellen Hoi-ying (note)	—	—	—	—	—
Ms. Chao Yanping	—	642	33	97	772
Ms. Chu Qinhua (resigned on February 27, 2012)	—	242	—	—	242
	—	2,167	61	642	2,870
Total	2,167	17,671	241	9,830	29,909

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Performance related incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2013					
Executive directors					
Mr. Che Jianxing	—	6,659	36	960	7,655
Ms. Zhang Qi	—	6,036	36	960	7,032
Mr. Xu Guofeng	—	2,454	36	1,900	4,390
Mr. Jiang Xiaozhong	—	1,854	36	3,663	5,553
Ms. Che Jianfang	—	1,854	36	960	2,850
Ms. Chen Shuhong	—	1,254	36	300	1,590
Mr. Joseph Raymond Gagnon (note)	—	—	—	—	—
Mr. Zhang Qiqi (note)	—	—	—	—	—
	—	20,111	216	8,743	29,070
Independent non-executive directors					
Mr. Xia Bing	600	—	—	—	600
Mr. Li Zhen-ning	600	—	—	—	600
Mr. Ding Yuan	800	—	—	—	800
Ms. Chen Yingming (resigned on December 30, 2013)	600	—	—	—	600
Mr. Zhou Qinye (appointed on December 30, 2013)	5	—	—	—	5
	2,605	—	—	—	2,605
Supervisors					
Mr. Pan Ning	—	1,254	36	540	1,830
Ms. Ng, Ellen Hoi-ying (note)	—	—	—	—	—
Ms. Chao Yanping	—	650	36	420	1,106
	—	1,904	72	960	2,936
Total	2,605	22,015	288	9,703	34,611

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Performance Related Incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2014					
Executive directors					
Mr. Che Jianxing	—	6,655	37	1,650	8,342
Ms. Zhang Qi	—	6,037	37	1,500	7,574
Mr. Xu Guofeng	—	2,046	31	2,938	5,015
Mr. Jiang Xiaozhong	—	1,855	37	3,074	4,966
Ms. Che Jianfang	—	1,855	37	960	2,852
Ms. Chen Shuhong	—	1,255	37	400	1,692
Mr. Joseph Raymond Gagnon (note)	—	—	—	—	—
Mr. Zhang Qiqi (note)	—	—	—	—	—
	—	19,703	216	10,522	30,441
Independent non-executive directors					
Mr. Xia Bing	600	—	—	—	600
Mr. Li Zhen-ning	600	—	—	—	600
Mr. Ding Yuan	800	—	—	—	800
Mr. Zhou Qinye	600	—	—	—	600
	2,600	—	—	—	2,600
Supervisors					
Mr. Pan Ning	—	1,255	37	600	1,892
Ms. Ng, Ellen Hoi-ying (note)	—	—	—	—	—
Ms. Chao Yanping	—	748	37	175	960
	—	2,003	74	775	2,852
Total	2,600	21,706	290	11,297	35,893

Note: These directors and supervisors' emoluments were borne by the affiliated companies of one shareholder of the Company.

Mr. Che Jianxing is also the chief executive and the Chairman of the Company and his emolument for the role as chief executive and the Chairman is also included above.

Ms. Zhang Qi, Mr. Xu Guofeng, Mr. Jiang Xiaozhong and Ms. Che Jianfang are also senior management of the Company and their emoluments for the role as senior management are also included above.

Performances bonuses were determined by the management having regard to the performance of the directors and supervisors of the Company and the Group's operating results.

During the Relevant Periods, no emoluments were paid by the Group to any director or supervisor of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No director or supervisor of the Company waived any emoluments during the Relevant Periods.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two, three and four were directors or supervisors of the Company for the years ended December 31, 2012, 2013 and 2014, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining three, two and one for the years ended December 31, 2012, 2013 and 2014, respectively, were as follows:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	9,160	3,618	1,818
Retirement benefit contributions	33	—	—
Performance related incentive payments.	6,139	7,976	1,307
	15,332	11,594	3,125

Their emoluments are within the following bands:

	Year ended December 31,		
	2012	2013	2014
HKD3,500,001 to HKD4,000,000	—	—	1
HKD5,500,001 to HKD6,000,000	1	—	—
HKD6,000,001 to HKD6,500,000	1	1	—
HKD6,500,001 to HKD7,000,000	1	—	—
HKD8,000,001 to HKD8,500,000	—	1	—
	3	2	1

17. DIVIDENDS

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Dividends recognized as distributions during the year:			
- 2012 Final (RMB0.34 per share)	—	1,020,000	—
- 2013 Final (RMB0.24 per share)	—	—	720,000
	—	1,020,000	720,000

No dividend was proposed during the year ended December 31, 2012.

Dividend of RMB0.83 per share has been proposed by the Directors and approved by the shareholders at the general meeting and has been fully paid as at the date of this report.

18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for each of the three years ended December 31, 2012, 2013 and 2014 is based on the following data:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Earning for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	1,907,090	3,013,182	3,632,917
Number of ordinary shares for the purpose of basic and diluted earnings per share	3,000,000,000	3,000,000,000	3,000,000,000

The Company did not have any dilutive potential ordinary shares in issue during Relevant Periods.

19. INVESTMENT PROPERTIES

The Group

	Completed investment properties	Investment properties under development	Total
	RMB'000	RMB'000	RMB'000
Fair Value			
At January 1, 2012	38,968,000	8,465,000	47,433,000
Additions	58,272	3,146,586	3,204,858
Transfer	4,869,000	(4,869,000)	—
Change in fair value recognized in profit or loss	256,728	855,765	1,112,493
Acquisition of a subsidiary (note 44)	—	232,649	232,649
Disposal of a subsidiary (note 45)	(788,000)	—	(788,000)
At January 1, 2013	43,364,000	7,831,000	51,195,000
Additions	71,025	4,454,346	4,525,371
Transfer	6,250,000	(6,250,000)	—
Change in fair value recognized in profit or loss	844,975	1,210,085	2,055,060
Acquisition of a subsidiary (note 44)	—	414,569	414,569
At January 1, 2014	50,530,000	7,660,000	58,190,000
Additions	225,236	2,727,486	2,952,722
Transfer	3,980,000	(3,980,000)	—
Change in fair value recognized in profit or loss	1,503,764	911,514	2,415,278
Disposal of a subsidiary (note 45)	—	(592,000)	(592,000)
At December 31, 2014	56,239,000	6,727,000	62,966,000

The investment properties are all situated on the land under medium-term lease in the PRC. The fair values of the Group's investment properties at the end of each reporting periods and the date of acquisition of subsidiaries were valued by Jones Lang LaSalle, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Address of Jones Lang LaSalle is 6th floor, Three Pacific Place, 1 Queen's Road, Central, Hong Kong.

The valuation of completed investment properties has been arrived at with adoption of income approach based on the rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

The valuation of certain investment properties at an early development stage has been arrived at by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The valuation of other investment properties under development has been arrived at with adoption of residual approach which assumed that they will be developed and completed in accordance with the latest development proposal. In arriving at the opinion of value, making reference to comparable evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized based on the degree to which the inputs to the fair value measurements is observable.

At December 31, 2012

Investment properties held by the Group in the consolidated statements of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month* (leased floor area) Capitalization rate**	RMB32 to RMB290 5.5% to 8.0%
Certain investment properties at an early development stage	Level 3	Direct comparison approach The key input is: Price of the land per square meter	Price of the land per square meter (gross floor area)***	RMB645 to RMB5,846
Other investment properties under development	Level 3	Residual approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month* (leased floor area) Capitalization rate**	RMB52 to RMB166 5.5% to 6.0%

At December 31, 2013

Investment properties held by the Group in the consolidated statements of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month* (leased floor area) Capitalization rate**	RMB29 to RMB296 5.5% to 8.0%
Certain investment properties at an early development stage . . .	Level 3	Direct comparison approach The key input is: Price of the land per square meter	Price of the land per square meter (gross floor area)***	RMB386 to RMB3,758
Other investment properties under development	Level 3	Residual approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month* (leased floor area) Capitalization rate**	RMB54 to RMB120 5.5% to 6.5%

At December 31, 2014

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month* (leased floor area) Capitalization rate**	RMB30 to RMB314 5.5% to 8.0%
Certain investment properties at an early development stage . . .	Level 3	Direct comparison approach The key input is: Price of the land per square meter	Price of the land per square meter (gross floor area)***	RMB388 to RMB3,765
Other investment properties under development	Level 3	Residual approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month* (leased floor area) Capitalization rate**	RMB57 6.5%

* A slight increase in the market rent per square meter per month (leased floor area) used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

** A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

*** A slight increase in the price of the land per square meter (gross floor area) used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

There were no transfers into or out of Level 3 during the Relevant Periods.

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model.

The unrealized gain on property revaluation amounting to RMB1,112,493,000, RMB2,055,060,000, and RMB2,415,278,000 was recognized in profit or loss during the years ended December 31, 2012, 2013 and 2014, respectively.

All of the Group's investment properties are all situated on the land in the PRC.

The Group had pledged investment properties of approximately RMB44,745,000,000, RMB49,264,000,000 and RMB54,208,000,000 at December 31, 2012, 2013 and 2014 respectively to secure bank and other borrowing granted to the Group as set out in Note 35, and bank and other borrowing granted to certain related parties as set out in note 50 of Section A.

The Group was in process of obtaining the relevant ownership property certificates for the investment properties under development with carrying amounts of RMB1,003,000,000, RMB5,256,000,000 and RMB5,520,000,000 as at December 31, 2012, 2013 and 2014, respectively. In the opinion of the Directors, the relevant property ownership certificates can be obtained in due time without incurring significant costs.

As disclosed in note 2, the Group has not obtained the relevant land use right certificates and ownership property certificates for investment properties in respect of the Transferred Shopping Malls held by each of Yunnan Property, Shenyang Jingsen, Dalian Investment and Xinglong Property, which amounted to RMB3,650,000,000, RMB4,488,000,000 and RMB4,900,000,000, as at December 31, 2012, 2013 and 2014, respectively. In the opinion of the Directors, the relevant land use right certificates and property ownership certificates can be obtained in due time after the splits of relevant entities without incurring significant costs.

The Group had not obtained relevant land use right certificate and ownership property certificate for investment properties in respect of the Transferred Shopping Mall held by Huayun Trading, which amounted to RMB2,172,000,000 as at December 31, 2012. In 2013, the Group obtained the relevant land use right certificate and ownership property certificate following the establishment of Tianjin International Expo.

The Group had not obtained relevant land use right certificate and ownership property certificate for investment properties in respect of the Transferred Shopping Mall held by Changchun Property as at December 31, 2012, which amounted to RMB1,012,000,000 and held by Changchun Shibo (established in 2013 following the split of Changchun Property and be transferred the Transferred Shopping Mall held by Changchun Property) as at December 31, 2013 and 2014, which amounted to RMB1,058,000,000 and RMB1,105,000,000, respectively. In the opinion of the Directors, the relevant land use right certificate and property ownership certificate can be obtained in due time without incurring significant costs.

Save the Transferred Shopping malls as disclosed above, the Group had not obtained relevant land use right certificates and ownership property certificates for certain investment properties, of which the relevant certificates are currently held by RSM Enterprise Development Group, amounting to RMB3,247,000,000, RMB3,315,000,000.00 and RMB3,519,000,000 as at December 31, 2012, 2013 and 2014, respectively. In the opinion of the Directors, the relevant certificates can be obtained in due time without incurring significant costs.

One shopping mall was development situated on the leasehold land, which is for scientific research and design use. The carrying amount of the investment property in respect of this shopping mall was RMB1,608,000,000, RMB1,643,000,000, and RMB1,661,000,000, respectively. In the opinion of the Directors, the approval from relevant authority for modification of use of the land can be obtained in due time without incurring significant costs and the possibility of an outflow of resources embodying economic benefits is remote.

20. PROPERTY, PLANT AND EQUIPMENT

The Group

	Dedicated equipment	Motor vehicles	Electronic equipment & furniture	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At January 1, 2012	36,589	78,223	108,980	581,660	12,769	818,221
Additions	89	22,038	19,510	228,947	19,335	289,919
Transfer	—	—	12,734	110	(12,844)	—
Acquisition of subsidiaries (note 44)	—	157	30	—	—	187
Disposals	—	(2,620)	(4,017)	(3,213)	—	(9,850)
Disposals of subsidiaries (note 45)	—	(3,236)	(1,063)	—	—	(4,299)
At December 31, 2012	36,678	94,562	136,174	807,504	19,260	1,094,178
Additions	1,674	13,756	25,152	326,544	72,502	439,628
Transfer	—	—	23,028	30,813	(53,841)	—
Acquisition of a subsidiary (note 44)	—	197	—	—	—	197
Disposals	(2,655)	(9,708)	(11,342)	(2,047)	—	(25,752)
Disposals of subsidiaries (note 45)	—	—	—	(646,986)	(14,123)	(661,109)
At December 31, 2013	35,697	98,807	173,012	515,828	23,798	847,142
Additions	21,960	19,805	20,721	6,017	19,399	87,902
Transfer	—	—	3,937	20,899	(24,836)	—
Disposals	(123)	(9,168)	(7,245)	(60,660)	—	(77,196)
Disposals of subsidiaries (note 45)	(15,631)	(472)	(4,224)	(27,569)	(1,793)	(49,689)
At December 31, 2014	41,903	108,972	186,201	454,515	16,568	808,159

	Dedicated equipment	Motor vehicles	Electronic equipment & furniture	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation						
At January 1, 2012	16,076	41,117	47,698	107,855	—	212,746
Charge for the year	2,018	13,770	22,121	46,764	—	84,673
Eliminated on disposals	—	(2,526)	(3,026)	(144)	—	(5,696)
Eliminated on disposals of subsidiaries (note 45)	—	(620)	(345)	—	—	(965)
At December 31, 2012	18,094	51,741	66,448	154,475	—	290,758
Charge for the year	2,103	13,575	27,088	53,189	—	95,955
Eliminated on disposals	(2,510)	(9,186)	(9,889)	(5)	—	(21,590)
At December 31, 2013	17,687	56,130	83,647	207,659	—	365,123
Charge for the year	3,067	14,420	23,367	61,406	—	102,260
Eliminated on disposals	(61)	(8,207)	(3,322)	(1,710)	—	(13,300)
Eliminated on disposals of subsidiaries (note 45)	(4,415)	(108)	(176)	(3,677)	—	(8,376)
At December 31, 2014	16,278	62,235	103,516	263,678	—	445,707
Carrying amount						
At December 31, 2012	18,584	42,821	69,726	653,029	19,260	803,420
At December 31, 2013	18,010	42,677	89,365	308,169	23,798	482,019
At December 31, 2014	25,625	46,737	82,685	190,837	16,568	362,452

The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Dedicated equipment	- 10 years
Motor vehicles	- 5 years
Electronic equipment & furniture	- 3 to 5 years
Leasehold improvement	- over the shorter of the term of the lease or 10 years

21. INTANGIBLE ASSETS

The Group

	License	Software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At January 1, 2012	—	10,683	8,839	19,522
Additions	—	3,234	—	3,234
Disposals	—	(39)	—	(39)
At December 31, 2012	—	13,878	8,839	22,717
Additions	—	21,046	—	21,046
At December 31, 2013	—	34,924	8,839	43,763
Additions	525,000	9,586	253	534,839
Acquisition of a subsidiary (note 44)	—	—	114	114
Disposal of a subsidiary (note 45)	—	(15)	—	(15)
At December 31, 2014	525,000	44,495	9,206	578,701
Accumulated amortization				
At January 1, 2012	—	2,498	3,470	5,968
Charge for the year	—	1,386	2,924	4,310
Eliminated on disposals	—	(29)	—	(29)
At December 31, 2012	—	3,855	6,394	10,249
Charge for the year	—	2,537	2,438	4,975
At December 31, 2013	—	6,392	8,832	15,224
Charge for the year	10,208	4,290	64	14,562
Eliminated on disposal of a subsidiary (note 45)	—	(1)	—	(1)
At December 31, 2014	10,208	10,681	8,896	29,785
Carrying amount				
At December 31, 2012	—	10,023	2,445	12,468
At December 31, 2013	—	28,532	7	28,539
At December 31, 2014	514,792	33,814	310	548,916

The Company

	License	Software	Total
	RMB'000	RMB'000	RMB'000
Cost			
At January 1, 2012	—	8,389	8,389
Additions	—	2,652	2,652
At December 31, 2012	—	11,041	11,041
Additions	—	19,372	19,372
At December 31, 2013	—	30,413	30,413
Additions	525,000	5,759	530,759
At December 31, 2014	525,000	36,172	561,172
Accumulated amortization			
At January 1, 2012	—	1,043	1,043
Charge for the year	—	1,008	1,008
At December 31, 2012	—	2,051	2,051
Charge for the year	—	2,003	2,003
At December 31, 2013	—	4,054	4,054
Charge for the year	10,208	3,271	13,479
At December 31, 2014	10,208	7,325	17,533
Carrying amount			
At December 31, 2012	—	8,990	8,990
At December 31, 2013	—	26,359	26,359
At December 31, 2014	514,792	28,847	543,639

In May 2014, the Company entered into a trademark licensing agreement with JiSheng Wellborn ("JSWB"), a high-end home furnishing shopping mall operator, pursuant to which JSWB authorizes the Group to use eight of its registered trademarks in the Group's Managed Shopping Malls or sub-license the trademarks to a third party in home furnishing retail business for 30 years from June 1, 2014 to May 31, 2044 for a cash consideration of RMB525,000,000.00. The consideration was recognized as intangible assets and will be amortized over the remaining useful life of 30 years.

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods.

Licenses	- 30 years
Software	- from 2 to 10 years
Others	- 3 years

22. INTEREST IN SUBSIDIARIES

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Unlisted investment in directly owned subsidiaries, at cost	3,953,572	5,480,358	5,925,518

23. INTEREST IN ASSOCIATES

The Group

	At December 31, 2012	At December 31, 2013	At December 31, 2014
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	67,628	56,350	181,350
Share of post-acquisition profits and other comprehensive income, net of dividends received	18,170	47,904	35,037
	85,798	104,254	216,387

The Company

	At December 31, 2012	At December 31, 2013	At December 31, 2014
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	67,628	56,350	56,350
	67,628	56,350	56,350

Details of the Group's major associates at the end of each reporting period are as follow:

Name of entity	Place of incorporation and operation	Proportion of ownership interest held by the Group 2012	2013	2014	Proportion of voting rights held by the Group 2012	2013	2014	Principle activities
深圳紅星美凱龍世紀中心家居生活廣場有限公司 Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited ("Shenzhen Red Star")	The PRC	37%	37%	37%	37%	37%	37%	Shopping malls operation
蘇州工業園區中翔美通倉儲銷售有限公司 Suzhou Industry Park Zhongxiong Meitong Storage Company Limited ("Suzhou Zhongxiang")	The PRC	33%	33%	33%	33%	33%	33%	Shopping malls operation
海爾消費金融有限公司 Haier Consume Financing Company Limited ("Haier Financing") (note)	The PRC	N/A	N/A	25%	N/A	N/A	25%	Consume financing

Note: Haier Financing was established by Beijing International and independent third parties in December 2014 with registered capital of RMB 500,000,000.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

Aggregate information of associates that are not individually material

	At December 31, 2012	2013	2014
	RMB'000	RMB'000	RMB'000
The Group's share of profit and total comprehensive income for the year	45,545	41,613	14,133
Aggregate carrying amount of the Group's interests in these associates	85,798	104,254	216,387

24. INTEREST IN JOINT VENTURES

The Group and the Company

	At December 31, 2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	261,877	261,877	261,877
Share of post-acquisition profits and other comprehensive income, net of dividends received	443,588	433,753	437,433
	705,465	695,630	699,310

The Company

	At December 31, 2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	261,877	261,877	261,877
	261,877	261,877	261,877

Details of the Group's major joint ventures at the end of each reporting period are as follow:

Name of entity	Place of incorporation and operation	Proportion of ownership interest held by the Group 2012	2013	2014	Proportion of voting rights held by the Group 2012	2013	2014	Principle activities
成都東泰商城有限公司 Chengdu Dongtai Shopping Mall Company Limited("Chengdu Dongtai")	The PRC	50%	50%	50%	50%	50%	50%	Shopping malls operation
上海名藝商業企業發展有限公司 Shanghai Mingyi Enterprise Development Company Limited	The PRC	50%	50%	50%	50%	50%	50%	Shopping malls operation

The above table lists the joint ventures of the Group which, in the opinion of the Directors principally affected the results or assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Summarized financial information of material joint venture

Summarized financial information in respect of the Group's material joint venture is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The material joint venture is accounted for using the equity method in the consolidated financial statements.

Chengdu Dongtai

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Current assets	391,051	374,027	370,006
Non-current assets	1,661,345	1,671,981	1,657,254
Current liabilities	52,344	74,370	99,559
Non-current liabilities	719,384	663,446	584,837

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue	111,069	125,797	147,087
(Loss) profit and total comprehensive (expense) income for the year	(10,159)	27,524	34,672
Dividends received from the joint venture during the year	—	—	—

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Net assets of the joint venture	1,280,668	1,308,192	1,342,864
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%
Carrying amount of the Group's interest in Chengdu Dongtai	640,334	654,096	671,432

Aggregate information of joint ventures that are not individually material

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
The Group's share of loss and total comprehensive expense for the year	(9,355)	(23,597)	(13,656)
Aggregate carrying amount of the Group's interests in these joint ventures	65,131	41,534	27,878

25. AVAILABLE-FOR-SALE INVESTMENTS

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost:			
- Oppein (as defined below) (notes a, b)	—	157,560	157,560
- Other private entities established in the PRC (note b)	33,450	29,900	34,750
	33,450	187,460	192,310

Notes:

(a) In 2013, the Group acquired 4.99% equity interest in 歐派家居集團股份有限公司 Oppein Home Group Inc ("Oppein"), a private entity established in the PRC and involved in furniture manufacture.

(b) The available-for-sale investments are measured at cost less impairment at the end of each reporting periods because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

26. LOAN RECEIVABLES

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Non-current			
Zhejiang Mingdu (as defined below) (note a)	115,000	115,000	45,000
Current			
Zhejiang Mingdu (as defined below) (note a)	—	—	70,000
Shanghai Shanhai (as defined below) (note b)	300,680	—	—
Zhejiang Borui(as defined below) (note c)	—	—	29,810
	300,680	—	99,810

Notes:

(a) The amounts represent long-term loan to 浙江名都投資有限公司 Zhejiang Mingdu Investment Company Limited ("Zhejiang Mingdu"), a non-controlling shareholder of a subsidiary, under entrusted loan arrangement through 中國銀行股份有限公司 Bank of China Limited ("BOC") during the Relevant Periods. The entrusted loan is unsecured, carried fixed interest rate of 6.40% per annum, and is repayable from 2015 to 2017.

(b) The amounts represent short-term loan to 上海山海企業(集團)有限公司 Shanghai Shanhai Group Limited ("Shanghai Shanhai"), a non-controlling shareholder of a subsidiary, under entrusted loan arrangement through 盛京銀行股份有限公司 Shengjing Bank Limited ("Shengjing Bank") during the Relevant Periods. The entrusted loan is unsecured, carried fixed interest rate of 6.80% per annum, and is repayable in 2013.

(c) The amounts represent short-term loan to 浙江博瑞控股集團有限公司 Zhejiang Borui Holding Group Limited ("Zhejiang Borui"), a non-controlling shareholder of a subsidiary, under entrusted loan arrangement through Shengjing Bank during the Relevant Periods. The entrusted loans is secured, carried fixed interests of 12.00% per annum, and is repayable in 2015.

27. LOAN RECEIVABLES FROM SUBSIDIARIES

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Non-current			
Shanghai Global (note a)	67,000	67,000	67,000
Wuxi International (note b)	55,000	55,000	55,000
Nanjing Mingdu (note c)	215,780	215,780	215,780
Jinan Shibo (note d)	38,305	38,669	38,669
	376,085	376,449	376,449

Notes:

(a) The amounts represent long-term loan to Shanghai Global under entrusted loan arrangement through BOC during the Relevant Periods. The entrusted loan is unsecured, carried fixed interest rate of 6.11% per annum, and is repayable in November 2017.

(b) The amounts represent long-term loan to Wuxi International under entrusted loan arrangement through BOC during the Relevant Periods. The entrusted loan is unsecured, carried fixed interest rate of 6.11% per annum, and is repayable in November 2017.

(c) The amounts represent long-term loan to Nanjing Mingdu under entrusted loan arrangement through BOC during the Relevant Periods. The entrusted loan is unsecured, carried fixed interest rate of 6.11% per annum, and is repayable in November 2017.

(d) The amounts represent long-term loan to Jinan Shibo under entrusted loan arrangement through BOC during the Relevant Periods. The entrusted loan is unsecured, carried fixed interest rate of 6.11% per annum, and is repayable in November 2017.

28. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the Relevant Periods:

The GROUP

	Debt restructure within the Group	Investment properties	Unpaid staff welfare and other expenses	Allowance for bad debts	Deferred income	Unrealized profit	Tax losses	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012	—	(7,997,726)	109,340	—	25,280	—	43,916	39,485	(7,779,705)
Credit (charge) to profit or loss	—	(407,145)	66,324	15,726	9,980	—	1,456	(16,495)	(330,154)
Disposal of a subsidiary (note 45)	—	10,135	(1,711)	—	—	—	(11,257)	(3,481)	(6,314)
At December 31, 2012	—	(8,394,736)	173,953	15,726	35,260	—	34,115	19,509	(8,116,173)
Credit (charge) to profit or loss	—	(667,745)	7,000	7,208	(998)	4,748	57,888	10,869	(581,030)
Splits of Huayun Trading and Changchun Property (note)	—	—	—	—	—	—	(21,495)	—	(21,495)
At December 31, 2013	—	(9,062,481)	180,953	22,934	34,262	4,748	70,508	30,378	(8,718,698)
Credit (charge) to profit or loss	55,451	(817,847)	30,489	13,505	2,048	14,484	20,392	(7,328)	(688,806)
Disposals of subsidiaries (note 45)	—	14,815	(1,904)	—	—	—	(1,464)	(242)	11,205
At December 31, 2014	55,451	(9,865,513)	209,538	36,439	36,310	19,232	89,436	22,808	(9,396,299)

Note: As detailed in note 2 to the Financial Information, Transferred Shopping Mall held by each of Huayun Trading and Changchun Property were transferred to Tianjin International and Changchun Shibo in 2013. The deferred tax assets arising from tax loss directly attributable to these Transferred Shopping Malls remained in Huayun Trading and Changchun Property and the Group has been compensated by adjusting the consideration.

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Deferred tax assets	183,856	244,441	323,226
Deferred tax liabilities	(8,300,029)	(8,963,139)	(9,719,525)
	(8,116,173)	(8,718,698)	(9,396,299)

No deferred taxation asset has been recognized in respect of the following unutilized tax losses due to the unpredictability of future profit streams, estimated at the end of each reporting period. The unrecognized tax losses will expire in at the end of the following years:

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
To be expired on:			
December 31, 2014	2,324	2,324	N/A
December 31, 2015	61,105	61,105	40,349
December 31, 2016	70,158	70,158	77,790
December 31, 2017	147,708	157,746	179,519
December 31, 2018	N/A	327,735	345,977
December 31, 2019	N/A	N/A	515,412
Total unused tax losses not recognized as deferred tax assets	281,295	619,068	1,159,047

The Company

	Unpaid staff welfare and other expenses	Allowance for bad debts	Debt restructure within the Group	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012	24,346	—	—	24,346
Credit (charge) to profit or loss	41,957	10,278	—	52,235
At January 1, 2013	66,303	10,278	—	76,581
Credit (charge) to profit or loss	6,590	6,060	—	12,650
At January 1, 2014	72,893	16,338	—	89,231
Credit (charge) to profit or loss	6,834	14,066	51,049	71,949
At December 31, 2014	79,727	30,404	51,049	161,180

29. OTHER NON-CURRENT ASSETS

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Prepayment for acquisition of land use rights	796,385	787,424	284,236
Prepayment for construction of investment properties	459,619	409,808	428,397
Prepayment for acquisition of investment properties (note a)	86,224	97,215	49,156
Prepayment for acquisition of a subsidiary (note c)	—	—	62,191
Amount due from non-controlling shareholders of subsidiaries (note b)	107,200	66,000	55,000
Amount due from a former subsidiary (note d)	—	—	41,041
Amounts due from related parties (note 50)	273,928	62,561	96,752
Deposits paid for construction of investment properties	104,833	125,914	134,308
Deposits paid under medium term operating lease	65,699	53,277	45,264
Preliminary development cost (note e)	131,425	132,822	133,909
Others	46,650	53,632	59,086
	2,071,963	1,788,653	1,389,340

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Prepayment for acquisition of land use rights	234,500	240,020	265,352
Prepayment for construction of investment properties	344,839	387,553	424,652
Prepayment for acquisition of investment properties (note a)	86,224	97,215	18,082
Prepayment for acquisition of a subsidiary (note c)	—	—	62,191
Amount due from a former subsidiary (note d)	—	—	41,041
Amount due from related parties	273,928	62,561	96,752
Deposits paid under medium term operating lease	15,109	15,109	31,183
Others	34,151	34,151	45,165
	988,751	836,609	984,418

Notes:

(a)

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Henan Derun (as defined below)*	15,000	15,990	18,082
Lanzhou Gaoke (as defined below)**	—	81,225	—
Dongguan Jinyu (as defined below)***			31,074
Daqing Xusheng (as defined below)****	71,224	—	—
	86,224	97,215	49,156

* The amounts represent loan to 河南德潤置業有限公司 Henan Derun Real Estate Company Limited ("Henan Derun") for development of a shopping mall on certain land parcel held by Henan Derun under entrusted loan arrangement through 中國農業銀行股份有限公司 Agricultural Bank of China ("ABC") during the Relevant Periods. The entrusted loan was secured by the land use right of this land parcel, carried floating interest rate of 110% benchmark interest rate of the People's Bank of China per annum, will repayable in 2015 and denominated in RMB. Pursuant to the agreement entered into between the Group and Henan Derun, the Group will acquire the shopping mall under development with the land use right of this land parcel. The consideration will be partially settled by the entrusted loan. The Directors recognized the entrusted loan as deemed prepayment for acquisition of investment properties in other non-current assets. The Group has not completed the acquisition as at the date of this report.

** The amounts represent loan to 蘭州高科新元房地產開發有限公司 Lanzhou Gaoke Xinyuan Real Estate Development Company Limited ("Lanzhou Gaoke") for development of a shopping mall on certain land parcel held by Lanzhou Gaoke under entrusted loan arrangement through ABC during the Relevant Periods. The entrusted loan was secured by the land use right of this land parcel, carried fixed interest rate of 8.00% per annum, was repayable in 2014 and denominated in RMB. Pursuant to the agreement entered into between the Group and Lanzhou Gaoke, the Group will acquire the shopping mall under development with the land use right of this land parcel. The consideration will be partially settled by the entrusted loan. The Directors recognized the entrusted loan as deemed prepayment for acquisition of investment properties in other non-current assets. The Group has not completed the acquisition as at the date of this report.

*** The amounts represent loan to 東莞金譽房地產開發有限公司 Dongguan Jinyu Real Estate Development Company Limited ("Dongguan Jinyu") for development of a shopping mall on certain land parcel held by Dongguan Jinyu under entrusted loan arrangement through 上海銀行股份有限公司 Bank of Shanghai ("BOS") during the Relevant Periods. The entrusted loan was secured by the land use right of this land parcel, carried fixed interest rate of 7.20% per annum, will repayable in 2016 and denominated in RMB. Pursuant to the agreement entered into between the Group and Dongguan Jinyu, the Group will acquire the shopping mall under development with the land use right of this land parcel. The consideration will be partially settled by the entrusted loan. The Directors recognized the entrusted loan as deemed prepayment for acquisition of investment properties in other non-current assets. The Group has not completed the acquisition as at the date of this report.

**** The balance as at December 31, 2012 represented amount due from 大慶旭生房地產開發有限公司 Daqing Xusheng Real Estate Development Company Limited ("Daqing Xusheng") for development of a shopping mall on certain land parcel held by Daqing Xusheng. The amount was unsecured and interest free. Pursuant to the agreement entered into between the Group and Daqing Xusheng, the Group will acquire the shopping mall under development with the land use right of this land parcel and the consideration will be partially settled by the amount due from Daqing Xusheng. The Directors recognized the amount as deemed prepayment for acquisition of investment properties in other non-current assets. The Group has completed the acquisition in 2013.

(b) The balance as at December 31, 2012 represented amount due from 成都長城實業集團有限公司 Chengdu Great-wall Industrial Group Limited ("Chengdu Great-wall"). Pursuant to the agreement entered into between the Group and Chengdu Great-wall, the principal of RMB144,000,000 as at December 31, 2012 was unsecured, carried fixed interest rate of 7.05% per annum., was repayable with installments on August 14, in each year, and will mature on August 14, 2016. The amount due after one year was recognized in other non-current assets. Chengdu Great-wall has early repaid the amount in full in 2013.

The balance as at December 31, 2013 and 2014 mainly represented amounts due from 陝西煒華實業有限公司 Shaanxi Weihua Industrial Company Limited, which were unsecured, interest free and repayable on demand. In the opinion of the Directors, the amounts were to be settled after twelve months from the end of respective reporting period and were therefore classified as non-current assets.

(c) The balance as at December 31, 2014 represented consideration prepaid to the shareholder of 昆明迪肯商貿有限公司 Kunming Diken Trading Company Limited ("Kuming Diken") for acquisition of its 63% equity in Kuming Diken. Kunming Diken is established by 昆明滇池投資有限責任公司 Kunming Dianchi Investment Co., Ltd. and holds the land use right for a piece of land parcel located in Kunming City, Yunnan Province. To the best knowledge of the Directors, Kunming Diken has not carried out any substantial business activities so far. The acquisition has not been completed as at the date of this report.

(d) The balance as at December 31, 2014 represented the amount due from the former subsidiary Huhehaote Shibo, which has been disposed in April 2014 (see note 45). The amount is unsecured, interest free and repayable on demand. In the opinion of the Directors, the amounts were to be settled after twelve months from the end of each reporting period and is therefore classified as non-current assets.

(e) The amounts mainly represented the preliminary development cost incurred for the project situated on one parcel of land, of which the relevant land use right certificate are held by a non-controlling shareholder of a subsidiary, amounting to RMB131,425,000, RMB132,822,000, and RMB133,909,000 as at December 31, 2012, 2013 and 2014, respectively. Pursuant to the agreement entered into between the Group and this non-controlling shareholder, the relevant land use right certificate would be transferred to the Group as the capital contribution by the non-controlling shareholder.

30. INVENTORIES

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Consumables and other materials	7,658	9,497	15,270
Merchandise	2,914	47,718	23,225
	10,572	57,215	38,495

31. TRADE AND OTHER RECEIVABLES

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade receivables			
- due from third parties	228,028	340,797	701,206
- due from related parties (note 50)	99,239	70,546	10,445
Less: allowance for doubtful debts	(44,978)	(71,647)	(117,283)
	282,289	339,696	594,368
Bills receivable	1,700	10,730	38,970
	283,989	350,426	633,338
Prepayments to third parties	93,603	129,029	117,441
Prepayments to related parties (note 50)	12,350	—	55,150
Other taxes recoverable	23,380	32,704	40,159
Amounts due from third parties (note a)	118,694	124,543	178,139
Amounts arising from a debt transfer (note b)	721,591	—	—
Amounts due from non-controlling shareholders of subsidiaries (note c)	87,922	37,758	90,301
Amounts due from related parties (note 50)	211,836	229,657	82,257
Deposits	75,182	79,735	64,880
Proceeds to be collected on behalf of the tenants (note d)	54,530	78,426	45,064
Other	19,564	21,013	22,163
Less: allowance for doubtful debts	(17,926)	(21,742)	(36,653)
	1,400,726	711,123	658,901
	1,684,715	1,061,549	1,292,239

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade receivables			
- due from third parties	180,318	304,827	649,774
- due from related parties	9,169	—	296
Less: allowance for doubtful debts	(41,111)	(65,355)	(109,616)
	148,376	239,472	540,454
Bills receivable	—	7,600	26,870
	148,376	247,072	567,324
Prepayments to third parties	26,635	21,382	23,199
Dividends receivable from subsidiaries	709,200	1,106,400	2,255,600
Other taxes recoverable	7,141	7,918	9,233
Amounts due from third parties (note a)	107,180	86,856	32,826
Amounts due from a former subsidiary (note b)	721,591	—	—
Amounts due from non-controlling shareholders of subsidiaries (note a)	9,000	—	826
Amounts due from related parties (note a)	127,450	62,600	80,450
Amounts due from subsidiaries (note a)	4,667,929	6,911,637	7,960,158
Deposits	52,109	54,020	29,529
Other	353	3,387	1,466
Less: allowance for doubtful debts	—	—	(210,194)
	6,428,588	8,254,200	10,183,093
	6,576,964	8,501,272	10,750,417

Notes:

(a) The amounts are unsecured, interest free and repayable on demand.

(b) The balance as at December 31, 2012 was arising from a debt transfer of the amount due from the former subsidiary Beijing Orient Oumei, which has been disposed in September 2012 (see note 45)

In November 2012, the Group entered into a debt transfer agreement with 長安國際信託股份有限公司 Chang'an International Trust Company Limited ("Chang'an Trust") and Beijing Orient Oumei. Pursuant to the agreement,

(1) The Group transferred an amount of RMB700,000,000 out of RMB721,591,000 of amount due from Beijing Orient Oumei to Chang'an Trust for a cash consideration of RMB700,000,000;

(2) Upon the completion of the debt transfer, Beijing Orient Oumei should repay the principle of RMB700,000,000 after the maturity of 18 or 24 months and the interest (using 12% per annum.) on a quarterly basis to Chang'an Trust.

(3) Mrs Chen Shuhong (Mr Che Jianxing's wife) provided guarantee to Chang'an Trust to secure Beijing Orient Oumei's repayment of the principle and interest.

(4) Mrs Che Jianfang (Mr Che Jianxing's sister), RSM Investment and 北京市東華實業公司 Beijing Donghua Industrial Company (the controlling shareholder of Beijing Orient Oumei after acquisition its 80% equity interest from the Group) pledged 8% equity interest in RSM Investment, 61% equity interest in RSM Enterprise Development, 80% equity interest in Beijing Orient Oumei respectively to Chang'an Trust to secure Beijing Orient Oumei's repayment of the principle and interest.

In 2013, Chang'an Trust paid the cash consideration of RMB700,000,000 and the debt transfer was completed. The remaining balance of RMB21,591,000 was repaid by Beijing Orient Oumei in 2013.

(c) Included in amounts due from non-controlling shareholders of subsidiaries as at December 31, 2012 is an amount of RMB36,800,000 due from Chengdu Great-wall (see note 29 - note (b)). The amount due within one year was recognized in current assets. Chengdu Great-wall has early repaid the amount in full in 2013.

Other amounts are unsecured, interest free and repayable on demand.

(d) The Group collect the proceeds from the sale of merchandise by the tenants and remit the proceeds within settlement periods (normally seven days) as pre-agreed with the tenants. The amounts represent the proceeds to be collected on behalf of the tenants from certain banks in the PRC as the customers pay through credit card.

The following is an analysis of trade receivables and bills receivable by age, net of allowance for doubtful debts, presented based on the date of recognition of revenue at the end of each reporting period:

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than 1 year	248,200	313,282	536,373
1 - 2 years	21,896	30,227	78,938
2 - 3 years	13,893	6,917	14,245
Over 3 years	—	—	3,782
	283,989	350,426	633,338

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than 1 year	126,376	214,725	452,559
1 - 2 years	20,832	26,347	101,374
2 - 3 years	1,168	6,000	10,391
Over 3 years	—	—	3,000
	148,376	247,072	567,324

Neither of the Group and the Company has granted any credit period to its customers. The Group and the Company recognizes allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customers, the Group and the Company uses past experience to assess the potential customers' credit quality and defines credit limits for the customers. Limits attributed to customers are reviewed regularly.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of each reporting period for which the Group has not recognized an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable considering the payment history and substantial repayment was noted subsequently to the end of each reporting period. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

The Group

	At December 31,		
	2014	2012	2013
	RMB'000	RMB'000	RMB'000
Less than 1 year	248,200	313,282	536,373
1- 2 years	21,896	30,227	78,938
2 - 3 years	13,893	6,917	14,245
Over 3 years	—	—	3,782
	283,989	350,426	633,338

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than 1 year	126,376	214,725	452,559
1 - 2 years	20,832	26,347	101,374
2 - 3 years	1,168	6,000	10,391
Over 3 years	—	—	3,000
	148,376	247,072	567,324

Movement in the allowance for doubtful debts

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	—	62,904	93,389
Impairment losses recognized during the year	62,904	30,863	65,426
Amounts written off during the year as uncollectible	—	(378)	(4,879)
Balance at end of the year	62,904	93,389	153,936

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	—	41,111	65,355
Impairment losses recognized during the year	51,550	24,244	405,902
Amounts written off during the year as uncollectible	(10,439)	—	(151,447)
Balance at end of the year	41,111	65,355	319,810

In determining the recoverability of a trade receivable, the Group and the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for doubtful debts of the Group are individually impaired trade receivables with an aggregate balance of RMB24,504,000, RMB38,208,000 and RMB108,975,000 as at December 31, 2012, 2013 and 2014 respectively, which were in severe financial difficulties.

Included in the allowance for doubtful debts of the Company are individually impaired trade receivables with an aggregate balance of RMB23,092,000, RMB36,678,000, RMB106,058,000 as at December 31, 2012, 2013 and 2014, respectively, which were in severe financial difficulties.

32. RESTRICTED BANK DEPOSITS

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Deposits pledged for banking facilities (including bank borrowings) granted to the Group (note a)	67,196	65,168	56,652
Analyzed for reporting purposes as:			
Non-current (note b)	64,196	65,168	49,472
Current	3,000	—	7,180
	67,196	65,168	56,652

Notes:

(a) The amounts represent bank deposits denominated in RMB pledged to banks as securities for certain banking facilities (including bank borrowings) granted to the Group.

(b) Deposits pledged as securities for bank and other borrowings granted to the Group that are not expected to be released within twelve months after the end of each reporting period are classified as non-current assets.

The restricted bank deposits carry prevailing market interest rates as follows:

	At December 31,		
	2012	2013	2014
	%	%	%
Range of interest rate per annum	2.85 - 3.50	2.85 - 3.25	2.85 - 3.25

33. BANK BALANCES AND CASH

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash	9,806	24,451	12,156
Bank deposits with original maturity within three months or less	3,756,383	3,780,474	3,580,248
Cash and cash equivalents	3,766,189	3,804,925	3,592,404
Bank deposits with original maturity over three months	12,157	24,368	72,456
Bank balances and cash	3,778,346	3,829,293	3,664,860

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash	5	35	57
Bank deposits with original maturity within three months or less	1,291,161	998,453	666,828
Cash and cash equivalents	1,291,166	998,488	666,885
Bank deposits with original maturity over three months	—	—	—
Bank balances and cash	1,291,166	998,488	666,885

The bank balances carry prevailing market interest rates as follows:

	At December 31,		
	2012	2013	2014
	%	%	%
Range of interest rate per annum	0.35 - 3.50	0.35 - 3.25	0.35 - 3.25

Bank balances and cash as at December 31, 2012, 2013 and 2014 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

34. TRADE AND OTHER PAYABLES

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade payables (note a)	263,029	188,460	180,171
Bills payable (note a)	49,000	17,900	—
	312,029	206,360	180,171
Staff cost payables	221,720	290,431	389,068
Dividends payable to a non-controlling shareholder of a subsidiary	—	4,800	3,600
Other tax payables	54,931	75,342	107,815
Interests payables	42,478	62,158	69,150
Amounts due to third parties (note b)	107,694	186,088	436,367
Amounts due to non-controlling shareholders of subsidiaries (note b)	97,495	243,264	150,413
Amounts due to related parties (note 50)	388,222	499,694	279,478
Construction costs payables	290,944	403,460	531,674
Proceeds collected on behalf of the tenants (note c)	791,341	1,049,852	738,912
Deposit received from the tenants	946,816	1,121,520	1,377,784
Received in advance arising from pre-paid cards (note d)	—	59,757	127,325
Intention deposit received (note e)	—	206,500	400,890
Accrued rental and other expenses	128,564	175,699	223,038
Other	94,427	111,181	87,873
	3,164,632	4,489,746	4,923,387
	3,476,661	4,696,106	5,103,558

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade payables (note a)	81,718	49,400	58,130
Bills payable (note a)	49,000	17,900	—
	130,718	67,300	58,130
Staff cost payables	105,933	132,907	139,985
Other tax payables	11,659	29,057	56,503
Interests payables	13,916	29,858	36,810
Amounts due to third parties (note b)	50,069	49,998	23,184
Amounts due to non-controlling shareholders of subsidiaries (note b)	342	342	8,869
Amounts due to related parties (note b)	—	32,400	40,295
Amounts due to subsidiaries (note b)	4,687,184	6,028,884	6,267,927
Deposit received from the tenants	7,150	6,050	5,650
Intention deposit received (note e)	—	137,500	400,890
Accrued rental and other expenses	37,225	20,549	52,334
Other	6,675	17,328	8,731
	4,920,153	6,484,873	7,041,178
	5,050,871	6,552,173	7,099,308

Notes:

(a) Neither of the Group and the Company has any credit period to its supplier. The Group has financial risk management policies in place to ensure that all payables are paid in a timely manner.

The following is an analysis of trade payables and bills payable by age presented based on the date of recognition of relevant payables at the end of each reporting period:

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than 1 year	309,014	195,496	163,827
1 - 2 years	2,998	8,336	8,589
2 - 3 years	2	2,513	6,100
Above 3 years	15	15	1,655
	312,029	206,360	180,171

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than 1 year	130,135	66,295	58,117
1 - 2 years	583	505	8
2 - 3 years	—	500	5
	130,718	67,300	58,130

(b) The amounts are unsecured, interest free and repayable on demand.

(c) The amounts represent the proceeds (from the sale of merchandise by the tenants) collected on behalf of the tenants and will be remitted within settlement periods (normally seven days) as pre-agreed with the tenants.

(d) In 2013, the Group was approved by Shanghai Municipal Commission of Commerce to issue single-purpose pre-paid cards. The proceeds of pre-paid cards will be transferred to the tenants within settlement periods (normally seven days) once the customers purchase merchandise in the shopping malls.

(e) The amounts represent the intention deposits received from customers before the formal contract management arrangements were entered into. The amounts will be remitted upon the formal arrangements are entered into, or the termination of the collaboration.

35. BANK AND OTHER BORROWINGS

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Bank loans, secured (note a)	8,489,767	9,476,053	9,970,829
Bank loans, unsecured (note b)	377,634	362,260	114,700
Other loans, secured (note a, c)	1,024,706	1,400,000	1,323,470
	9,892,107	11,238,313	11,408,999

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Bank loans, secured	—	—	275,000
Bank loans, unsecured	165,633	337,260	89,700
Other loans, secured	704,706	—	—
	870,339	337,260	364,700

Note:

(a) Bank and other loans were secured by certain investment properties and bank deposits of the Group. Details are shown in note 46.

Bank and other loans of RMB2,527,645,000 , RMB3,488,180,000 and RMB3,429,487,000 as at December 31, 2012, 2013 and 2014 respectively were also guaranteed by certain related parties (see note 50(c)).

(b) Save the bank loans of RMB127,000,000, RMB250,000,000 as at December 31, 2012 and 2013 respectively, which are guaranteed by certain related parties (see note 50) or independent third parties, the remaining balances are unguaranteed.

(c) The other loans as at December 31, 2013 and 2014 mainly represented the entrusted debt investment from certain independent third parties with a principle of RMB1,200,000,000, which is secured by certain investment properties of the Group, carried fixed interest rate of 7.59% per annum, and is repayable by installments at the end of each quarter starting from 2014, and will mature on November 28, 2023.

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	330,600	2,100,000	1,703,470
Variable-rate borrowings	9,561,507	9,138,313	9,705,529
	9,892,107	11,238,313	11,408,999
The borrowings are repayable:			
With one year or on demand	1,837,637	2,182,414	2,325,523
More than one year, but not exceeding two years	1,263,003	1,394,303	1,727,965
More than two years, but not exceeding five years	2,930,353	4,230,452	4,163,599
More than five years	3,861,114	3,431,144	3,191,912
	9,892,107	11,238,313	11,408,999
Less: Amount due within one year shown under current liabilities	1,837,637	2,182,414	2,325,523
Amount due after one year	8,054,470	9,055,899	9,083,476

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	290,600	300,000	—
Variable-rate borrowings	579,739	37,260	364,700
	870,339	337,260	364,700
The borrowings are repayable:			
With one year or on demand	629,739	337,260	139,700
More than one year, but not exceeding two years	240,600	—	225,000
	870,339	337,260	364,700
Less: Amount due within one year shown under current liabilities	629,739	337,260	139,700
Amount due after one year	240,600	—	225,000

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

	At December 31,		
	2012	2013	2014
	%	%	%
Fixed rate bank borrowings	6.30 - 9.00	6.15 - 7.59	6.15 - 7.80
Floating rate bank borrowings	5.98 - 13.50	5.89 - 8.64	5.89 - 8.64

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 and the Company's bank and other borrowings are denominated in RMB.

36. PROVISION

The Group and the Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Court proceedings (note)	—	7,128	—

Note: In August 2013, the Company was accused in a legal action involving the alleged default of the Company in accordance with the terms of contract. The Group and the Company recognized a provision for this potential claim. The legal action was settled with a compensation made by the Group in June 2014.

37. BONDS

The Group and the Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Unguaranteed medium term note:			
Bonds 2015 (as defined below) (note a)	591,181	594,335	597,681
Bonds 2017 (as defined below) (note b)	875,991	880,248	884,966
Bonds 2018 (as defined below) (note c)	—	492,644	494,012
Bonds 2016 (as defined below) (note d)	—	492,400	494,600
Private placement notes:			
Private Bonds 2017 (as defined below) (note e):	—	—	987,739
	1,467,172	2,459,627	3,458,998

Notes:

(a) In August 2012, the Company established a medium term note program (the "Program 2012") under which it may issue bonds in series or tranches of aggregate nominal amount of up to RMB1,500,000,000. On August 31, 2012, the Company issued bonds due in 2015 (the "Bonds 2015") with an aggregated nominal value of RMB600,000,000 at the face value under the Program 2012. The Bonds 2015 carry interest at the rate of 5.44% per annum, payable annually on August 31, in each year, and will mature on August 31, 2015.

(b) On December 13, 2012, the Company issued bonds due in 2017 (the "Bonds 2017") with an aggregated nominal value of RMB900,000,000 at the face value under the Program 2012. The Bonds 2017 carry interest at the rate of 6.11% per annum, payable annually on December 13, in each year, and will mature on December 13, 2017.

(c) In August 2013, the Company established a medium term note program (the "Program 2013") under which it may issue bonds in series or tranches of aggregate nominal amount of up to RMB1,000,000,000. On September 11, 2013, the Company issued bonds due in 2018 (the "Bonds 2018") with an aggregated nominal value of RMB500,000,000 at the face value under the Program 2013. The Bonds 2018 carry interest at the rate of 7.50% per annum, payable annually on September 11, in each year, and will mature on September 11, 2018.

(d) On December 5, 2013, the Company issued bonds due in 2016 (the "Bonds 2016") with an aggregated nominal value of RMB500,000,000 at the face value under the Program 2013. The Bonds 2016 carry interest at the rate of 7.50% per annum, payable annually on December 5, in each year, and will mature on December 5, 2016.

(e) On December 8, 2014, the Company issued private placement notes due in 2017 (the "Private Bonds 2017") with an aggregated nominal value of RMB1,000,000,000 at the face value. The Private Bonds 2017 carry interest at the rate of 8.00% per annum, payable annually on December 8, in each year, and will mature on December 8, 2017

The movements of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016 and Private Bonds 2017 are set out below:

	RMB'000
As at January 1, 2012	—
Net proceeds from Bonds 2015 issued on August 31, 2012	590,150
Net proceeds from Bonds 2017 issued on December 13, 2012	875,775
Interests and issue cost amortized year	14,936
As at December 31, 2012	**1,480,861**
Net proceeds from Bonds 2018 issued on September 11, 2013	492,200
Net proceeds from Bonds 2016 issued on December 5, 2013	492,200
Interests and issue cost amortized year	111,308
Interest paid during the year	(87,630)
As at December 31, 2013	**2,488,939**
Net proceeds from Private Bonds 2017 issued on December 8, 2014	987,700
Interests and issue cost amortized year	180,968
Interest paid during the year	(162,630)
As at December 31, 2014	**3,494,977**

The balance of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016 and Private Bonds 2017 at the end of each reporting period represented by:

The Group and the Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Other payables - accrued interests	13,689	29,312	35,979
Bonds (current)	—	—	597,681
Bonds (non current)	1,467,172	2,459,627	2,861,317
	1,480,861	2,488,939	3,494,977

The balances of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016 and Private Bonds 2017 represent the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016 and Private Bonds 2017 is 6.05% per annum, 6.76% per annum, 7.89% per annum, 8.11% per annum and 8.48% per annum respectively.

38. OBLIGATIONS UNDER FINANCE LEASES

The Group leased one of its shopping malls under finance leases. The lease term is 40 years, which is for the major part of the economic life of this property in the opinion of the Directors Interest rates are fixed at 6.55% per annum on the contract date. No arrangements have been entered into for contingent rental payments.

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Amounts payable under finance leases:			
With one year or on demand	26,315	26,315	26,315
More than one year, but not exceeding two years	26,315	26,315	26,315
More than two years, but not exceeding five years	78,944	78,944	78,944
More than five years	809,180	780,082	753,857
	940,754	911,656	885,431
Less: future finance charges	(577,885)	(554,195)	(530,682)
Present value of lease obligations	362,869	357,461	354,749
Less: Amount due within one year shown under current liabilities	(2,625)	(2,802)	(2,991)
Amount due after one year	360,244	354,659	351,758

39. DEFERRED INCOME

The Group

	Government grant
	RMB'000
At January 1, 2012	101,121
Received during the year	43,947
Released to profit or loss	(4,027)
At December 31, 2012	141,041
Released to profit or loss	(3,992)
At December 31, 2013	137,049
Received during the year	66,147
Released to profit or loss	(4,698)
At December 31, 2014	198,498

The Group received government subsidies of approximately RMB43,947,000 and RMB66,147,000 during the years ended December 31, 2012 and 2014 for the development of certain shopping malls. The amounts are treated as deferred income and will be recognized in profit or loss on a systematic basis over the estimated useful lives of the shopping malls.

40. OTHER NON-CURRENT LIABILITIES

The Group

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Initiation and entrance fees received in advance	781,341	601,450	744,417
Rental payable (note a)	396,012	320,060	292,323
Amounts due to non-controlling shareholders of subsidiaries (note b)	824,580	678,679	414,147
Amounts due to related parties (note 50)	662,535	523,217	419,345
	2,664,468	2,123,406	1,870,232

The Company

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Initiation and entrance fees received in advance	781,341	579,450	713,417
Amounts due to non-controlling shareholders of subsidiaries (note b)	—	16,678	15,007
	781,341	596,128	728,424

Notes:

(a) Lease payments under an operating lease is recognized as an expense on a straight-line basis over the lease term. For operating leases with increased annual payments, the differences between the rental expenses recognized on a straight-line basis and the actual annual payments are recognized as liabilities.

(b) The amounts are unsecured, interest free and repayable on demand after the subsidiaries become profitable. In the opinion of the Directors, the amounts are to be settled after twelve months from the end of each reporting period and are therefore classified as non-current liabilities.

41. SHARE CAPITAL AND RESERVES OF THE COMPANY

Share capital

	RMB'000
Issued and fully paid share capital of RMB1.00 each:	
At January 1, 2012, December 31, 2012, 2013 and 2014	3,000,000

Reserves

	Statutory surplus reserve	Share options reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012	153,774	169,331	(367,713)	(44,608)
Profit and total comprehensive income for the year	—	—	1,590,944	1,590,944
Appropriate to reserve	125,320	—	(125,320)	—
At December 31, 2012	279,094	169,331	1,097,911	1,546,336
Profit and total comprehensive income for the year	—	—	1,726,067	1,726,067
Appropriate to reserve	177,034	—	(177,034)	—
Dividends (note 17)			(1,020,000)	(1,020,000)
At December 31, 2013	456,128	169,331	1,626,944	2,252,403
Profit and total comprehensive income for the year	—	—	2,150,436	2,150,436
Appropriate to reserve	210,520	—	(210,520)	—
Dividends (note 17)			(720,000)	(720,000)
At December 31, 2014	666,648	169,331	2,846,860	3,682,839

42. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of equity interests held by non-controlling interest Year end December 31,			Profit allocated to non-controlling interests Year end December 31,			Accumulated non-controlling interests As at December 31,		
		2012	2013	2014	2012	2013	2014	2012	2013	2014
					RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Zhengzhou International*	PRC	50%	50%	50%	119,411	94,025	103,127	1,040,627	1,089,653	1,184,880
Individual immaterial subsidiaries with non- controlling interests					230,096	162,120	185,960	2,950,883	2,753,290	2,783,221
					349,507	256,145	289,087	3,991,510	3,842,943	3,968,101

* Pursuant to the agreement between the Group and the non-controlling shareholder of Zhengzhou International, the Group hold 51% of voting power in Zhengzhou International, while each of the two parties hold 50% of equity interest in Zhengzhou International.

Zhengzhou International

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Current assets	287,768	185,375	233,716
Non-current assets	3,267,811	3,235,007	3,137,576
Current liabilities	97,536	112,377	87,969
Non-current liabilities	1,376,789	1,128,699	913,563

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue	262,681	252,031	230,171
Expenses	23,859	63,981	23,917
Profit and total comprehensive income or the year	238,822	188,050	206,254
Dividends paid to non-controlling interests	(100,000)	(45,000)	(7,900)
Net cash inflow from operation activities	1,477	160,684	118,899
Net cash (outflow) inflow from investing activities	(120,967)	5,231	5,283
Net cash inflow (outflow) from financing activities	108,008	(202,315)	(136,453)
Net cash outflow	(11,482)	(36,400)	(12,271)

43. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the group entities in the PRC are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The group entities in the PRC contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. The total cost charged to profit or loss for the years ended December 31, 2012, 2013 and 2014 amounted to RMB72,602,000, RMB86,609,000 and RMB120,772,000 respectively represent contributions paid or payable to the scheme by the Group in respect of the Relevant Periods.

44. ACQUISITION OF SUBSIDIARIES

Acquisitions of Sunan Construction and Langfang Kaihong in 2012

In April 2012, RSM Enterprise Development Group acquired 100% equity interest in Sunan Construction from an independent third party. Since then, Sunan Construction came under common control of the ultimate holding company. As the acquisition of Sunan Construction by the Group from RSM Enterprise Development Group in June 2014 is a business combination under common control, Sunan Construction is accounted for as a subsidiary of the Company since April 2012.

Sunan Construction was acquired so as to conduct construction of shopping malls held by the Group.

In December 2012, the Company acquired 70.00% equity interest in Langfang Kaihong for a cash consideration of RMB70,000,000 from an independent third party. Langfang Kaihong was holding a parcel of land for property development. The acquisition has been accounted for as acquisition of assets, which do not constitute a business.

Assets acquired and liabilities recognized at the respective date of acquisition are as follows:

	Sunan Construction	Langfang Kaihong	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	1	70,599	70,600
Trade and other receivables	52,775	50	52,825
Investment properties	—	232,649	232,649
Property, plant and equipment	—	187	187
Trade and other payables	(2,606)	(203,485)	(206,091)
Non-controlling interests		(30,000)	(30,000)
	50,170	70,000	120,170
Total consideration	—	70,000	70,000
Deemed contribution from the ultimate holding company	50,170	—	50,170
Net cash inflow arising on acquisition			
Cash and cash equivalent balances acquired	1	70,599	70,600
Less: consideration paid in cash	—	(70,000)	(70,000)
	1	599	600

Included in the profit for the year ended December 31, 2012 is RMB9,312,000 attributable to the additional business generated by Sunan Construction. Revenue for the year ended December 31, 2012 includes RMB98,993,000 in respect of Sunan Construction.

Had the business combination of Sunan Construction been effected at January 1, 2012, the revenue of the Group would have been RMB5,269 million, and the profit for the year would have been RMB2,255 million.

Acquisition of Wuxi Home Furnishing in 2013

Wuxi Home Furnishing was established by the Group and an independent third party in October 2012, the Group held 49% equity interest in Wuxi Home Furnishing and accounted for as interest in an associate. The Group made a capital contribution to Wuxi Home Furnishing in April 2013. Upon the completion of the capital contribution, the Company held 89.80% of the equity interest of Wuxi Home Furnishing and Wuxi Home Furnishing became a subsidiary of the Group. Wuxi Home Furnishing was holding a parcel of land for property development. The acquisition has been accounted for as acquisition of assets, which do not constitute a business.

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Cash and cash equivalents	80,013
Trade and other receivables	709
Investment properties	414,569
Property, plant and equipment	197
Trade and other payables	(286,577)
Other non-current liabilities	(108,910)
Non-controlling interests	(10,201)
	89,800
Fair value of previously held equity interest in the acquire	9,800
Capital contribution with cash	80,000
Total consideration	89,800
Net cash inflow arising on acquisition:	
Cash and cash equivalent balances acquired	80,013
Less: capital contribution with cash	(80,000)
	13

Acquisitions of Intellectual Property Agency in 2014

In August 2014, the Company acquired 100.00% equity interest in Intellectual Property Agency for a cash consideration of RMB500,000 from an independent third party. Intellectual Property Agency is principally engaged in providing consulting service and was acquired so as to continue the expansion of the Group's consultation and management service.

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Cash and cash equivalents	387
Intangible assets	114
Trade and other payables	(1)
	500
Total consideration	500
Net cash outflow arising on acquisition:	
Cash and cash equivalent balances acquired	387
Less: consideration paid in cash	(500)
	(113)

Acquisition-related costs incurred are not material and have been excluded from the consideration transferred recognized as an expense in 2014.

Included in the profit for the year ended December 31, 2014 is loss of RMB20,000 attributable to the additional business generated by Intellectual Property Agency. Revenue for the year ended December 31, 2014 includes RMB5,000 in respect of Intellectual Property Agency.

Had the business combination been effected at January 1, 2014, the revenue of the Group would have been RMB7,935 million, and the profit for the year would have been RMB3,922 million.

45. DISPOSAL OF SUBSIDIARIES

Disposals of Wuxi Furnishing City and Beijing Orient Oumei in 2012

In April 2012, the Group disposed 100% equity interest in its subsidiary, Wuxi Furnishing City, to an independent third party for a cash consideration of RMB300,000.

In September 2012, the Group disposed 80% equity interest in its subsidiary, Beijing Orient Oumei, to an independent third party for a cash consideration of RMB40,000,000.

The net assets at the respective date of disposals were as follows:

	Wuxi Furnishing City	Beijing Orient Oumei	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	1,653	15,532	17,185
Trade and other receivables	2,653	12,227	14,880
Investment properties	—	788,000	788,000
Property, plant and equipment	—	3,334	3,334
Deferred tax assets	—	6,314	6,314
Trade and other payables	(4,006)	(799,171)	(803,177)
Non-controlling interests	—	831	831
	300	27,067	27,367
Gain on disposal of a subsidiary:			
Consideration received and receivable	300	40,000	40,300
Less: net assets disposed	(300)	(27,067)	(27,367)
	—	12,933	12,933
Net cash inflow arising on disposal:			
Consideration received in cash (note)	300	25,000	25,300
Less: bank balances and cash disposed of	(1,653)	(15,532)	(17,185)
	(1,353)	9,468	8,115

Note: The remaining cash consideration of RMB15,000,000 arising from disposal of Beijing Orient Oumei was subsequently received in 2013.

Disposal of Beijing Xingkai in 2013

In October 2013, the Group disposed 100% equity interest in its subsidiary, Beijing Xingkai, to RSM Enterprise Development Group for a cash consideration of RMB64,952,000.

The net assets at the respective date of disposals were as follows:

	RMB'000
Cash and cash equivalents	13,051
Trade and other receivables	860
Property, plant and equipment	661,109
Trade and other payables	(494,684)
Other non-current liabilities	(115,336)
	65,000
Loss on disposal of a subsidiary:	
Net assets disposed	65,000
Less: consideration received and receivable	(64,952)
	48
Net cash inflow arising on disposal:	
Consideration received in cash	64,952
Less: bank balances and cash disposed of	(13,051)
	51,901

Disposal of Fuzhou Shibo, Huhehaote Shibo, Xingyijia Investment and Shanghai Jingting in 2014

Disposal of Fuzhou Shibo

In May 2014, the Group entered into a series of agreements with 福建省冠美投資有限公司 Fujian Guanmei Investment Company Limited ("Fujian Guanmei", the then non-controlling shareholder of Fuzhou Shibo, which held its 49% equity interest), Chang'an Trust and Fuzhou Shibo.

Pursuant to the agreements:

(a) The Group will transfer its 51% equity interest in Fuzhou Shibo for a cash consideration of RMB25,500,000 to Chang'an Trust. Chang'an Trust will further inject RMB224,500,000 to Fuzhou Shibo. Upon the completion of the equity transfer and capital injection, Chang'an Trust will hold 80.32% equity interest in Fuzhou Shibo. After the maturity of 24 months, Chang'an Trust could request Fujian Guanmei to acquire its 80.32% equity interest in Fuzhou Shibo for a cash consideration of RMB250,000,000;

(b) The Group will transfer an amount of RMB201,000,000 due from Fuzhou Shibo to Chang'an Trust for a cash consideration of RMB201,000,000. Upon the completion of the debt transfer, Fuzhou Shibo shall repay the principle of RMB201,000,000 after the maturity of 24 months and the interest (using 24.682% per annum.) on a quarterly basis to Chang'an Trust;

(c) Chang'an Trust will provide trust loan of RMB249,000,000 to Fuzhou Shibo. Fuzhou Shibo shall repay the principle of RMB249,000,000 after the maturity of 24 months and the interest (using 11% per annum.) on a quarterly basis to Chang'an Trust;

(d) Mrs Chen Shuhong (Mr Che Jianxing's wife) and RSM Enterprise Development provide guarantee to Chang'an Trust to secure Fujian Guanmei's acquisition of equity interest and Fuzhou Shibo's repayment of the principles and interests under such debt transfer agreement and trust loan;

(e) Fuzhou Shibo pledged its land use rights to Chang'an Trust to secure Fujian Guanmei's acquisition of equity interest and Fuzhou Shibo's repayment of the principles and interests under such debt transfer agreement and trust loan.

In June 2014, the Group received cash consideration of RMB25,500,000 and the equity transfer was completed.

Disposal of Huhehaote Shibo

In April 2014, the Group disposed 51% equity interest in its subsidiary, Huhehaote Shibo, to an independent third party for a cash consideration of RMB51,000,000. After the disposal, the Group held 9.0% equity interest in Huhehaote Shibo and accounted for as an available for sale investment.

Disposal of Xingyijia Investment

In April 2014, the Group disposed 80% equity interest in its subsidiary, Xingyijia Investment, to independent third parties for an aggregated cash consideration of RMB30,036,000.

Disposal of Shanghai Jingting

In July 2014, the then non-controlling shareholder of Shanghai Jingting made a capital contribution to Shanghai Jingtinin. Upon the completion of the capital contribution, the Company held 2.0% of the equity interest of Shanghai Jingting which was accounted for as an available for sale investment and Shanghai Jingting ceased to be a subsidiary of the Group.

The net assets at the respective date of disposals were as follows:

	Fuzhou Shibo	Huhehaote Shibo	Xingyijia Investment	Shanghai Jingting	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	23,905	78,298	8,451	180	110,834
Inventories	—	—	30,926	—	30,926
Trade and other receivables	357	3	10,620	38,737	49,717
Tax recoverable	—	243	—	—	243
Investment properties	592,000	—	—	—	592,000
Property, plant and equipment	384	632	12,940	27,357	41,313
Intangible assets	—	—	14	—	14
Deferred tax assets	35	183	3,372	20	3,610
Other non-current assets	—	20,000	—	—	20,000
Trade and other payables	(30,289)	(103)	(35,796)	(8,967)	(75,155)
Tax liabilities	—	—	—	(369)	(369)
Deferred tax liabilities	(14,815)	—	—	—	(14,815)
Other non-current liabilities	(480,459)	—	—	(1,650)	(482,109)
Non-controlling interests	(44,660)	(39,702)	(6,106)	—	(90,468)
	46,458	59,554	24,421	55,308	185,741
Gain (loss) on disposal of a subsidiary:					
Consideration received and receivable	25,500	51,000	30,036	—	106,536
Fair value of the retained interest	—	9,000	—	3,350	12,350
Less: net assets disposed	(46,458)	(59,554)	(24,421)	(55,308)	(185,741)
	(20,958)	446	5,615	(51,958)	(66,855)
Net cash inflow (outflow) arising on acquisition:					
Consideration received	25,500	51,000	30,036	—	106,536
Less: bank balances and cash disposed of	(23,905)	(78,298)	(8,451)	(180)	(110,834)
	1,595	(27,298)	21,585	(180)	(4,298)

46. PLEDGED ASSETS

The following assets were pledged to secure certain bank and other borrowings, and banking facilities granted to the Group as set out in Note 35, and bank and other borrowing granted to certain related parties as set out in Note 50 at the end of each reporting period:

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Investment properties	44,745,000	49,264,000	54,208,000
Restricted bank deposits	67,196	65,168	56,652
	44,812,196	49,329,168	54,264,652

47. OPERATING LEASE

The Group as lessor

Property rental and management fee income earned during each of three years ended December 31, 2012, 2013 and 2014 was RMB3,670,514,000, RMB3,961,353,000 and RMB4,659,823,000 respectively. The properties held by the Group for rental purpose have committed tenants from 6 to 18 months, most of which are fixed rental.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within one year	1,913,099	2,633,830	2,918,492
In the second year	136,602	173,315	156,557
	2,049,701	2,807,145	3,075,049

The Group as lessee

Minimum lease payments paid under operating leases during each of three years ended December 31, 2012, 2013 and 2014 was RMB483,836,000, RMB548,942,000 and RMB541,178,000 respectively. The Group leases various shopping malls under non-cancellable operating lease agreements. The lease terms are from 1 to 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within one year	574,647	556,838	562,414
In the second to the fifth year inclusive	2,070,100	1,781,014	2,218,732
After the fifth year	5,037,107	3,722,433	3,649,027
	7,681,854	6,060,285	6,430,173

48. CAPITAL COMMITMENTS

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Contracted but not provided for in the Financial Information:			
- Capital expenditure in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries)	3,304,158	2,817,893	4,707,735

49. CONTINGENT LIABILITIES

(a) As at December 31, 2012, 2013 and 2014, the Group issued financial guarantees with partners to a bank in respect of a loan in the amount of up to RMB400,000,000, RMB400,000,000 and RMB400,000,000, respectively, granted to a joint venture, of which RMB398,000,000, RMB338,000,000 and RMB258,000,000, respectively have been utilized by the joint venture as at December 31, 2012, 2013 and 2014, respectively. In the opinion of the Directors, the fair value of the financial guarantee provided by the Group is not significant as the joint venture is at a good financial position.

(b) Pursuant to the applicable PRC laws and regulations, leases must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As the date of this report, the Group failed to register approximately 17,600 exhibition space agreements, for which the estimated total penalty of approximately RMB17.6 million to RMB176.0 million may be imposed on the Group. The Directors are of the view that the risk that the Group will be penalized is remote.

50. RELATED PARTY TRANSACTIONS

The Group has the following related party balances and transactions.

(a) During the Relevant Periods, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Che Jianxing	Ultimate holding shareholder
Ms. Chen Shuhong	Wife of Mr. Che Jianxing
Mr. Che Guoxing	Brother of Mr. Che Jianxing
Ms. Che Jianfang	Sister of Mr. Che Jianxing
Ms. Qian Yumei	Close family member of Mr. Che Jianxing
紅星傢俱集團有限公司 Red Star Furniture Group Limited ("Red Star Furniture")	Controlled by Mr. Che Jianxing
常州市紅星裝飾城 Changzhou Red Star Furnishing City ("Changzhou Furnishing City")	Controlled by Mr. Che Jianxing
溫州紅聯家居有限公司 Wenzhou Honglian Home Furnishing Company Limited ("Wenzhou Honglian")	Significantly influenced by Mr. Che Jianxing
揚州紅星美凱龍全球家居生活廣場置業有限公司 Yangzhou Red Star Macalline Global Home Furnishing Plaza Company Limited ("Yangzhou Global")	Controlled by close family member of Mr. Che Jianxing

Name of related party	Relationship
濟寧鴻瑞置業有限公司 Jining Hongrui Real Estate Company Limited ("Jining Hongrui")	Controlled by close family member of Mr. Che Jianxing
陜西鴻瑞家居生活廣場有限公司 Shaanxi Hongrui Home Furnishing Plaza Company Limited ("Shaanxi Hongrui")	Controlled by close family member of Mr. Che Jianxing
徐州紅星美凱龍國際傢俱裝飾城有限公司 Xuzhou Red Star Mac/alline International Home Furnishing City Company Limited ("Xuzhou International")	Controlled by close family member of Mr. Che Jianxing
徐州紅星美凱龍全球家居生活廣場有限公司 Xuzhou Red Star Macalline Global Home Furnishing Plaza Company Limited ("Xuzhou Global")	Controlled by close family member of Mr. Che Jianxing
濟甯星凱家居生活廣場管理有限公司 Jining Xingkai Home Furnishing Plaza Management Company Limited ("Jining Xingkai")	Controlled by close family member of Mr. Che Jianxing
興化市星凱家居生活廣場有限公司 Xinghua Xingkai Home Furnishing Plaza Company Limited ("Xinghua Xingkai")	Significantly influenced by close family member of Mr. Che Jianxing
RSM Investment	Ultimate holding company
RSM Enterprise Development Group	Under common control with RSM Investment
蚌埠紅星美凱龍家居生活博覽中心有限公司 Bengbu Red Star Macalline Home Furnishing Expo Company Limited ("Bengbu Expo")	Significantly influenced by key management personnel of the Company
金科地產集團股份有限公司 Jinke Property Group Company Limited ("Jinke Property")	Significantly influenced by key management personnel of the Company
上海名藝商業企業發展有限公司及其子公司 Shanghai Mingyi Enterprise Development Company Limited and its subsidiary (collectively "Shanghai Mingyi")	a joint venture of the Group
Chengdu Dongtai	a joint venture of the Group
西安紅星佳鑫家居有限責任公司 Xi'an Red Jiaxin Star Home Furnishing Company Limited ("Xi'an Jiaxin")	a joint venture of the Group

Name of related party	Relationship
Shenzhen Red Star	an associate of the Group
Suzhou Zhongxiang	an associate of the Group
Wuxi Home Furnishing	an associate of the Group until April 2013*
陝西佳鑫偉業實業發展有限責任公司 Shaanxi Jiaxin Weiye Industrial Development Company Limited ("Shaanxi Jiaxin")	an associate of the Group until May 2013**

* Wuxi Home Furnishing became a subsidiary of the Group in April 2013, see note 44.

** Shaanxi Jiaxin was disposed in May 2013 to a third party.

(b) During the Relevant Periods, the Group has the transactions with following related parties and the details are set out below:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Initiation and entrance fees and annual management fee received and receivable from following related parties:			
Yangzhou Global	2,000	2,000	2,000
Jining Hongrui	4,000	4,000	3,690
Shaanxi Hongrui	1,250	5,250	3,750
Xuzhou International	4,000	4,000	1,900
Xuzhou Global	6,000	6,000	3,733
Xinghua Xingkai	—	—	13,502
RSM Enterprise Development Group	6,333	19,392	6,533
Bengbu Expo	500	500	500
Shanghai Mingyi	—	6,316	3,000
Shaanxi Jiaxin	4,000	1,333	—
	28,083	48,791	38,608
Construction service provided to:			
RSM Enterprise Development Group	—	16,000	—
	—	16,000	—
Rental income from:			
Ms. Qian Yumei	1,017	1,090	1,039
	1,017	1,090	1,039
Interest income from:			
Shanghai Mingyi	475	—	—
	475	—	—
Rental expenses paid and payable to:			
Changzhou Furnishing City	13,800	13,800	14,835
Mr. Che Guoxing	336	336	336
Jinke Property	—	—	39,686
	14,136	14,136	54,857

Acquisition/disposal of equity interests with related parties:

Save the disposal of a subsidiary to a related party as disclosed in note 45, the Group has acquired/disposed equity interests with related parties during the Relevant Periods as set out below:

In February 2012, the Company acquired 5.00% equity interest in Bengbu Expo for a consideration of RMB250,000 from Mr. Che Jianxing and accounted for as an available for sale investment.

In April 2013, the Company disposed 10.00% equity interest in 慈溪鑫凱家居購物廣場有限公司 Cixi Xinkai Home Furnishing Plaza Company Limited which had been accounted for as an available for sale investment for a consideration of RMB6,000,000 to RSM Enterprise Development Group. The consideration was subsequently received in cash in 2014.

(c) Save as disclosed in notes 31 and 45, at the end of each reporting period, the Group has provided guarantees or assets pledge to, or obtained guarantees provided by the following related parties and the details are set out below:

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(i) Guarantees provided to following related parties for banking facilities granted:			
Chengdu Dongtai (note 49)	398,000	338,000	258,000

(ii) Properties pledged in respect of the mortgage loans provided by the banks to related parties:

The six Transferred Shopping Malls (as defined in note 2) were each held by Huayun Trading, Changchun Property, Yunnan Property, Shenyang Jingsen, Dalian Investment and Xinglong Property, subsidiaries of RSM Enterprise Development, during the Relevant Periods, to the extent the assets, liabilities, income and expenses that are directly attributable to the Transferred Shopping Malls, such items are included in the Financial Information throughout the Relevant Periods.

The Investment properties in respect to the Transferred Shopping Mall held by Xinglong Property, together with Xinglong Property's other properties, were pledged to banks in respect of the mortgage loans provided by the banks to RSM Investment. The aggregate outstanding balance of such mortgage loans amounted to RMB620,000,000, RMB620,000,000 and RMB519,000,000 as at December 31, 2012, 2013 and 2014, respectively.

The Investment properties in respect to the Transferred Shopping Malls held by each of Huayun Trading, Changchun Property, Shenyang Jingsen, and Dalian Investment, together with other properties of these entities, were pledged to banks in respect of the mortgage loans provided by the banks to each of these entities, respectively. The aggregate outstanding balance of such mortgage loans amounted to RMB2,063,986,000, RMB1,070,000,000 and RMB530,000,000 as at December 31, 2012, 2013 and 2014, respectively.

In August and December 2013, Tianjin International Expo and Changchun Shibo was established following the split of Huayun Trading and Changchun Property, respectively. The relevant pledges were released upon the completion of the splits. As at December 31, 2014, Shenyang Jingsen has fully repaid the relevant mortgage loan and the relevant pledge was released accordingly.

In addition, the Group has received deposits from relevant related parties in respect of the properties pledged (see note 50 (d)).

In the opinion of the Directors, the fair value of such pledge provided by the Group is not significant as the related parties are at a good financial position.

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(iii) Guarantees provided by related parties for banking facilities granted:			
Mr. Che Jianxing	777,896	1,114,428	1,499,428
Mr. Che Jianxing and Ms. Chen Shuhong	—	650,000	380,000
Mr. Che Jianxing, Red Star Furniture and RSM Investment	1,224,249	1,141,512	1,052,819
Red Star Furniture	495,500	463,000	398,000
Ms. Che Jianfang	—	119,240	99,240
RSM Investment	30,000	—	—
	2,527,645	3,488,180	3,429,487

Note: Save the bank loans of RMB90,000,000 and RMB250,000,000 as at December 31, 2012 and 2013, respectively, other banking facilities are also secured by certain properties of the Group (see note 46).

(d) At the end of each reporting period, the Group has the balances with following related parties and the details are set out below:

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Accounts receivable: trade nature			
Jining Hongrui	2	—	—
Xuzhou International	1,000	—	—
Xuzhou Global	1,000	—	91
Xinghua Xingkai	—	—	2,146
RSM Enterprise Development Group	91,237	70,546	8,208
Shaanxi Jiaxin	6,000	—	—
	99,239	70,546	10,445
Prepayments:			
RSM Enterprise Development Group	12,350	—	55,150
	12,350	—	55,150
Other receivables: non-trade nature			
Wenzhou Honglian (note)	2,450	—	—
RSM Enterprise Development Group (note)	50,168	173,057	1,807
Shanghai Mingyi (note)	125,000	56,600	80,400
Xi'an Jiaxin (note)	—	—	50
Shaanxi Jiaxin (note)	34,218	—	—
	211,836	229,657	82,257

Note: The amounts are unsecured, interest free and repayable on demand.

	During the year end December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Maximum amount outstanding for			
Other receivables: non-trade nature			
RSM Enterprise Development Group	62,518	173,057	193,490

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Other non-current assets: non-trade nature			
Suzhou Zhongxiang (note)	41,828	62,561	96,752
Wuxi Home Furnishing (note)	232,100	—	—
	273,928	62,561	96,752

Note: The amounts are unsecured, interest free and repayable on demand after these entities become profitable. In the opinion of the Directors, the amounts are to be settled after twelve months from the end of each reporting period and are therefore classified as non-current assets.

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Rental and service fee received in advance: trade nature			
Jining Hongrui	—	2,998	—
Shaanxi Hongrui	950	—	1,250
Xuzhou Global	—	—	458
Jining Xingkai	—	3,000	—
Xinghua Xingkai	9,000	9,000	1,634
Ms. Qian Yumei	—	—	175
Shanghai Mingyi	—	—	684
RSM Enterprise Development Group	19,500	12,501	6,383
	29,450	27,499	10,584

	At December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Other payables: non-trade nature			
Shenzheng Red Star (note)	—	32,400	40,346
RSM Enterprise Development Group (note)	179,637	346,396	7,297
Suzhou Zhongxiang (note)	—	—	371
	179,637	378,796	48,014

Note: The amounts are unsecured, interest free and repayable on demand.

	At December 31,		
	2012	2013	2014
	RMB'000 (note)	RMB'000	RMB'000
Amount due to related parties in respect to the properties pledged:			
RSM Enterprise Development Group (other payable)	208,585	120,898	—
RSM Investment (other payable)	—	—	231,464
RSM Enterprise Development Group (non-current liabilities)	662,535	246,709	419,345
RSM Investment (non-current liabilities)	—	276,508	—
	871,120	644,115	650,809

Note: The deposits in respect of the counter guarantee agreements of RMB871,120,000 receivable in 2012 was offset by amounts due to related parties of RMB481,892,000, which is mainly represented the consideration of RMB325,391,000 of repurchase of Transferred Shopping Malls held by Dalian Investment.

As disclosed in note 50 (c), the investment properties in respect to the six Transferred Shopping Malls (as defined in note 2) were pledged to banks in respect of the mortgage loans provided by the banks to RSM Investment and RSM Enterprise Development Group.

In October and December 2012, the Group entered into counter guarantee agreements with RSM Enterprise Development Group and RSM Investment respectively. Pursuant to such agreements, RSM Enterprise Development Group and RSM Investment placed deposits to the Group, which were determined by the relevant outstanding mortgage loans and proportionate share of RSM Enterprise Development Group or RSM Investment. The level of deposits required will be adjusted in accordance with the drawdown or repayment of the relevant mortgage loans. The deposits are interest free and repayable upon the expiration of the relevant mortgage loans.

(e) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and other key management of the Group. The key management personnel compensation are as follows:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	32,294	28,863	36,593
Retirement benefit contributions	388	438	517
Performance related incentive payments	18,213	21,840	18,997
	50,895	51,141	56,107

B. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate remuneration payable to the Directors and supervisors for the year ending December 31, 2015, excluding discretionary bonus, is estimated to be approximately RMB18 million.

Save as disclosed in the Financial Information, no remuneration has been paid or is payable to the Directors and supervisors by the Company or any of its subsidiaries during the Relevant Periods.

C. EVENTS AFTER THE REPORTING PERIOD

On January 4, 2015, Candlewood Investment SRL ("Candlewood") and Springwood Investment SRL ("Springwood") entered into a capital increase and subscription agreement with the Company, RSM Investment and other shareholders of the Company, pursuant to which Candlewood and Springwood further subscribed for 60,917,952 shares and 19,411,086 shares of the Company for RMB5.39 each. The total consideration amounted to approximately RMB432.97 million, out of which approximately RMB80.33 million was paid up as registered share capital and approximately RMB352.64 million was paid into the share premium of the Company. The capital contribution was fully completed in February 2015. After the capital contribution, the registered capital of the Company increased from RMB3,000,000,000 to RMB3,080,329,038.

In June 2015, the Group completed the repurchase of the Transferred Shopping Mall held by Shenyang Jingsen.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2014.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 16, 2015

The information set out below is the unaudited interim financial information of the Group for the period ended March 31, 2015 and does not form part of the accountants' report on the financial information of the Group for the three years ended December 31, 2014 prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as set out in Appendix I, and is included herein for information purposes only.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF RED STAR MACALLINE GROUP CORPORATION LTD.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Red Star Macalline Group Corporation Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages II-2 to II-33, which comprises the condensed consolidated statement of financial position as of March 31, 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months ended March 31, 2014 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 16, 2015

RED STAR MACALLINE GROUP CORPORATION LTD.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2015

	NOTES	Three months ended March 31, 2015	2014
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	6	1,943,066	1,702,990
Cost of sales and services		(512,308)	(510,499)
Gross profit		1,430,758	1,192,491
Other income	7	18,796	36,686
Changes in fair value of investment properties		731,494	570,472
Other gains and losses	8	(15,052)	(40,946)
Selling and distribution expenses		(258,414)	(207,532)
Administrative expenses		(221,111)	(177,870)
Other expenses	9	(20,307)	(5,699)
Share of profits of associates		936	1,692
Share of results of joint ventures		12,438	(3,135)
Finance costs	10	(244,190)	(214,169)
Profit before tax	11	**1,435,348**	**1,151,990**
Income tax expense	12	(387,831)	(306,215)
Profit and total comprehensive income for the period		**1,047,517**	**845,775**
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		979,433	785,203
Non-controlling interests		68,084	60,572
		1,047,517	**845,775**
EARNINGS PER SHARE			
- Basic and diluted (RMB)	14	0.32	0.26

RED STAR MACALLINE GROUP CORPORATION LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2015

	NOTES	At March 31, 2015	At December 31, 2014
		RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current Assets			
Investment properties	15	64,277,000	62,966,000
Property, plant and equipment	16	349,995	362,452
Intangible assets		549,000	548,916
Interests in associates		217,323	216,387
Interests in joint ventures		711,748	699,310
Available-for-sale investments		192,310	192,310
Loan receivables		45,000	45,000
Deferred tax assets	17	318,488	323,226
Restricted bank deposits	20	62,086	49,472
Other non-current assets	18	1,490,884	1,389,340
		68,213,834	66,792,413
Current Assets			
Inventories		34,694	38,495
Loan receivables		150,710	99,810
Trade and other receivables	19	1,472,948	1,292,239
Tax recoverable		20,054	22,895
Restricted bank deposits	20	15,517	7,180
Bank balances and cash	21	3,586,614	3,664,860
		5,280,537	5,125,479
Current Liabilities			
Trade and other payables	22	6,498,468	5,103,558
Rental and service fee received in advance		1,912,045	2,107,893
Tax liabilities		250,516	285,338
Bank and other borrowings	23	2,431,317	2,325,523
Bonds		598,551	597,681
		11,690,897	10,419,993
Net Current Liabilities		(6,410,360)	(5,294,514)
Total Assets Less Current Liabilities		61,803,474	61,497,899

(Continued)

RED STAR MACALLINE GROUP CORPORATION LTD.

	NOTES	At March 31, 2015	At December 31, 2014
		RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities	17	9,995,461	9,719,525
Bank and other borrowings	23	10,679,842	9,083,476
Bonds		2,864,474	2,861,317
Obligations under finance leases		351,085	351,758
Deferred income		197,576	198,498
Other non-current liabilities	24	1,373,953	1,870,232
		25,462,391	24,084,806
Net assets		**36,341,083**	**37,413,093**
Capital and reserves			
Share capital	25	3,080,329	3,000,000
Share premium		587,260	234,616
Reserves		28,699,809	30,210,376
Equity attributable to owners of the Company		32,367,398	33,444,992
Non-controlling interests		3,973,685	3,968,101
Total equity		**36,341,083**	**37,413,093**

RED STAR MACALLINE GROUP CORPORATION LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2015

	Share capital	Share premium	Statutory surplus reserve	Merge reserve	Share options reserve	Other reserves	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015 (Audited)	3,000,000	234,616	846,467	(182,045)	169,331	4,141	29,372,482	33,444,992	3,968,101	37,413,093
Profit and total comprehensive income for the period	—	—	—	—	—	—	979,433	979,433	68,084	1,047,517
Dividends (note 13)	—	—	—	—	—	—	(2,490,000)	(2,490,000)	—	(2,490,000)
Dividends declared to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	(65,500)	(65,500)
Share issued (note 25)	80,329	352,644	—	—	—	—	—	432,973	—	432,973
Capital injection by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	3,000	3,000
At March 31, 2015 (Unaudited)	3,080,329	587,260	846,467	(182,045)	169,331	4,141	27,861,915	32,367,398	3,973,685	36,341,083

RED STAR MACALLINE GROUP CORPORATION LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2015 — (CONTINUED)

	Share capital	Share premium	Statutory surplus reserve	Merge reserve	Share options reserve	Other reserves	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014 (Audited)	3,000,000	234,616	635,947	(77,408)	169,331	3,075	26,670,085	30,635,646	3,842,943	34,478,589
Profit and total comprehensive income for the period	—	—	—	—	—	—	785,203	785,203	60,572	845,775
Dividends declared to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	(7,548)	(7,548)
Capital injection by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	1,600	1,600
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	(10,200)	(10,200)
At March 31, 2014 (Unaudited)	3,000,000	234,616	635,947	(77,408)	169,331	3,075	27,455,288	31,420,849	3,887,367	35,308,216

RED STAR MACALLINE GROUP CORPORATION LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2015

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	1,435,348	1,151,990
Adjustments for:		
Finance costs	244,190	214,169
Interest income	(15,087)	(10,013)
Share of profit of associates	(936)	(1,692)
Share of results of joint ventures	(12,438)	3,135
Depreciation of property, plant and equipment	29,985	22,671
Amortization of intangible assets	5,837	1,642
Allowance provided for doubtful debts	18,156	41,302
Changes in fair value of investment properties	(731,494)	(570,472)
Gain on disposal of property, plant and equipment	(114)	(690)
Operating cash flows before movements in working capital	973,447	852,042
Decrease (increase) in inventories	3,801	(16,077)
Increase in trade and other receivables	(82,097)	(90,233)
Decrease (increase) in other non-current assets	1,872	(901)
Decrease in rental and service fee received in advance	(195,848)	(34,240)
Increase in trade and other payables	847,545	233,972
(Decrease) increase in other non-current liabilities	(40,505)	17,380
Cash generated (used in) from operations	1,508,215	961,943
Income tax paid	(139,138)	(166,158)
NET CASH FROM OPERATING ACTIVITIES	1,369,077	795,785
INVESTING ACTIVITIES		
Interest received	14,187	10,013
Assets-related government grants received	—	12,132
Dividends received from an associate	—	7,642
Payments for investment properties, property, plant and equipment, and intangible assets	(817,756)	(1,357,005)
Placement of loan receivables	(50,000)	—
Proceeds on disposal of property, plant and equipment	280	1,907
Proceeds on disposal of available-for-sale investments	—	7,500
Placement of bank deposits with original maturity over three months	(3,160)	(2,862)
Withdrawal of bank deposits with original maturity over three months	5,550	1,007
Payment of pledged bank deposits	(20,951)	(653)
Withdrawal of pledged bank deposits	—	24,931
Advance to related parties and third parties	(109,919)	(73,080)
Repayment from related parties and third parties	62,747	119,687
NET CASH USED IN INVESTING ACTIVITIES	(919,022)	(1,248,781)

(Continued)

RED STAR MACALLINE GROUP CORPORATION LTD.

	Three months ended March 31,	
	2015	**2014**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
FINANCING ACTIVITIES		
Share issued	432,973	—
Listing expense paid	(13,256)	—
Proceeds from new borrowings raised	2,253,000	400,000
Repayment of borrowings	(550,840)	(284,131)
Capital injection by non-controlling shareholders of subsidiaries	3,000	1,600
Acquisition of additional interests in subsidiaries	—	(10,200)
Interest paid	(235,550)	(229,527)
Dividends paid	(2,125,716)	—
Dividends paid to a non-controlling shareholder of a subsidiary	(10,500)	(12,348)
Advance from related parties and third parties	14,181	8,240
Repayment to related parties and third parties	(61,739)	(120,000)
Deposits arising from counter guarantee agreements received from related parties	—	121,910
Deposits arising from counter guarantee agreements repaid to related parties	(231,464)	—
NET CASH USED IN FINANCING ACTIVITIES	(525,911)	(124,456)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(75,856)**	**(577,452)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	3,592,404	3,804,925
CASH AND CASH EQUIVALENTS END OF THE PERIOD, represented by bank balances and cash (note 21)	**3,516,548**	**3,227,473**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2015

1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on January 6, 2011 as a sino-foreign joint stock limited company under the PRC laws upon the conversion of 上海紅星美凱龍企業管理有限公司 Shanghai Red Star Macalline Enterprise Management Company Limited (formerly known as 上海紅星美凱龍企業管理有限公司 Shanghai Red Star Macalline Home Furnishing Company Limited), a company with limited liability incorporated in the PRC. The parent and ultimate holding company of the Company is 上海紅星美凱龍企業管理有限公司 Shanghai Red Star Macalline Investment Company Limited ("RSM Investment"), a company with limited liability incorporated in the PRC. The ultimate controlling shareholder is Mr. Che Jianxing.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in operating and managing home furnishing shopping malls.

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

2. BASIS OF PREPARATION

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

The Group's current liabilities exceed its current assets at the end of current interim period. Taking into account the available facilities from bank and non-bank financial institutions and cash flows from operations, the directors of the Company believe that the Group will continue to operate as a going concern and consequently, the condensed consolidated financial statements has been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended March 31, 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the three years ended December 31, 2012, 2013 and 2014 underlying the preparation of the financial information included in the prospectus of the Company in connection with the initial public offering of the H shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited issued on June 16, 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") that are mandatorily effective for the current interim period.

The application of these amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the condensed consolidated financial statements requires the directors of the Company to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the critical judgements made by the directors of the Company in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for three years ended December 31, 2012, 2013 and 2014.

5. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks. The most important components of financial risk are market risk, credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for three years ended December 31, 2012, 2013 and 2014.

There have been no changes in the Group's risk management policies and processes during the current interim period.

6. REVENUE AND SEGMENT INFORMATION

Segment revenues and results

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

	Own/leased portfolio shopping malls	Managed shopping malls	Sales of merchandise and related services	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Period ended March 31, 2015					
Segment revenue					
- from external customers	1,287,154	601,253	19,075	35,584	1,943,066
Segment result	660,094	265,839	(22,526)	31,679	935,086
Period ended March 31, 2014					
Segment revenue					
- from external customers	1,180,688	484,408	23,828	14,066	1,702,990
Segment result	582,671	216,089	(33,394)	10,783	776,149

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.

Reconciliations of segment revenues and results

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue		
Segment revenue and consolidated revenue	1,943,066	1,702,990

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Profit		
Segment result	935,086	776,149
Interest income	15,087	10,013
Government grants	1,822	21,484
Compensation received and receivable	1,887	5,189
Changes in fair value of investment properties	731,494	570,472
Gain on disposal of property, plant and equipment	114	690
Compensation paid and payable	(9,625)	(5,681)
Central administrative expenses	(9,701)	(10,714)
Share of profits of associates	936	1,692
Share of results of joint ventures	12,438	(3,135)
Finance costs	(244,190)	(214,169)
Consolidated profit before tax	1,435,348	1,151,990

Revenue from major products and services

The following is an analysis of the Group's revenue from external customers:

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue from own/leased portfolio shopping malls	1,287,154	1,180,688
Revenue from managed shopping malls:		
- initiation and entrance fees	240,998	130,982
- annual management fees	301,180	221,982
- construction consultation and management fees	59,075	131,444
	601,253	484,408
Revenue from sales of merchandise and related services		
- sales of merchandise	12,567	17,312
- provision of related services	6,508	6,516
	19,075	23,828
Other	35,584	14,066
	1,943,066	**1,702,990**

Geographical information

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

Revenue from major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue during the current interim period and the comparative period.

7. OTHER INCOME

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest income on:		
- bank deposit	9,508	8,061
- other loans and receivables	5,579	1,952
Total interest income	15,087	10,013
Government grants	1,822	21,484
Compensation received and receivable	1,887	5,189
	18,796	36,686

8. OTHER GAINS AND LOSSES

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Allowance on doubtful receivables, net	(18,156)	(41,302)
Net foreign exchange gains	2,045	—
Gain on disposal of property, plant and equipment	114	690
Others	945	(334)
	(15,052)	(40,946)

9. OTHER EXPENSES

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Donations	303	18
Compensation paid and payable	9,625	5,681
Listing expense	10,379	—
	20,307	5,699

10. FINANCE COSTS

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest on bank and other borrowings		
- wholly repayable within five years	200,523	174,726
- not wholly repayable within five years	31,987	35,339
Interest on finance leases	5,831	5,878
Interest on bonds	64,684	45,242
Total borrowing costs	303,025	261,185
Less: amount capitalized in the cost of qualifying assets	(58,835)	(47,016)
	244,190	214,169

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Depreciation of property, plant and equipment	29,985	22,671
Amortization of intangible assets	5,837	1,642
Allowance for doubtful receivables, net	18,156	41,302
Cost of inventories sold recognized as expense	9,285	14,739

12. INCOME TAX EXPENSES

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current tax: - PRC enterprise income tax	107,157	107,256
Deferred tax	280,674	198,959
Income tax expenses	387,831	306,215

The Company and all of its subsidiaries are in the PRC. Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% except for certain subsidiaries which are under the Western China Development Plan and were approved to enjoy the preferential tax rate of 15% in accordance with the EIT LAW and relevant regulations during the current interim period and the comparative period.

13. DIVIDENDS

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Dividends recognized as distributions during the period		
- 2014 Final (RMB0.83 per share)	2,490,000	—

During the current interim period, a final dividend of RMB0.83 per share in respect of the year ended December 31, 2014 was declared to the owners of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to RMB2,490,000,000. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the three months ended March 31, 2015 and 2014 is based on the following data:

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Earning for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	979,433	785,203
Weighted average number of ordinary shares (2014: number of ordinary shares) for the purpose of basic and diluted earnings per share	3,041,949,609	3,000,000,000

The Group did not have any dilutive potential ordinary shares in issue during the current interim period and the comparative period.

15. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under development	Total
	RMB'000	RMB'000	RMB'000
Fair Value			
At January 1, 2014 (Audited)	50,530,000	7,660,000	58,190,000
Additions	225,236	2,727,486	2,952,722
Transfer	3,980,000	(3,980,000)	—
Change in fair value recognized in profit or loss	1,503,764	911,514	2,415,278
Disposal of a subsidiary	—	(592,000)	(592,000)
At January 1, 2015 (Audited)	56,239,000	6,727,000	62,966,000
Additions	53,676	525,830	579,506
Change in fair value recognized in profit or loss	424,324	307,170	731,494
At March 31, 2015 (Unaudited)	56,717,000	7,560,000	64,277,000

The investment properties are all situated on the land under medium-term lease in the PRC. The fair values of the Group's investment properties at the end of each reporting period were valued by Jones Lang LaSalle, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation of completed investment properties has been arrived at with adoption of income approach by the rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

The valuation of certain investment properties at an early development stage has been arrived at by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The valuation of other investment properties under development has been arrived at with adoption of residual approach which assumed that they will be developed and completed in accordance with the latest development proposal. In arriving at the opinion of value, making reference to comparable evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized based on the degree to which the inputs to the fair value measurements is observable.

At March 31, 2015

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month (leased floor area)* Capitalization rate**	RMB31 to RMB319 5.5% to 8.0%
Certain investment properties at an early development stage . . .	Level 3	Direct comparison approach The key input is: Price of the land per square meter	Price of the land per square meter (gross floor area)***	RMB388 to RMB3,795
Other investment properties under development	Level 3	Residual approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month (leased floor area)* Capitalization rate**	RMB58 6.5%

At December 31, 2014

Investment properties held by the Group in the consolidated statements of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month (leased floor area)* Capitalization rate**	RMB30 to RMB314 5.5% to 8.0%
Certain investment properties at an early development stage ...	Level 3	Direct comparison approach The key input is: Price of the land per square meter	Price of the land per square meter (gross floor area)***	RMB388 to RMB3,765
Other investment properties under development	Level 3	Residual approach The key inputs are: Market rent per square meter per month; Capitalization rate	Market rent per square meter per month (leased floor area)* Capitalization rate**	RMB57 6.5%

* A slight increase in the market rent per square meter per month (leased floor area) used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

** A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

*** A slight increase in the price of the land per square meter (gross floor area) used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

There were no transfers into or out of Level 3 during the current interim period.

The unrealised gain on property revaluation amounting to RMB731,494,000 and RMB570,472,000 was recognized in profit or loss during the current interim period and the comparative period, respectively.

The Group has pledged investment properties of approximately RMB56,861,000,000 and RMB54,208,000,000 at March 31, 2015 and December 31, 2014 to secure bank and other borrowing granted to the Group as set out in note 23 and bank and other borrowing granted to certain related parties as set out in note 28.

The Group was in process of obtaining the relevant ownership property certificates for the investment properties under development with carrying amounts of RMB5,360,000,000 and RMB5,520,000,000 as at March 31, 2015 and December 31, 2014, respectively. In the opinion of the directors of the Company, the relevant property ownership certificates can be obtained in due time without incurring significant costs.

The Group has not obtained the relevant land use right certificates and ownership property certificates for investment properties in respect of the transferred shopping malls held by each of 雲南紅星美凱龍置業有限公司 Yunnan Red Star Macalline Property Company Limited ("Yunnan Property"), 瀋陽晶森宏普房產開發有限公司 Shenyang Jingsen Hongpu Property Development Company Limited ("Shenyang Jingsen"), 大連紅星美凱龍投資發展有限公司 Dalian Red Star Macalline Investment Development Company Limited ("Dalian Investment"), and

上海星龍房地產開發有限公司 Shanghai Xinglong Property Development Company Limited ("Xinglong Property"), which amounted to RMB4,963,000,000 and RMB4,900,000,000 as at March 31, 2015 and December 31, 2014, respectively. In the opinion of the directors of the Company, the relevant land use right certificates and property ownership certificates can be obtained in due time after the splits of relevant entities without incurring significant costs.

Save the transferred shopping malls as disclosed above, the Group has not obtained relevant land use right certificates and ownership property certificates for certain investment properties, of which the relevant certificates are held by 上海紅星美凱龍企業發展有限公司 Shanghai Red Star Macalline Enterprise Development Company Limited ("RSM Enterprise Development") and its subsidiaries, joint ventures and associates (collectively refer to as "RSM Enterprise Development Group"), amounting to RMB4,113,000,000 and RMB4,624,000,000 as at March 31, 2015 and December 31, 2014, respectively. In the opinion of the Directors, the relevant certificates can be obtained in due time without incurring significant costs.

One shopping mall was situated on the land which is for scientific research and design use. The carrying amount of the investment property in respect of this shopping mall was RMB1,682,000,000 and RMB1,661,000,000 as at March 31, 2015 and December 31, 2014, respectively. In the opinion of the directors of the Company, the approval from relevant authority for modification of use of the land can be obtained in due time without incurring significant costs and the possibility of an outflow of resources embodying economic benefits is remote.

16. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2015, the Group acquired equipment at an aggregate cost of RMB17,694,000 (three months ended March 31, 2014: RMB30,985,000).

17. DEFERRED TAX ASSETS

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the the current interim period:

	Debt restructure within the Group	Investment properties	Unpaid staff welfare and other expenses	Allowance for bad debts	Deferred income	Unrealised profit	Tax losses	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014 (audited)	—	(9,062,481)	180,953	22,934	34,262	4,748	70,508	30,378	(8,718,698)
Credit (charge) to profit or loss	55,451	(817,847)	30,489	13,505	2,048	14,484	20,392	(7,328)	(688,806)
Disposal of a subsidiary	—	14,815	(1,904)	—	—	—	(1,464)	(242)	11,205
At December 31, 2014 (audited)	55,451	(9,865,513)	209,538	36,439	36,310	19,232	89,436	22,808	(9,396,299)
Credit (charge) to profit or loss	—	(248,814)	(53,424)	4,527	(230)	—	19,446	(2,179)	(280,674)
At March 31, 2015 (unaudited)	55,451	(10,114,327)	156,114	40,966	36,080	19,232	108,882	20,629	(9,676,973)

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At March 31, 2015	At December 31, 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Deferred tax assets	318,488	323,226
Deferred tax liabilities	(9,995,461)	(9,719,525)
	(9,676,973)	(9,396,299)

18. OTHER NON-CURRENT ASSETS

	At March 31, 2015	At December 31, 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayment for acquisition of land use rights	284,236	284,236
Prepayment for construction of investment properties	535,787	428,397
Prepayment for acquisition of investment properties (note a)	96,522	49,156
Prepayment for acquisition of a subsidiary (note b)	62,191	62,191
Amounts due from non-controlling shareholders of subsidiaries (note c)	55,000	55,000
Amount due from a former subsidiary (note d)	47,441	41,041
Amount due from a related party (note 28)	34,012	96,752
Deposits paid for construction of investment properties	134,308	134,308
Deposits paid under medium term operating lease	45,264	45,264
Preliminary development cost (note e)	138,909	133,909
Others	57,214	59,086
	1,490,884	1,389,340

Notes:

(a)

	At March 31, 2015	At December 31, 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Henan Derun (as defined below)*	38,596	18,082
Dongguan Jinyu (as defined below)**	57,926	31,074
	96,522	49,156

* The amount represents loan to 河南德潤置業有限公司 Henan Derun Real Estate Company Limited ("Henan Derun") for development of a shopping mall on certain land parcel held by Henan Derun under entrusted loan arrangement through 中國農業銀行股份有限公司 Agricultural Bank of China ("ABC"). The entrusted loan was secured by the land use right of this land parcel, carried floating interest rate of 110% benchmark interest rate of the People's Bank of China per annum, was repayable in September 2015 and denominated in RMB. Pursuant to the agreement entered into between the Group and

Henan Derun, the Group will acquire the shopping mall under development with the land use right of this land parcel. The consideration will be partially settled by the entrusted loan. The directors of the Company recognized the entrusted loan as deemed prepayment for acquisition of investment properties in other non-current assets. The Group has not completed the acquisition as at the date of issuance of these condensed consolidated financial statements.

** The amount represents loan to 東莞金譽房地產開發有限公司 Dongguan Jinyu Real Estate Development Company Limited ("Dongguan Jinyu") for development of a shopping mall on certain land parcel held by Dongguan Jinyu under entrusted loan arrangement through 上海銀行股份有限公司 Bank of Shanghai ("BOS"). The entrusted loan was secured by the land use right of this land parcel, carried fixed interest rate of 7.20% per annum, was repayable in April 2016 and denominated in RMB. Pursuant to the agreement entered into between the Group and Dongguan Jinyu, the Group will acquire the shopping mall under development with the land use right of this land parcel. The consideration will be partially settled by the entrusted loan. The directors of the Company recognized the entrusted loan as deemed prepayment for acquisition of investment properties in other non-current assets. The Group has not completed the acquisition as at the date of issuance of these condensed consolidated financial statements.

(b) The amount represents consideration prepaid to the shareholder of 昆明迪肯商貿有限公司 Kunming Diken Trading Company Limited ("Kuming Diken") for acquisition of its 63% equity in Kuming Diken. Kunming Diken is established by 昆明滇池投資有限責任公司 Kunming Dianchi Investment Co., Ltd. and holds the land use right for a piece of land parcel located in Kunming City, Yunnan Province. To the best knowledge of the directors of the Company, Kunming Diken has not carried out any substantial business activities so far. The acquisition has not been completed as at the date of issuance of these condensed consolidated financial statements.

(c) The amount represents amounts due from 陝西煒華實業有限公司 Shaanxi Weihua Industrial Company Limited, which were unsecured, interest free and repayable on demand. In the opinion of the directors of the Company, the amounts were to be settled after twelve months from the end of each reporting period and were therefore classified as non-current assets.

(d) The amount represents the amount due from a former subsidiary that has been disposed in April 2014. The amount is unsecured, interest free and repayable on demand. In the opinion of the directors of the Company, the amounts were to be settled after twelve months from the end of each reporting period and is therefore classified as non-current assets.

(e) The amount represents the preliminary development cost incurred for the project situated on one parcel of land, of which the relevant land use right certificate is held by a non-controlling shareholder of a subsidiary. Pursuant to the agreement entered into between the Group and this non-controlling shareholder, the relevant land use right certificate would be transferred to the Group as the capital contribution by the non-controlling shareholder.

19. TRADE AND OTHER RECEIVABLES

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables		
- due from third parties	840,489	701,206
- due from related parties (note 28)	7,012	10,445
Less: allowance for doubtful debts	(134,330)	(117,283)
	713,171	594,368
Bills receivable	2,000	38,970
	715,171	633,338
Prepayments to third parties	135,573	117,441
Prepayments to a related party	13,139	55,150
Other taxes recoverable	38,010	40,159
Amounts due from third parties (note a)	219,088	178,139
Amounts due from non-controlling shareholders of subsidiaries (note a)	134,572	90,301
Amounts due from related parties (note 28)	101,386	82,257
Deposits	66,853	64,880
Proceeds to be collected on behalf of the tenants (note b)	47,092	45,064
Other	26,717	22,163
Less: allowance for doubtful debts	(24,653)	(36,653)
	757,777	658,901
	1,472,948	1,292,239

Notes:

(a) The amounts are unsecured, interest free and repayable on demand.

(b) The Group collects the proceeds from the sale of merchandise by the tenants and remit the proceeds within settlement periods (normally seven days) as pre-agreed with the tenants. The amounts represent the proceeds to be collected on behalf of the tenants from certain banks in the PRC as the customers pay through credit card.

The following is an aged analysis of bills receivables and trade receivables net of allowance for doubtful debts presented based on the date of recognition of revenue at the end of each reporting period:

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Less than 1 year	517,906	536,373
1 - 2 years	180,232	78,938
2 - 3 years	14,033	14,245
Over 3 years	3,000	3,782
	715,171	633,338

The Group has not granted any credit period to its customers. The Group recognises allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

20. RESTRICTED BANK DEPOSITS

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Deposits pledged for banking facilities (including bank borrowings) granted to the Group (note a)	77,603	56,652
Analysed for reporting purposes as:		
Non-current (note b)	62,086	49,472
Current	15,517	7,180
	77,603	56,652

Notes:

(a) The amounts represent bank deposits denominated in RMB pledged to banks as securities for certain banking facilities (including bank borrowings) granted to the Group.

(b) Deposits pledged as securities for bank borrowings granted to the Group that are not expected to be released within twelve months after the end of each reporting period are classified as non-current assets.

The restricted bank deposits carry prevailing market interest rates as follows:

	At March 31, 2015	At December 31, 2014
	% (Unaudited)	% (Audited)
Range of interest rate per annum	2.85 - 3.25	2.85 - 3.25

21. BANK BALANCES AND CASH

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Cash	10,024	12,156
Bank deposits with original maturity within three months or less	3,506,524	3,580,248
Cash and cash equivalents	3,516,548	3,592,404
Bank deposits with original maturity over three months	70,066	72,456
Bank balances and cash	3,586,614	3,664,860

The bank balances carry prevailing market interest rates as follows:

	At March 31, 2015	At December 31, 2014
	%	%
	(Unaudited)	(Audited)
Range of interest rate per annum	0.35 - 3.25	0.35 - 3.25

Bank balances and cash as at March 31, 2015 and December 31, 2014 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

22. TRADE AND OTHER PAYABLES

	At March 31, 2015	At December 31, 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables (note a)	207,777	180,171
Staff cost payables	227,172	389,068
Dividends payable	364,284	—
Dividends payable to non-controlling shareholders of subsidiaries	58,600	3,600
Other tax payables	140,359	107,815
Interests payables	133,271	69,150
Amounts due to third parties (note b)	314,650	436,367
Amounts due to non-controlling shareholders of subsidiaries (note b)	185,314	150,413
Amounts due to related parties (note 28)	463,329	279,478
Construction costs payables	417,960	531,674
Proceeds collected on behalf of the tenants (note c)	1,735,126	738,912
Deposit received from the tenants	1,485,163	1,377,784
Received in advance arising from pre-paid cards (note d)	67,729	127,325
Intention deposit received (note e)	376,346	400,890
Accrued rental and other expenses	243,848	223,038
Other	77,540	87,873
	6,290,691	4,923,387
	6,498,468	5,103,558

Notes:

(a) The following is an analysis of trade payables and bills payable by age presented based on the invoice date at the end of each reporting period:

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Less than 1 year	195,725	163,827
1 - 2 years	4,734	8,589
2 - 3 years	5,601	6,100
Above 3 years	1,717	1,655
	207,777	180,171

(b) The amounts are unsecured, interest free and repayable on demand.

(c) The amounts represent the proceeds (from the sale of merchandise by the tenants) collected on behalf of the tenants and will be remitted within settlement periods (normally seven days) as pre-agreed with the tenants.

(d) In 2013, the Group were approved by Shanghai Municipal Commission of Commerce to issue single-purpose pre-paid cards. The proceeds of pre-paid cards will be transferred to the tenants within settlement periods (normally seven days) once the customers purchase merchandise in the shopping malls.

(e) The amounts represent the intention deposits received from customers before the formal contract management arrangements were entered into. The amounts will be remitted upon the formal arrangements are entered into, or the termination of the collaboration.

23. BANK AND OTHER BORROWINGS

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Bank loans, secured (note a)	11,834,939	9,970,829
Bank loans, unsecured (note b)	174,700	114,700
Other loans, secured (note a, c)	1,101,520	1,323,470
	13,111,159	11,408,999

Note:

(a) Bank and other loans were secured by certain investment properties and bank deposits of the Group, details of which are set out in notes 15 and 20, respectively.

Bank and other loans of RMB4,156,333,000 and RMB3,429,487,000 as at March 31, 2015 and December 31, 2014, respectively were also guaranteed by certain related parties, details of which are set out in note 28(c).

(b) The balances as at March 31, 2015 and December 31, 2014 are not guaranteed.

(c) The other loans as at March 31, 2015 and December 31, 2014 mainly represented the entrusted debt investment from certain independent third parties with a principle of RMB 1,200,000,000, which is secured by certain investment properties of the Group, carried fixed interest rate of 7.59% per annum, and is repayable by installments at the end of each quarter staring from 2014, and will be mature on November 28, 2023.

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Fixed-rate borrowings	2,106,520	1,703,470
Variable-rate borrowings	11,004,639	9,705,529
	13,111,159	11,408,999
The borrowings are repayable:		
Within one year or on demand	2,431,317	2,325,523
More than one year, but not exceeding two years	2,551,971	1,727,965
More than two years, but not exceeding five years	5,448,382	4,163,599
More than five years	2,679,489	3,191,912
	13,111,159	11,408,999
Less: Amount due within one year shown under current liabilities	2,431,317	2,325,523
Amount due after one year	10,679,842	9,083,476

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

	At March 31, 2015	At December 31, 2014
	% (Unaudited)	% (Audited)
Fixed rate bank borrowings	6.15 - 7.59	6.15 - 7.80
Floating rate bank borrowings	5.89 - 8.64	5.89 - 8.64

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.

24. OTHER NON-CURRENT LIABILITIES

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Initiation and entrance fees received in advance	703,417	744,417
Rental payable (note a)	292,818	292,323
Amounts due to non-controlling shareholders of subsidiaries (note b)	377,718	414,147
Amounts due to related parties (note 28)	—	419,345
	1,373,953	1,870,232

Notes:

(a) Lease payments under an operating lease is recognized as an expense on a straight-line basis over the lease term. For operating leases with increased annual payments, the differences between the rental expenses recognized on a straight-line basis and the actual annual payments are recognized as liabilities.

(b) The amounts are unsecured, interest free and repayable on demand after the subsidiaries become profitable. In the opinion of the directors of the Company, the amounts are to be settled after twelve months from the end of each reporting period and are therefore classified as non-current liabilities.

25. SHARE CAPITAL

Issued and fully paid share capital of RMB1.00 each:

	RMB'000
At January 1, 2014 and December 31, 2014	3,000,000
Share issued	80,329
At March 31, 2015	3,080,329

On January 4, 2015, Candlewood Investment SRL ("Candlewood") and Springwood Investment SRL ("Springwood") entered into a capital increase and subscription agreement with the Company, RSM Investment and other shareholders of the Company, pursuant to which Candlewood and Springwood further subscribed for 60,917,952 shares and 19,411,086 shares of the Company for RMB5.39 each. The total consideration amounted to approximately RMB432,973,000, out of which approximately RMB80,329,000 was paid up as registered share capital and approximately RMB352,644,000 as the share premium of the Company. The capital contribution was fully completed in February 2015. After the capital contribution, the registered capital of the Company increased from RMB3,000,000,000 to RMB3,080,329,038.

26. CAPITAL COMMITMENTS

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contracted but not provided for:		
- Capital expenditure in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries)	4,040,501	4,707,735

27. CONTINGENT LIABILITIES

As at March 31, 2015 and December 31, 2014, the Group issued financial guarantees with partners to a bank in respect of a loan in the amount of up to RMB400,000,000 and RMB400,000,000, respectively, granted to a joint venture, of which RMB180,000,000 and RMB258,000,000 have been utilized by the joint venture as at March 31, 2015 and December 31, 2014, respectively. In the opinion of the directors of the Company, the fair value of the financial guarantee provided by the Group is not significant as the joint venture is at a good financial position.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As at March 31, 2015, the Group failed to register approximately 17,600 exhibition space agreements,, for which the estimated total penalty of approximately RMB17.6 million to RMB176 million may be imposed on the Group. The directors of the Company are of the view that risk that the Group will be penalized is remote.

28. RELATED PARTY TRANSACTIONS

The Group has the following related party balances and transactions.

(a) During the current interim period and the comparative period, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Che Jianxing	Ultimate holding shareholder
Ms. Chen Shuhong	Wife of Mr. Che Jianxing
Mr. Che Guoxing	Brother of Mr. Che Jianxing
Ms. Che Jianfang	Sister of Mr. Che Jianxing
Ms. Qian Yumei	Close family member of Mr. Che Jianxing
紅星傢俱集團有限公司 Red Star Furniture Group Limited ("Red Star Furniture")	Controlled by Mr. Che Jianxing
常州市紅星裝飾城 Changzhou Red Star Furnishing City ("Changzhou Furnishing City")	Controlled by Mr. Che Jianxing
揚州紅星美凱龍全球家居生活廣場置業有限公司 Yangzhou Red Star Macalline Global Home Furnishing Plaza Company Limited ("Yangzhou Global")	Controlled by close family member of Mr. Che Jianxing
濟寧鴻瑞置業有限公司 Jining Hongrui Real Estate Company Limited ("Jining Hongrui")	Controlled by close family member of Mr. Che Jianxing
陝西鴻瑞家居生活廣場有限公司 Shaanxi Hongrui Home Furnishing Plaza Company Limited ("Shaanxi Hongrui")	Controlled by close family member of Mr. Che Jianxing
徐州紅星美凱龍國際傢俱裝飾城有限公司 Xuzhou Red Star Macalline International Home Furnishing City Company Limited ("Xuzhou International")	Controlled by close family member of Mr. Che Jianxing
徐州紅星美凱龍全球家居生活廣場有限公司 Xuzhou Red Star Macalline Global Home Furnishing Plaza Company Limited ("Xuzhou Global")	Controlled by close family member of Mr. Che Jianxing
興化市星凱家居生活廣場有限公司 Xinghua Xingkai Home Furnishing Plaza Company Limited ("Xinghua Xingkai")	Significantly influenced by close family member of Mr. Che Jianxing

Name of related party	Relationship
RSM Investment	Ultimate holding company
RSM Enterprise Development Group	Under common control with RSM Investment
蚌埠紅星美凱龍家居生活博覽中心有限公司 Bengbu Red Star Macalline Home Furnishing Expo Company Limited (“Bengbu Expo”)	Significantly influenced by key management personnel of the Company
金科地產集團股份有限公司 Jinke Property Group Company Limited (“Jinke Property”)	Significantly influenced by key personnel of the Company
上海名藝商業企業發展有限公司及其子公司 Shanghai Mingyi Enterprise Development Company Limited and its subsidiary (collectively “Shanghai Mingyi”)	a joint venture of the Group
成都東泰商城有限公司 Chengdu Dongtai Shopping Mall Company Limited (“Chengdu Dongtai”)	a joint venture of the Group
西安佳鑫紅星家居有限責任公司 Xi’an Jiaxin Red Star Home Furnishing Company Limited (“Xi’an Jiaxin”)	a joint venture of the Group
深圳紅星美凱龍世紀中心家居生活廣場有限公司 Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited (“Shenzhen Red Star”)	an associate of the Group
蘇州工業園區中翔美通倉儲銷售有限公司 Suzhou Industry Park Zhongxiong Meitong Storage Company Limited (“Suzhou Zhongxiang”)	an associate of the Group

(b) During the current interim period and the comparative period, the Group has the transactions with following related parties and the details are set out below:

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Initiation and entrance fees and annual management fee received and receivable from following related parties:		
Yangzhou Global	500	500
Jining Hongrui	750	1,000
Shaanxi Hongrui	417	1,250
Xuzhou International	475	475
Xuzhou Global	775	775
Xinghua Xingkai	875	—
RSM Enterprise Development Group	3,125	2,125
Bengbu Expo	125	125
Shanghai Mingyi	750	750
	7,792	7,000
Rental income from:		
Ms. Qian Yumei	302	283
Rental expenses paid and payable to:		
Changzhou Furnishing City	3,795	3,450
Mr. Che Guoxing	84	84
Jinke Property	9,921	9,921
	13,800	13,455

(c) At the end of each reporting period, the Group has provided guarantees or assets pledge to, or obtained guarantees provided by the following related parties and the details are set out below:

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
(i) Guarantees provided to following related parties for banking facilities granted:		
Chengdu Dongtai (note 27)	180,000	258,000

(ii) Properties pledged in respect of the mortgage loans provided by the banks to related parties:

The investment properties in respect of the transferred shopping mall held by Xinglong Property, together with Xinglong Property's other properties, were pledged to banks in respect of the mortgage loans provided by the banks to RSM Investment. As at March 31, 2015, the mortgage loan has been fully repaid and the relevant pledge was released accordingly (outstanding mortgage loans as at December 31, 2014: RMB519,000,000).

The investment properties in respect of the transferred shopping mall held by Dalian Investment, together with Dalian Investment's other properties, were pledged to banks in respect of the mortgage loans provided by the banks to Dalian Investment. The outstanding mortgage loans as at March 31, 2015 amounted to RMB530,000,000 (December 31, 2014: RMB530,000,000).

In addition, the Group has received deposits from relevant related parties in respect of the properties pledged, details of which are set out in note 28(d).

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
(iii) Guarantees provided by related parties for banking facilities granted to the Group:		
Mr. Che Jianxing	1,749,428	1,499,428
Mr. Che Jianxing and Ms. Chen Shuhong	380,000	380,000
Mr. Che Jianxing, Red Star Furniture and RSM Investment	1,029,665	1,052,819
Red Star Furniture	898,000	398,000
Ms. Che Jianfang	99,240	99,240
	4,156,333	3,429,487

These banking facilities were also secured by certain properties and restricted bank deposits of the Group, details of which are set out in notes 15 and 20, respectively.

(d) At the end of each reporting period, the Group has the balances with following related parties and the details are set out below:

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Accounts receivable: trade nature		
Xuzhou Global	883	91
Xinghua Xingkai	2,521	2,146
RSM Enterprise Development Group	3,438	8,208
Ms. Qian Yumei	104	—
Shanghai Mingyi	66	—
	7,012	10,445
Prepayments: trade nature		
RSM Enterprise Development Group	13,139	55,150
Other receivables: non-trade nature		
RSM Investment (note)	18,536	—
RSM Enterprise Development Group (note)	—	1,807
Shanghai Mingyi (note)	82,800	80,400
Xi'an Jiaxin (note)	50	50
	101,386	82,257

Note: The amounts are unsecured, interest free and repayable on demand.

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Other non - current assets: non-trade nature		
Suzhou Zhongxiang (note)	34,012	96,752

Note: The amount is unsecured, interest free and repayable on demand after Suzhou Zhongxiang become profitable. In the opinion of the directors of the Company, the amounts are to be settled after twelve months from the end of each reporting period and are therefore classified as non-current assets.

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Rental and service fee received in advance: trade nature		
Shaanxi Hongrui	1,250	1,250
Xuzhou Global	458	458
Xinghua Xingkai	1,634	1,634
Ms. Qian Yumei	—	175
Shanghai Mingyi	684	684
RSM Enterprise Development Group	6,383	6,383
	10,409	10,584
Other payables: non-trade nature		
Shenzheng Red Star (note)	40,348	40,346
RSM Enterprise Development Group (note)	3,215	7,297
Suzhou Zhongxiang (note)	421	371
	43,984	48,014

Note: The amounts are unsecured, interest free and repayable on demand.

	At March 31, 2015	At December 31, 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)
Amount due to related parties in respect to the guarantees provided:		
RSM Investment (other payable)	—	231,464
RSM Enterprise Development Group (other payable)	419,345	—
RSM Enterprise Development Group (non-current liabilites)	—	419,345
	419,345	650,809

As disclosed in note 28(c), the investment properties in respect to the transferred shopping malls held by Xinglong Property and Dalian Investment were pledged to banks in respect of the mortgage loans provided by the banks to RSM Investment and RSM Enterprise Development Group.

The Group entered into counter guarantee agreements with RSM Enterprise Development Group and RSM Investment, pursuant to which, RSM Enterprise Development Group and RSM Investment placed deposits to the Group, which were determined by the relevant outstanding mortgage loans and proportionate share of RSM Enterprise Development

Group or RSM Investment. The level of deposits required will be adjusted in accordance with the drawdown or repayment of the relevant mortgage loans. The deposits are interest free and repayable upon the expiration of the relevant mortgage loans.

As at March 31, 2015, the mortgage loan pledged by the transferred shopping mall held by Xinglong Property has been fully repaid and the Group has remitted the relevant deposits to RSM Investment accordingly.

(e) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Company and other key management of the Group. The key management personnel compensation are as follows:

	Three months ended March 31,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Short-term employee benefits	9,396	9,530
Retirement benefit contributions	120	119
	9,516	9,649

29. FAIR VALUE

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values at the end of each reporting period.

30. EVENTS AFTER THE REPORTING PERIOD

In June 2015, the Group completed the repurchase of the transferred shopping mall held by Shenyang Jingsen.

31. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements on pages II-2 to II-33 were approved and authorized for issue by the board of directors of the Company on June 16, 2015.

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended December 31, 2014 (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Global Offering had taken place on December 31, 2014.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as of December 31, 2014 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets as of December 31, 2014 as derived from the consolidated statements of financial position at the same date shown in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2014(1)	Estimated net proceeds of the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share(4)	
	RMB'000	RMB'000	RMB'000	RMB(3)	HK$(3)
Based on an Offer Price of HK$11.18 per Offer Share	32,896,081	4,637,454	37,533,535	10.59	13.24
Based on an Offer Price of HK$13.28 per Offer Share	32,896,081	5,518,648	38,414,729	10.84	13.55

Notes:

(1) The consolidated net tangible assets of the Group attributable to the owners of the Company as at December 31, 2014 have been calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB 33,444,992,000 as at December 31, 2014 as set out in the Accountants' Report set forth in Appendix I to this prospectus with an adjustment for intangible assets attributable to owners of the Company as at December 31, 2014.

(2) The estimated net proceeds from the Global Offering are based on 543,588,000 H Shares and the indicative Offer Prices of HK$11.18 or HK$13.28 per Offer Share, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of underwriting fees and commissions and other listing related expenses (excluding approximately RMB9,502,000 listing expenses which has been charged to profit or loss in 2014) paid or payable by the Company, and without taking into account of (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood Investment SRL

("Candlewood") and Springwood Investment SRL ("Springwood") in February 2015, respectively, (ii) any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or (iii) any H Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of H Shares granted to the Board. The estimated net proceeds from Global Offering is converted from Hong Kong dollars into RMB at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the "Federal Reserve Board"). No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 3,543,588,000 shares were in issue assuming that the Global Offering had been completed on December 31, 2014 and without taking into account of (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood and Springwood in February 2015, respectively, (ii) any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option, (iii) any H Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of H Shares granted to the Board, (iv) dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015, or (v) any trading results on other transactions of the Group that were entered into subsequent to December 31, 2014. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share are converted from RMB into Hong Kong dollars at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Federal Reserve Board. No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(4) As aforementioned, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share does not take into account of (i) the issuance of 60,917,952 shares and 19,411,086 shares to Candlewood and Springwood in February 2015, respectively, or (ii) dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015. Had the net proceeds of RMB432,974,000 received by the Company and the increase in shares of 80,329,038 arising from the issuance of shares in February 2015, and dividends of RMB2,490,000,000 for the year ended December 31, 2014 declared in January 2015 been taken into account of, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share is further adjusted to RMB9.79 (equivalent to HK$12.24, based on the indicative Offer Prices of HK$11.18), or RMB10.03 (equivalent to HK$12.54, based on the indicative Offer Prices of HK$13.28). The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share are converted from RMB into Hong Kong dollars at the rate of HK$1.00 to RMB0.8000, the noon buying rate in effect on June 5, 2015 as set forth in the H.10 weekly statistical release of the Federal Reserve Board. No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

B. REPORTING ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF RED STAR MACALLINE GROUP CORPORATION LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Red Star Macalline Group Corporation Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted net tangible assets as at December 31, 2014 and related notes as set out on pages III-1 to III-2 of Appendix III to the prospectus issued by the Company dated June 16, 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-2 of Appendix III to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at December 31, 2014 as if the proposed Global Offering had taken place at December 31, 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended December 31, 2014, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 16, 2015

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at March 31, 2015 of the properties held by the Group and 5 properties held by Changchun Red Star Macalline Home Living Property Co., Ltd., Dalian Red Star Macalline Investment Development Co., Ltd., Shanghai Xinglong Property Development Co., Ltd. and Yunnan Red Star Macalline Property Co., Ltd.

仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

June 16, 2015

The Board of Directors
Red Star Macalline Group Corporation Ltd.
9/F Red Star Macalline World Trade Building
No. 598 Nujiang Road
Putuo District
Shanghai
The PRC

Dear Sirs,

In accordance with your instructions to value the properties held by Red Star Macalline Group Corporation Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") categorized as Part A and 5 properties ("Transferred Shopping Malls") held by five companies categorized as Part B in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at March 31, 2015 (the "valuation date").

As advised by the Group, the financial results of these five Transferred Shopping Malls (i.e., the assets, liabilities, income and expenses that are currently held by five companies directly attributable to these five Transferred Shopping Malls) have remained consolidated into the Group's financial statements since their disposal. These five Transferred Shopping Malls are effectively regarded as the Group's Portfolio Shopping Malls. These five Transferred Shopping Malls include:

- Shopping Mall held by Shenyang Red Star Macalline Shibo Home Living Plaza Property Company Limited ("Shenyang Tiexi Mall")
- Shopping Mall held by Changchun Red Star Macalline Home Living Property Company Limited ("Changchun Yuanda Mall")
- Shopping Mall held by Shanghai Xinglong Property Development Company Limited ("Shanghai Pujiang Mall")
- Shopping Mall held by Dalian Red Star Macalline Investment Development Company Limited ("Dalian Huanan Mall")

- Shopping Mall held by Yunnan Red Star Macalline Property Company Limited (“Kunming Xishan Mall”)

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interests in Group I of Part A and property interests in Part B by income approach by taking into account the net rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

In valuing the property interests in Group II of Part A which were under development as at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

We have valued the property interests in Group III of Part A by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificate, Building Ownership Certificate, Real Estate Title Certificate and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors — Llinks Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in November 2014 and January 2015 by Mr. Arnold Gao, Ms. Echo Li, Mr.York Rong, Ms. Chris Yu, Mr.Jerry Shen, Ms.Winnie Xu, Mr. Sifan Liu, Mr. Edwards Yang and Ms. Evelyn Xu. Arnold Gao is a member of RICS and qualified land valuer of China. Ms. Echo Li, Mr. York Rong, Mr.Chris Yu and Mr.Jerry Shen are China Real Estate Appraisers. Ms.Winnie Xu is a certified public valuer of China, Mr. Sifan Liu has 6 years' experience, Mr. Edwards Yang and Ms. Evelyn Xu have 2 years' experience in the valuation of properties in the PRC.

This valuation and its conclusions are necessarily based on information provided to us by the Group. We have no reason to doubt the truth or accuracy or completeness of that information, and we have no reason to suspect that any material information has been withheld. However, there is always a risk that this valuation and its conclusions are based on inaccurate or incomplete information. We are not responsible for any losses arising in relation to reliance on the valuation, or any part of it, in those circumstances.

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

This report is for the use only of the party to whom it is addressed, for the specific purposes to which it refers. We are not responsible for any losses arising in relation to reliance on the valuation, or any part of it, by any other party.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

PART A — PROPERTY INTERESTS HELD BY THE GROUP
Group I — Property interests held for investment by the Group in the PRC

No.	Property	Market value in existing state as at March 31, 2015
		RMB
1.	A commercial building No. 68 Feilong Road Tianning District Changzhou City Jiangsu Province The PRC	445,000,000
2.	A commercial building No. 72 Feilong Road Tianning District Changzhou City Jiangsu Province The PRC	995,000,000
3.	Wuxi Xishan Mall No. 1 South Tuanjie Road Xishan Economic Development Zone Xishan District Wuxi City Jiangsu Province The PRC	2,111,000,000
4.	Nanjing Kazimen Mall No. 29 Kazimen Street Qinhuai District Nanjing City Jiangsu Province The PRC	3,045,000,000
5.	Shanghai Zhenbei Mall No. 1129 Meichuan Road Putuo District Shanghai The PRC	1,976,000,000
6.	Shanghai Pudong Hu'nan Mall No. 518 Linyu Road Pudong New Area Shanghai The PRC	4,036,000,000

No.	Property	Market value in existing state as at March 31, 2015
		RMB
7.	Shanghai Wenshui Mall No. 1555 Wenshui Road Baoshan District Shanghai The PRC	3,145,000,000
8.	Shanghai Wuzhong Road Mall No. 1388 Wuzhong Road Minhang District Shanghai The PRC	1,666,000,000
9.	Shanghai Zhenbei Phase II Mall No. 1058 Zhenbei Road Putuo District Shanghai The PRC	4,276,000,000
10.	Jinan Tianqiao Mall No. 225 Beiyuan Street Tianqiao District Jinan City Shandong Province The PRC	1,947,000,000
11.	Zhengzhou Shangdu Mall No. 1 Shangdu Road Zhengdong New District Zhengzhou City Henan Province The PRC	3,236,000,000
12.	Hangzhou Gudun Mall No. 701 Gudun Road Xihu District Hangzhou City Zhejiang Province The PRC	No commercial value
13.	Chengdu Wuhou Mall No. 9 Jialing Road Wuhou District Chengdu City Sichuan Province The PRC	1,328,000,000

No.	Property	Market value in existing state as at March 31, 2015
		RMB
14.	Shanghai Pudong Jinqiao Mall No. 100 Jinzang Road Pudong New Area Shanghai The PRC	2,611,000,000
15.	Yantai Phase II Mall No. 281 Jichang Road Zhifu District Yantai City Shandong Province The PRC	735,000,000
16.	Chongqing Erlang Mall located at the eastern side of Yingbin Street Jiulongpo District Chongqing The PRC	920,000,000
17.	Panjin Xinglong Mall No. 198 Huancheng South Street Xinglongtai District Panjin City Liaoning Province The PRC	379,000,000
18.	Changzhou Wujin Mall No. 599 South Chang Wu Road Wujin District Changzhou City Jiangsu Province The PRC	451,000,000
19.	Daqing Expo Mall located at the southern side of Shijida Road, the northern side of Wei’er Road and the eastern side of Shuangyong Road High-tech District Daqing City Heilongjiang Province The PRC	680,000,000
20.	Langfang Kaihong Mall No. 33 Nanlong Road Anci District Langfang City Hebei Province The PRC	575,000,000

No.	Property	Market value in existing state as at March 31, 2015
		RMB
21.	Huayun Shopping Mall No.160 Jinbin Avenue Hedong District Tianjin The PRC	2,113,000,000
22.	Shenyang Tiexi Phase II Mall No. 35 Bei Er East Road 2Tiexi District Shenyang City Liaoning Province The PRC	545,000,000
23.	Beijing West Fourth-Ring Mall No. 113 West Fourth Ring Road Fengtai District Beijing The PRC	2,457,000,000
24.	Beijing East Fourth-Ring Mall No. 193 East Fourth Ring Middle Road Chaoyang District Beijing The PRC	3,034,000,000
25.	Tianjin Hexi Mall No. 18 Heiniucheng Road Hexi District Tianjin The PRC	1,579,000,000
26.	Tianjin Hongqiao Mall No. 1 Hongqi Road Hongqiao District Tianjin The PRC	1,033,000,000
27.	Beijing North Fourth-Ring Mall No. 1 Beishatan Chaoyang District Beijing City The PRC	No commercial value
28.	Tianjin Dongli Mall No. 427 Jintang Road Dongli District Tianjin The PRC	841,000,000

No.	Property	Market value in existing state as at March 31, 2015
		RMB
29.	Shenyang Shopping Mall No. 10 Hunnan West Road Hunnan New District Shenyang City Liaoning Province The PRC	1,627,000,000
	Sub-total:	**47,786,000,000**

Group II — Property interests held under development by the Group in the PRC

No.	Property	Market value in existing state as at March 31, 2015
		RMB
30.	3 buildings known as Wuhan Etouwan Mall under construction located at the eastern side of Qiaoxiao Expressway the southern side of Third Ring Road and the northern side of Wuhan IKEA Qiaokau District Wuhan City Hubei Province The PRC	1,560,000,000
31.	3 buildings known as Shenyang Yuhong Mall under construction located at No. 158, Huanghe North Road Yuhong District Shenyang City Liaoning Province The PRC	844,000,000
32.	A building known as Changsha Yuelu Mall under construction located at the northern side of Yuelu Avenue the eastern side of Yuehua Road and the western side of Caihong Road Changsha City Hunan Province The PRC	525,000,000
33.	A building known as Tianjin Tanggu Mall under construction located at No. 4668, the southern side of Yunshan Road Binhai New Area Tianjin The PRC	576,000,000
34.	2 Buildings known as Harbin Songbei Mall under construction located at the southern side of Zhongyuan Avenue Songbei District Harbin City Heilongjiang Province The PRC	365,000,000
35.	A building known as Chongqing Fuling Mall under construction located at the corner of Taiyi Street and Taibai Street, Lidu New Area Fuling District Chongqing City The PRC	355,000,000

No.	Property	Market value in existing state as at March 31, 2015
		RMB
36.	A building known as Zhongshan Gangkou Mall under construction located at No.15 Gangkou Avenue Gangkou Town Zhongshan City Guangdong Province The PRC	302,000,000
37.	A building known as Wuxi Taihu Mall under construction located at the western side of Wuhu Avenue and the northern side of Guanshan Road Binhu District Wuxi City Jiangsu Province The PRC	717,000,000
38.	A building known as Wuhan Hanyang Mall under construction located at Te No. 8 Longyang Road Hanyang District Wuhan City Hubei Province The PRC	568,000,000
39.	A building known as Tianjin Beichen Mall under construction located at the junction from Jingjin Road and Longmen East Road Beichen District Tianjin The PRC	671,000,000

No.	Property	Market value in existing state as at March 31, 2015
		RMB
40.	A building known as Hefei Silihe Mall under construction located at the western side of Silihe Road and the northern side of Qianshan Road Luyang District Hefei City Anhui Province The PRC	235,000,000
41.	A building known as Nanjing Pukou Mall under construction located at the northern side of Pukou Avenue Pukou District Nanjing City Jiangsu Province The PRC	517,000,000
	Sub-total:	**7,235,000,000**

Group III — Property interests held for future development by the Group in the PRC

42.	A parcel of land known as Harbin Xikezhan Mall located at the junction of Chengxiang Road and Hexie Avenue Daoli District Harbin City Heilongjiang Province The PRC	325,000,000
	Sub-total:	**325,000,000**
	Grand-total for PART A:	**55,346,000,000**

PART B — PROPERT INTERESTS HELD BY FIVE COMPANIES

No.	Property	Market value in existing state as at March 31, 2015
		RMB
43.	Shenyang Tiexi Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	3,000,000,000
44.	Changchun Shopping Mall located at the southern side of Hedong Road the northern side of Yumin Road and the eastern side of Yuanda Street Erdao District Changchun City Jilin Province The PRC	1,113,000,000
45.	Xinglong Shopping Mall No. 1969 Puxing Road Pujiang Town Minhang District Shanghai The PRC	1,137,000,000
46.	Dalian Shopping Mall located at the western side of Huadong Road and the northern side of Zhonghua Road Ganjingzi District Dalian City Liaoning Province The PRC	1,330,000,000
47.	Yunnan Shopping Mall No. 318 Guangfu Road Xishan District Kunming City Yunnan Province The PRC	869,000,000
	Total for PART B:	**7,449,000,000**

PART A — PROPERTY INTERESTS HELD BY THE GROUP

VALUATION CERTIFICATE

Group I — Property interests held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
1.	A commercial building No. 68 Feilong Road Tianning District Changzhou City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 9,933.4 sq.m. and a 5-storey commercial building known as part of Changzhou Feilong Mall which was completed in October 2002. The property is located at the southern side of Zhulin South Road, the northern side of Qinglong West Road, the western side of Hongmei South Village and the eastern side of Hongmei West Village in Tianning District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 34,012.46 sq.m. The details are set out as following **Floor** — **Gross Floor Area (sq.m.)** Level 1 — 7,992.77 Level 2 — 7,751.20 Level 3 — 7,751.20 Level 4 — 7,604.50 Level 5 — 2,912.79 **Total:** — **34,012.46** The land use rights of the property have been granted for a term expiring on October 8, 2042 for commercial use.	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettabel area of 28.08 sq.m. which was vacant.	445,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2002) Di No. 000135, the land use rights of the property with a site area of approximately 9,933.40 sq.m. were granted to Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd. ("Changzhou Macalline"), a direct wholly-owned subsidiary of the Company, for a term expiring on October 8, 2042 for commercial use.

2. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Di No. 00092399, the property with a total gross floor area of approximately 34,012.46 sq.m. is owned by Changzhou Macalline.

3. Pursuant to a Mortgage Contract, the land use rights and the construction works of the property are subject to a mortgage in favor of China Construction Bank Co., Ltd Changzhou Wujin branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Changzhou Macalline for an amount of RMB90,000,000 with the security term from October 11, 2006 to December 30, 2015.

4. Pursuant to 236 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 23,630.56 sq.m. are rented to various parties for various terms with the expiry date on March 31, 2015 at a total passing annual rent of RMB39,899,022 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing tenancy agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB110 to RMB142 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB141 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Changzhou Macalline legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 3 which will be forming limitations when disposing of the property, Changzhou Macalline is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
2.	A commercial building No. 72 Feilong Road Tianning District Changzhou City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 36,430 sq.m. and a 5-storey commercial building (plus one level basement) erected thereon known as part of Changzhou Feilong Mall which was completed in December 2003. The property is located at the southern side of Zhulin South Road, the northern side of Qinglong West Road, the western side of Hongmei South Village and the eastern side of Hongmei West Village in Tianning District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 87,562.96 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettabel area of 75 sq.m. which was vacant.	995,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 1	16,499.31
Level 1	13,178.18
Level 2	14,374.60
Level 3	14,504.99
Level 4	14,678.94
Level 5	14,326.94
Total:	**87,562.96**

The land use rights of the property have been granted for a term expiring on December 1, 2042 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2004Bian) Zi Di No. 000382, the land use rights of the property with a site area of approximately 36,430.00 sq.m. were granted to Changzhou Worldwide Home Living and Furnishing Plaza Company Limited ("Changzhou Worldwide"), a wholly-owned subsidiary of the Company, for a term expiring on December 1, 2042 for commercial use.

2. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Zi Di No. 00177139, the property with a gross floor area of approximately 87,562.96 sq.m. is owned by Changzhou Worldwide.

3. Pursuant to a Mortgage Contract, the land use rights and the construction works of the property are subject to a mortgage in favor of China Construction Bank Co., Ltd Changzhou Wujin Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Changzhou Worldwide for an amount of RMB400,000,000 with the security term from September 10, 2007 to December 30, 2016.

4. Pursuant to 276 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 62,083.11 sq.m. are rented to various parties for various terms with the expiry date on March 31, 2015 at a total passing annual rent of RMB86,487,785 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB116 to RMB121 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB120 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Changzhou Worldwide legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 3 which will be forming limitations when disposing of the property, Changzhou Worldwide is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
3.	Wuxi Xishan Mall No. 1 South Tuanjie Road Xishan Economic Development Zone Xishan District Wuxi City Jiangsu Province The PRC	The properties comprise a parcel of land with a site area of approximately 126,300.8 sq.m. and two 4-storey and one 5-storey commercial buildings which were completed in 2003 and 2008 respectively. The property is located at No. 1 South Tuanjie Road in Xishan District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 187,752.83 sq.m. The details are set out as following:	As at the valuation date, the properties were rented to various parties for commercial use except for a portion of the property with a lettabel area of 84.49 sq.m. which was vacant.	2,111,000,000

Pavilion 1

Floor	Gross Floor Area (sq.m.)
Level 1	21,944.29
Level 2	20,318.78
Level 3	20,318.76
Level 4	17,865.47
Sub-total:	**80,447.30**

Pavilion 2

Floor	Gross Floor Area (sq.m.)
Level 1	13,589.58
Level 2	12,694.47
Level 3	12,670.05
Level 4	12,400.58
Level 5	12,116.37
Sub-total:	**63,471.05**

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
		Pavilion 3		

Floor	Gross Floor Area (sq.m.)
Level 1	18,576.43
Level 2	17,622.21
Levels 3-4	7,635.84
Sub-total:	**43,834.48**
Grand Total:	**187,752.83**

The land use rights of the property have been granted for various terms expiring on July 25, 2045, March 2, 2049 and June 18, 2051 for commercial use.

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates — Xi Tu Guo Yong (2000) Di No. 203 and Xi Tu Guo Yong (2001) Di No. 0543 and Xi Tu Guo Yong (2005) Di No. 0545, the land use rights of the property with a total site area of approximately 126,300.80 sq.m. were granted to Wuxi Red Star Macalline International Home Furnishing Company Limited ("Wuxi Home Furnishing"), a wholly-owned subsidiary of the Company, for various terms expiring on July 25, 2045 and March 2, 2049 and June 18, 2051 for commercial use.

2. Pursuant to 3 Building Ownership Certificates — Xi Fang Quan Zheng Dongting Zi Di Nos. 19019473 and 19031296 and Xi Fang Quan Zheng Xishan Zi Di No. XS1000104001, the property with a total gross floor area of approximately 187,752.83 sq.m. is owned by Wuxi Home Furnishing.

3. Pursuant to 3 Mortgage Contracts, the land use rights and the construction works of the property are subject to a mortgage in favor of Bank of China Co., Ltd. Xishan Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Wuxi Home Furnishing for an amount of RMB420,000,000 with the security term from July 13, 2006 to January 30, 2020.

4. Pursuant to 670 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 147,383.54 sq.m. are rented to various parties for various terms with the expiry date between February 28, 2015 and November 30, 2015 at a total passing annual rent of RMB147,180,359 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB21 to RMB112 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent . The average market rent we have assumed in our valuation is RMB90 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the respective valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Wuxi Home Furnishing legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 3 which will be forming limitations when disposing of the property, Wuxi Home Furnishing is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
4.	Nanjing Kazimen Mall No. 29 Kazimen Street Qinhuai District Nanjing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 54,796.10 sq.m. and a 4-storey commercial building (plus two levels basement) and an office building erected thereon which were completed in January 2010. The property is located at No. 29 Kazimen Street of Qinhuai District. This area is well-served by adequate facilities and public transportation along the main roads. The property has a total gross floor area of approximately 170,627.42 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car-parking purpose.	3,045,000,000

Floor	Gross Floor Area (sq.m.)
Commercial Building	
Basement Level 2	28,074.15
Basement Level 1	28,074.15
Level 1	28,357.90
Level 2	28,357.90
Level 3	28,357.90
Level 4	28,539.79
Level 5	465.63
Sub-total:	**170,227.42**
Office Building	
Level 1	200.00
Level 2	200.00
Sub-total	**400.00**
Grand- total:	**170,627.42**

The land use rights of the property have been granted for a term expiring on February 25, 2047 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Ning Qin Guo Yong (2007) Di No. 07080, the land use rights of the property with a site area of approximately 54,796.10 sq.m. were granted to Nanjing Mingdu Home Furnishing Plaza Co. Ltd ("Nanjing Mingdu"), which is an indirect wholly-owned subsidiary of the Company for a term expiring on February 25, 2047 for commercial use.

2. Pursuant to a Building Ownership Certificate — Ning Fang Quan Qin Chu Zi Di No. 301272, portions of the property with a total gross floor area of approximately 168,444.89 sq.m. are owned by Nanjing Mingdu.

3. In the valuation of this property, we have attributed no commercial value to portions of the property with a gross floor area of approximately 2,182.53 sq.m. which has not obtained any construction approval and Building Ownership Certificate.

4. Pursuant to 3 Mortgage Contracts, a parcel of land with a site area of approximately 54,796.1 sq.m. and the commercial building with a total gross floor area of approximately 168,444.89 sq.m. are subject to mortgages in favor of Industrial and Commercial Bank of China Limited Nanjing South Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Nanjing Mingdu for an amount of RMB1,050,000,000 for various terms with the expiry dates on June 1, 2021 and December 30, 2021 respectively.

5. Pursuant to 545 Exhibition Space Agreements, the property with a total lettable area of approximately 106,554.44 sq.m. are rented to various parties for various terms with the expiry dates between April 30, 2015 and July 31, 2015 at a total passing annual rent of RMB243,959,660 for commercial purpose.

6. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB154 to RMB206 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB175 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.0% for commercial purpose as the capitalization rate in the valuation.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Nanjing Mingdu legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 4 which will be forming limitations when disposing of the property, Nanjing Mingdu is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of portions of the property mentioned in notes 1 and 2 upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   c. Portions of the property mentioned in note 3 which have not obtained any construction approval and Building Ownership Certificate. The Group may be subject to mandatory rectification and a fine in maximum amount of approximately 10% of the construction costs.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
5.	Shanghai Zhenbei Mall No. 1129 Meichuan Road Putuo District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 28,590 sq.m. and a 4-storey commercial building erected thereon which was completed in October 2000. The property is located at the southern side of Meichuan Road, the northern side of Nujiang North Road, the western side of Danba Road and the eastern side of Zhenbei Road in Putuo District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 61,655.21 sq.m. The details are set out as following: **Floor** — **Gross Floor Area (sq.m.)** Level 1 — 15,506.34 Level 2 — 15,451.92 Level 3 — 15,470.33 Level 4 — 15,226.62 **Total:** — **61,655.21** The land use rights of the property have been granted for a term expiring on October 7, 2043 for commercial use.	As at the valuation date, the property was rented to various parties for commercial use.	1,976,000,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Hu Fang Di Pu Zi (2004) Di No. 014972, the property with a total gross floor area of 61,655.21 sq.m. is owned by Shanghai Red Star Macalline Home Furnishing City Company Limited. ("Shanghai Furnishing City"), a 94% interest owned subsidiary of the Company, and the land use rights of the property with a site area of approximately 28,590 sq.m. were granted to Shanghai Furnishing City for a term expiring on October 7, 2043 for commercial use.

2. Pursuant to a Mortgage Contract, the property is subject to a mortgage in favor of China Industrial and Commercial Bank Co., Ltd Shanghai Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Shanghai Furnishing City for an amount of RMB600, 000,000 with the security term from July 30, 2009 to July 29, 2024.

3. Pursuant to 394 Exhibition Space Agreements, the property with a total lettable area of approximately 50,945.25 sq.m. are rented to various parties for various terms with the expiry dates between March 31, 2015 and August 31, 2016 at a total passing annual rent of RMB134,843,044 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB120 to RMB310 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB237 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Shanghai Furnishing City legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 2 which will be forming limitations when disposing of the property, Shanghai Furnishing City is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
6.	Shanghai Pudong Hu'nan Mall No. 518 Linyu Road Pudong District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 56,868 sq.m. and a 6-storey commercial building (plus two levels of basement) erected thereon which was completed in May 2010. The property is located at No. 518 Linyu Road in Pudong District. This area is well-served by adequate facilities and public transportation along the main roads. The property has a total gross floor area of approximately 237,337.36 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car-parking purpose.	4,036,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	39,811.57
Basement Level 1	39,367.42
Level 1	26,759.83
Level 2	26,606.24
Level 3	26,606.24
Level 4	26,606.24
Level 5	26,606.21
Level 6	24,973.51
Total:	**237,337.36**

The land use rights of the property have been granted for terms expiring on August 8, 2046 for commercial use and on August 8, 2056 for office use.

Notes:

1. Pursuant to a Real Estate Title Certificate — Hu Fang Di Pu Zi (2015) No. 013877, the property with a gross floor area of approximately 237,337.36 sq.m. is owned by Shanghai Red Star Macalline Global Home Furnishing Company Limited ("Shanghai Global"), a wholly-owned subsidiary of the Company, and the land use rights of the property with a site area of approximately 56,868 sq.m. were granted to Shanghai Global for a term expiring on August 8, 2046 for commercial use and on August 8, 2056 for office use.

2. Pursuant to 3 Mortgage Contracts, the land use rights and the commercial building of the property are subject to a mortgage in favor of Bank of Communications Co., Ltd. Shanghai Shixi Branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Shanghai Global for a total amount of RMB715,660,000 with the security term from June 15, 2012 to June 11, 2020.

3. Pursuant to 598 Exhibition Space Agreements, the property with a total lettable area of approximately 143,879.63 sq.m. are rented to various parties for various terms with the expiry dates between May 31, 2015 and August 31, 2016 at a total passing annual rent of RMB289,441,747 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB90 to RMB240 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB164 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Shanghai Global legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 2 which will be forming limitations when disposing of the property, Shanghai Global is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
7.	Shanghai Wenshui Mall No. 1555 Wenshui Road Baoshan District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 51,375 sq.m. and a 6-storey (plus one level basement) commercial building erected thereon which was completed in January 2009. The property is located at No. 1555 Wenshui Road in Baoshan District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 139,456.63 sq.m. The details are set out as following: **Floor** — **Gross Floor Area (sq.m.)** Basement Level 1 — 36,609.00 Level 1 — 24,825.61 Level 2 — 26,136.33 Level 3 — 26,031.49 Level 4 — 25,854.20 **Total:** — **139,456.63** The land use rights of the property have been granted for a term expiring on March 30, 2045 for commercial use.	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	3,145,000,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Hu Fang Di Bao Zi (2012) Di No. 022036, the property with a gross floor area of approximately 139,456.63 sq.m. is owned by Shanghai Shanhai Art Furniture Company Limited ("Shanhai Art Furniture"), a 88% interest owned subsidiary of the Company, and the land use rights of the property with a site area of approximately 51,375 sq.m. were granted to Shanhai Art Furniture for a term expiring on March 30, 2045 for commercial use.

2. Pursuant to 2 Mortgage Contracts, the land use rights and the construction works of the property are subject to a mortgage in favor of China Minsheng Bank Co., Ltd Shanghai Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Shanhai Art Furniture for an amount of RMB700,000,000 and RMB300,000,000 respectively with the security term from August 24, 2009 to June 24, 2017 and from November 24, 2009 to September 24, 2017.

3. Pursuant to 508 Exhibition Space Agreements, the property with a total lettable area of approximately 90,728.19 sq.m. are rented to various parties for various terms with the expiry date between March 25, 2015 and September 15, 2016 at a total passing annual rent of RMB227,744,331 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB170 to RMB220 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB198 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Shanhai Art Furniture legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 2 which will be forming limitations when disposing of the property, Shanghai Art Furniture is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
8.	Shanghai Wuzhong Road Mall No. 1388 Wuzhong Road MinHang District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 24,347 sq.m. and a 6-storey (plus two levels basement) commercial building erected thereon which was completed in January 2013. The property is located at the southern side of Wuzhong Road, the western side of Hongjing Road and the eastern side of Jinhui Road in Minghang District. This area is well-served by adequate facilities and public transportation along the main roads. The property has a total gross floor area of approximately 99,949.38 sq.m., The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	1,666,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	17,852.6
Basement Level 1	17,071.78
Level 1	11,083.00
Level 2	12,843.00
Level 3	12,843.00
Level 4	12,843.00
Level 5	12,843.00
Level 6	2,570.00
Total:	**99,949.38**

The land use rights of the property have been granted for a term expiring on May 31, 2051 for commercial use.

Notes:

1. Pursuant to a Real Estate Title Certificate — Hu Fang Di Min Zi (2014) Di No. 004204, the property with a gross floor area of approximately 99,949.38 sq.m. is owned by Shanghai Hongxin Oukai Home Living Company Limited ("Shanghai Hongxin Oukai"), a 50% interest owned subsidiary of the Company, and the land use rights of the property with a site area of approximately 24,347 sq.m. were granted to Shanghai Hongxin Oukai, for a term expiring on May 31, 2051 for commercial use.

2. Pursuant to a Mortgage Contract, the land use rights and the construction works of the property are subject to a mortgage in favor of Shengjing Bank Co., Ltd Shanghai Putuo Branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Shanghai Hongxin Oukai for an amount of RMB400,000,000 with the security term from February 20, 2014 to February 19, 2019.

3. Pursuant to 325 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 48,227.65 sq.m. are rented to various parties for various terms with the expiry date between April 28, 2015 and August 31, 2017 at a total passing annual rent of RMB108,230,768 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB140 to RMB220 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB203 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rates in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Shanghai Hongxin Oukai legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 2 which will be forming limitations when disposing of the property, Shanghai Hongxin Oukai is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
9.	Shanghai Zhenbei Plaza II Mall No. 1058 Zhenbei Road Putuo District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 54,217 sq.m. and a 6-storey (plus two levels basement) commercial building erected thereon which was completed in January 2008. The property is located at the No. 1058 Zhenbei Road in Putuo District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 234,582.08 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	4,276,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	40,951.18
Basement Level 1	39,898.21
Level 1	24,812.03
Level 2	26,129.89
Level 3	27,141.19
Level 4	25,780.91
Level 5	25,423.71
Level 6	24,444.96
Total:	**234,582.08**

The land use rights of the property have been granted for a term expiring on February 15, 2054 for composite use.

Notes:

1. Pursuant to a Real Estate Title Certificate — Hu Fang Di Pu Zi (2013) Di No. 004517, the property with a gross floor area of approximately 234,582.08 sq.m. is owned by Shanghai Xinwei Home Purchasing Company Limited ("Shanghai Xinwei"), a 96% interest owned subsidiary of the Company, and the land use rights of the property with a site area of approximately 54,217 sq.m. were granted to Shanghai Xinwei, for a term expiring on February 15, 2054 for composite use.

2. Pursuant to 3 Maximum Amount Mortgage Contracts, the land use rights and the building of the property are subject to mortgages in favor of China Minsheng Bank Co., Ltd Shanghai Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Shanghai Xinwei for a maximum amount of RMB1,300,000,000 with the security term from June 16, 2014 to June 16, 2016.

3. Pursuant to 548 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 128,485.13 sq.m. are rented to various parties for various terms with the expiry date between March 31, 2015 and April 27, 2022 at a total passing annual rent of RMB291,964,797 for commercial purpose

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB170 to RMB220 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB178 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rates in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Shanghai Xinwei legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 2 which will be forming limitations when disposing of the property, Shanghai Xinwei is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
10.	Jinan Tianqiao Mall No. 225 Beiyuan Street Tianqiao District Jinan City Shandong Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 45,974.80 sq.m. and a 7-storey (plus one level basement) commercial building erected thereon which was completed in 2010. The property is located at the northern side of Beiyuan Street and the eastern side of Lishanbei Road in Tianqiao District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by home living furnishing shopping malls and commercial buildings. The property has a total gross floor area of approximately 157,216.00 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	1,947,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 1	35,915.3
Level 1	17,830.20
Level 2	17,853.30
Level 3	17,830.20
Level 4	17,276.30
Level 5	17,276.30
Level 6	16,617.20
Level 7	16,617.20
Total:	**157,216.00**

The land use rights of the property have been granted for terms expiring on June 29, 2045, April 20, 2048 and November 10, 2048 for commercial use.

Notes:

1. Pursuant to 4 State-owned Land Use Rights Certificates — Tian Qiao Guo Yong (2011) Di Nos. 0400049, 0400050, 0400051 and 0400052, the land use rights of 4 parcels of land with a total site area of approximately 45,974.80 sq.m. have been granted to Jinan Red Star Macalline Shibo Home Living Plaza Company Limited ("Jinan Shibo"), a 70% interest owned subsidiary of the Company, for terms expiring on June 29, 2045, April 20, 2048 and November 10, 2048 for commercial use.

2. Pursuant to a Building Ownership Certificate — Ji Fang Quan Zheng Tian Zi Di No.203107, the building with a total gross floor area of approximately 157,216.00 sq.m. is owned by Jinan Shibo Home for commercial use.

3. Pursuant to a Mortgage Contract, the land use rights and the construction works of the property are subject to a mortgage in favor of Industrial and Commercial Bank Co., Ltd Jinan Leyuan Branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Jinan Shibo Home for an amount of RMB635,000,000 with the security term of ten years.

4. Pursuant to 497 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 97,757.80 sq.m. are rented to various parties for various terms with the expiry dates between January 31, 2015 and August 31, 2015 at a total passing annual rent of RMB158,208,599 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB80 to RMB140 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB138 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rates in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Jinan Shibo legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 3 which will be forming limitations when disposing of the property, Jinan Shibo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
11.	Zhengzhou Shangdu Mall No. 1 Shangdu Road Zhengdong New District Zhengzhou City Henan Province The PRC	The property comprises a parcel of land with a site area of approximately 47,171,11 sq.m. and 2 commercial buildings erected thereon which were completed in December 2008 and August 2011. The property is located at No. 1 Shangdu Road, the southern side of Shangdu Road and the eastern side of Zhongzhou Avenue in Zhengdong New District. This area is well-served by adequate facilities and public transportation along the main roads. The property has a total gross floor area of approximately 177,944.64 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	3,236,000,000

Floor	Gross Floor Area (sq.m.)
Building A	
Basement Level 1	13,494.52
Level 1	12,655.00
Level 2	12,666.73
Level 3	12,666.73
Level 4	12,494.07
Level 5	12,494.07
Level 6	12,494.07
Level 7	1,700.00
Level 9	88.24
Sub-total	**90,753.43**
Building B	
Basement Level 1	12,797.98
Level 1	12,239.42
Level 2	12,346.08
Level 3	12,345.88
Level 4	12,345.88
Level 5	12,345.88
Level 6	11,979.88
Level 7	790.21
Sub-total	**87,191.21**
Grand-Total:	**177,944.64**

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
		The land use rights of the property have been granted for a term expiring on September 13, 2045 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zheng Guo Yong (2013) No. XQ1081, the land use rights of the property with a site area of approximately 47,171.11 sq.m. was granted to Zhengzhou Red Star Macalline International Home Furnishing Company Limited ("Zhengzhou International"), a 50% interest owned subsidiary of the Company, for a term expiring on September 13, 2045 for commercial use.

2. Pursuant to 20 Building Ownership Certificates — Zheng Fang Quan Zheng Zi Di Nos. 1301203454, 1301203508, 1301203431, 1301203444, 1301203424, 1301203426, 1301203425, 1301202126, 1301202120, 1301202137, 1301202067, 1301202189, 1301202130, 1301202124, 1301202133, 1301202199, 1301202193, 1301202196, 1301203515 and 1301203519, portions of the property with a total gross floor area of approximately 176,244.64 sq.m. are owned by Zhengzhou International.

3. In valuing of the property, we have attributed no commercial value to portions of the property with a gross floor area of approximately 1,700 sq.m. which have not obtained any construction approval and Building Ownership Certificates.

4. Pursuant to 3 Mortgage Contracts, portions of a parcel of land with a site area of approximately 12,427.97 sq.m. and portions of a commercial building with a total gross floor area of approximately 74,421.12 sq.m. (including the property) are subject to mortgages in favor of Bank of China Limited Henan Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Zhengzhou International for an amount of RMB300,000,000 for various terms expiring on May 20, 2015 and June 19, 2015 respectively.

5. Pursuant to 648 Exhibition Space Agreements, the property with a total lettable area of approximately 134,891.69 sq.m. are rented to various parties for various terms with the expiry dates between March 31, 2015 and May 31, 2015 at a total passing annual rent of RMB243,379,675 for commercial purpose.

6. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB110 to RMB200 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB152 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.0% for commercial purpose as the capitalization rates in the valuation.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Zhengzhou International legally owns the land use rights and building ownership rights of the property;

b. Save as the mortgages mentioned in note 4 which will be forming limitations when disposing of the property, Zhengzhou International is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of portions of the property mentioned in notes 1 and 2 upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

c. Portions of the property mentioned in note 3 have not obtained any construction approval and Building Ownership Certificate. The Group may be subject to mandatory rectification and a fine in maximum amount of approximately 10% of the construction cost.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
12.	Hangzhou Gudun Mall No. 701 Gudun Road Xihu District Hangzhou City Zhejiang Province The PRC	The property comprises the Level 2 of a 15-storey (plus one level basement) commercial building which was completed in 2009. The property is located at the southern side of Yuyin Road, the northern side of Xinfeng Road, the western side of Gudun Road and the eastern side of Zijinghua Road in Xihu District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 13,483.36 sq.m.	As at the valuation date, the property was rented to various parties for commercial use.	No commercial value

Notes:

1. Pursuant to a Property Transfer Supplementary Agreement, entered into between Hangzhou Zijin Industrial Investment Company Limited (杭州紫金實業投資有限公司) and Shanghai Red Star Macalline Enterprise Management Company Limited, the property with a gross floor area of approximately 13,483.36 sq.m. was contracted to be transferred to Hangzhou Red Star Macalline Shibo Home Living Limited Company ("Hangzhou Shibo"), a wholly-owned subsidiary of the Company, at a consideration of RMB70,000,000.

2. In the valuation of this property, we have attributed no commercial value to the property which has not obtained Land Use Rights Certificate and Building Ownership Certificate under the name of the Group. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB219,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

3. Pursuant to 48 Exhibition Space Agreements, the property with a total lettable area of approximately 9,965.00 sq.m. are rented to various parties for various terms with the expiry date on April 30, 2015 at a total passing annual rent of RMB19,802,106 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB140 to RMB150 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit price. The average market rent we have assumed in our valuation is RMB148 per sq.m. per month for commercial purpose; and

d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Material legal impediment is not found for Hangzhou Shibo in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
13.	Chengdu Wuhou Mall No. 9 Jialing Road Wuhou District Chengdu City Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 26,216.09 sq.m. and a 5-storey (plus one level basement) commercial building erected thereon which was completed in March 2007. The property is located at the southern side of Changyi Road, the northern side of 2nd Ring Road, the western side of Jialing Road and the eastern side of Dongjiawan north Road in Wuhou District. This area is a cluster of home furnishing shopping malls and has public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 78,177.68 sq.m. The details are set out as following: **Floor** — **Gross Floor Area (sq.m.)** Basement Level 1 — 16,622.82 Level 1 — 12,235.09 Level 2 — 12,481.38 Level 3 — 12,448.53 Level 4 — 12,202.63 Level 5 — 12,187.23 **Total:** — **78,177.68** The land use rights of the property have been granted for terms expiring on January 31, 2047 for commercial use and January 31, 2077 for parking use.	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	1,328,000,000

Notes:

1. Pursuant to 7 State-owned Land Use Rights Certificates — Wu Guo Yong (2011) Di Nos. 16876, 16864, 16818, 16865, 16901, 16900 and 16863, portions of the land use rights of the property with a site area of approximately 21,885.45 sq.m. were granted to Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited ("Chengdu Changyi"), a 50% interest owned subsidiary of the Company, for a term expiring on January 31, 2047 for commercial use.

2. Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2010) Di No. 5046, the land use rights of the property with a site area of approximately 4,330.64 sq.m. were granted to Chengdu Changyi, for a term expiring on January 31, 2077 for car parking use.

3. Pursuant to 8 Building Ownership Certificates — Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 2788955, 2788956, 2788957, 2788958, 2788959, 2788963, 2788968 and 3417357, the property with a gross floor area of approximately 78,177.68 sq.m. is owned by Chengdu Changyi.

4. Pursuant to a Mortgage Contract, the land use rights and the buildings of the property are subject to a mortgage in favor of China Commercial Bank Co., Ltd Chengdu Dongda Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Chengdu Changyi for a maximum amount of RMB320,000,000 with the security term from September 2, 2013 to September 1, 2023.

5. Pursuant to 279 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 57,889.94 sq.m. are rented to various parties for various terms with the expiry date on June 8, 2015 at a total passing annual rent of RMB104,847,073 for commercial purpose.

6. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB100 to RMB190 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB150 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.0% for commercial purpose as the capitalization rates in the valuation.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Chengdu Changyi legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 4 which will be forming limitations when disposing of the property, Chengdu Changyi is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
14.	Shanghai Pudong Jinqiao Mall No. 100 Jinzang Road Pudong New District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 46,537.50 sq.m. and a 7-storey (plus two levels basement) commercial building erected thereon which was completed in December 2013. The property is located at the southern side of Middle Yanggao Road, northern side Xin Qinqiao Road and the western side Jinzang Road, in Pudong New Area. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 208,284.00 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 11,006.18 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	2,611,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	40,326.80
Basement Level 1	39,423.80
Level 1	16,651.00
Level 2	18,296.60
Level 3	18,466.40
Level 4	18,735.00
Level 5	18,735.00
Level 6	18,735.00
Level 7	17,221.40
Facilities layer	1,693.80
Total:	**208,284.00**

The land use rights of the property have been granted for terms expiring on December 29, 2050 for commercial, finance and insurance uses, and December 29, 2060 for office use.

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — Hu Pu Gui Tu 2010 No.63 dated January 26, 2011 entered into between Pudong New Area Planning and Land Authority and Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited ("Shanghai Design Expo"), a wholly owned subsidiary of the Company, the land use rights of the property were contracted to be granted to Shanghai Design Expo with the particulars as follows:

Site Area	:	46,537.50 sq.m.
Land Use	:	Office, commercial, finance and insurance use
Land Term	:	50 years for office use; 40 years for commercial, finance and insurance use
Plot Ratio	:	2.72
Land Premium	:	RMB852,910,000

2. Pursuant to a Construction Land Planning Permit — Di Zi Di Hu Pu Gui Di Jin (2011) EA1011520119214, permission towards the planning of the aforesaid land parcel with a site area of approximately 46,537.50 sq.m. has been granted to Shanghai Design Expo.

3. Pursuant to a Real Estate Title Certificate — Hu Fang Di Pu Zi (2011) Di No. 031053, the land use rights of the property with a site area of approximately 46,537.50 sq.m. were granted to Shanghai Design Expo, for terms expiring on December 29, 2060 for office use and December 29, 2050 for commercial, finance and insurance uses respectively.

4. Pursuant to 2 Construction Work Planning Permit — Jian Zi Di Hu Pu Gui Jian Jin (2011)FA31011520119506 and (2012)FA31011520129201 issued by Planning and Land Resources Bureau of Pudong District of Shanghai in favor of Shanghai Design Expo, the construction works of the property with a total planned total gross floor area of approximately 208,284.00 sq.m. have been approved.

5. Pursuant to 2 Construction Work Commencement Permits — Nos. 11JQPD0019D02310115201104151601 and 11JQPD0019D01310115201104151601(Zhuangji) issued by Construction and Traffic Committee of Pudong District of Shanghai in favor of Shanghai Design Expo, the commencement of the construction works of Shopping Mall with a total gross floor area of approximately 208,284 sq.m. has been permitted.

6. Pursuant to a Mortgage Contract of Maximum Amount, a parcel of land with a site area of approximately 46,537.5 sq.m. and the construction works thereon are subject to a mortgage in favor of The Industrial and Commercial Bank of China Shanghai Sub-branch, Bank of Beijing Shanghai Sub-branch and Huaxia Bank Shanghai Sub-branch (the "Banks"), as a security to guarantee the principal obligation under the loan contract entered into between the Banks and Shanghai Design Expo, for an amount of RMB780,000,000 with the security term from December 7, 2012 to December 6, 2018.

7. Pursuant to a Construction Completion and Inspection Certificate — No. 2015PD0162, the property has been approved to be complied with the urban and rural planning requirements.

8. Pursuant to 331 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 76,717.92 sq.m. are rented to various parties for various terms with the expiry dates between March 31, 2015 and March 31, 2016 at a total passing annual rent of RMB116,935,249 for commercial purpose.

9. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB110 to RMB240 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB172 per sq.m. per month for commercial purpose; and

d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rates in the valuation.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

a. Shanghai Design Expo legally owns the land use rights of the property;

b. Save as the mortgages mentioned in note 6 which will be forming limitations when disposing of the property, Shanghai Design Expo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

c. Shanghai Design Expo will legally own building ownership rights of the property after completing of the relevant ownership registration procedure and obtaining the relevant title certificates.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
15.	Yantai Phase II Mall No. 281 Jichang Road Zhifu District Yantai City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 48,750.60 sq.m. and a 5-storey (plus two levels basement) commercial building erected thereon which was completed in 2014. The property is located at the south-western corner of Huangwu Overpass in Zhifu District. This area is public transportation along the main roads. The property has a gross floor area of approximately 146,460.80 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 19,769.26 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	735,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	24,354.02
Basement Level 1	24,354.03
Level 1	19,550.55
Level 2	19,550.55
Level 3	19,550.55
Level 4	19,550.55
Level 5	19,550.55
Total:	**146,460.80**

The land use rights of the property have been granted for a term expiring on August 31, 2051 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yan Guo Yong (2011) Di No. 10750, the land use rights of a parcel of land with a site area of approximately 48,750.60 sq.m. have been granted to Yantai Red Star Macalline Home Furnishing Company Limited ("Yantai Home Furnishing"), a 50% interest owned subsidiary of the Company, for a term expiring on August 31, 2051 for commercial use.

2. Pursuant to a Building Ownership Certificate — Yan Fang Quan Zheng Zhi Zi Di No. 337623, portions of the property with a total gross floor area of approximately 97,752.75 sq.m. (level 1 to level 5) is owned by Yantai Home Furnishing.

3. Pursuant to a Mortgage Contract, portions of a parcel of land with a site area of approximately 48,751.00 sq.m. and portions of a commercial building with a total gross floor area of approximately 97,752.75 sq.m. (including portions of the property) are subject to a mortgage in favor of Bank of China Limited Yantai Fenghuang Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Yantai Home Furnishing for a maximum amount of RMB300, 000,000 for a term expiring on December 1, 2018.

4. Pursuant to 288 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 65,062.60 sq.m. are rented to various parties for various terms with expiry dates between April 12, 2015 and April 11, 2016 at a total passing annual rent of RMB30,372,092 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB45 to RMB75 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB55 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Yantai Home Furnishing legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 3 which will be forming limitations when disposing of the property, Yantai Home Furnishing is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
16.	Chongqing Erlang Mall located at the eastern side of Yingbin Street Jiulongpo District Chongqing The PRC	The property comprises a parcel of land with a site area of approximately 18,841.50 sq.m. and an 8-storey (plus four levels basement) commercial building erected thereon which was completed in 2014. The property is located at the eastern side of Yingbin Street in Jiulongpo District and it is well-served by adequate facilities and public transportation along the main roads. The property has a total gross floor area of approximately 141,742.59 sq.m. and the details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	920,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 4	13,541.17
Basement Level 3	13,541.17
Basement Level 2	13,555.45
Basement Level 1	12,887.70
Level 1	12,606.30
Level 2	12,824.40
Level 3	12,102.70
Level 4	12,089.50
Level 5	12,102.70
Level 6	12,102.70
Level 7	12,102.70
Level 8	2,239.09
Roof	47.01
Total:	**141,742.59**

The land use rights of the property have been granted for a term expiring on July 31, 2051 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Yu Di (2011) He Zi (Gaoxin District) No.163 dated in September 19, 2011, the land use rights of the property were contracted to be granted to Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited ("Chongqing Expo"), a wholly-owned subsidiary of the Company, with the particulars as follows:

Site Area	:	18,841.20 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial
Plot Ratio	:	5.0
Land Premium	:	RMB476,370,000

2. Pursuant to a Construction Land Planning Permit — Di Zi No. 500138201100034, permission towards the planning of the aforesaid land parcel with a site area of approximately 18,843.20 sq.m. has been granted to Chongqing Expo.

3. Pursuant to a Real Estate Title Certificate — 105 Fang Di Zheng 2015 Zi Di No. 17806, portions of the property with a gross floor area of approximately 90,081.46 sq.m. is owned by Chongqing Expo, and the land use rights of the property with a site area of approximately 18,841.50 sq.m. were granted to Chongqing Expo, for a term expiring on July 31, 2051 for commercial use.

4. Pursuant to a Construction Work Planning Permit — No. 500138201200024 issued by Construction and Planning Bureau of Chongqing City in favor of Chongqing Expo the construction works of the property with a total planned gross floor area of approximately 141,742.59 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit — No.500120201211160101 issued by Construction and Planning Bureau of Chongqing City Gaoxin branch in favor of Chongqing Expo, the commencement of the construction works of the shopping mall with a total gross floor area of approximately 141,742.99 sq.m. has been permitted.

6. Pursuant to a Construction Work Completion and Inspection Certificate — Jian Jun Bei Zi (2014) No. 022 issued by Chongqing Advanced Technology Industry Development Zone Management Committee (重慶高新技術產業開發區管理委員會), the property has been approved to be complied with the urban and rural planning requirements.

7. Pursuant to 11 Mortgage Contracts, a parcel of land with a site area of approximately 18,841.20 sq.m. of the property is subject to mortgages in favor of Huaxia Bank Co., Ltd. Chongqing Sub-branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Chongqing Expo for a maximum amount of RMB375, 000,000 for various terms expiring on the expiry dates on March 21, 2023.

8. Pursuant to 239 Exhibition Space Agreements, the property with a total lettable area of approximately 78,206.69 sq.m. are rented to various parties for various terms with the expiry date on December 31, 2015 at a total passing annual rent of RMB60,188,501 for commercial purpose.

9. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB50 to RMB100 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB76 per sq.m. per month for commercial purpose; and

d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rates in the valuation.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

    a. Chongqing Expo legally owns the land use rights of the property;

    b. It is not found any material legal impediment for Chongqing Expo in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees; and

    c. Save as the mortgages mentioned in note 7 which will be forming limitations when disposing of the land use rights, Chongqing Expo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
17.	Panjin Xinlong Mall No. 198 Huancheng South Street Xinglongtai District Panjin City Liaoning Province The PRC	The property comprises a parcel of land with a site area of approximately 23,793.40 sq.m. and a 5-storey (plus one level basement) commercial building erected thereon which was completed in October 2013. The property is located at the southern side of Dazhong Street, the northern side of Huancheng South Street, the western side of Shuangxing Road and the eastern side of Taishan Road in Xinglongtai District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 87,845.81 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 723.10 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	379,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 1	15,958.11
Level 1	15,086.20
Level 2	14,320.67
Level 3	14,320.67
Level 4	14,080.08
Level 5	14,080.08
Total:	**87,845.81**

The land use rights of the property have been granted for a term expiring on September 11, 2051 for other commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Pan Guo Yong (2012) Di No. 300001, the land use rights of the property with a site area of approximately 23,793.40 sq.m. were granted to Panjin Red Star Macalline Global Home Furnishing Plaza Company Limited ("Panjin Global"), a 51% interest subsidiary of the Company, for a term expiring on September 11, 2051 for other commercial use.

2. Pursuant to 8 Building Ownership Certificates — Pan Jin Shi Fang Quan Zheng Xing Long Tai Qu Zi Di Nos. 10095678, 10095679, 10095673, 10095650, 10095670, 10095674, 10095677 and 10095680, the property with a gross floor area of approximately 87,845.81 sq.m. are owned by to Panjin Global.

3. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favor of China Bank Co., Ltd Panjin Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Panjin Global for an amount of RMB200,000,000 with the security term from January 5, 2013 to January 4, 2022.

4. Pursuant to 252 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 49,050.92 sq.m. are rented to various parties for various terms with the expiry date on August 31, 2015 at a total passing annual rent of RMB26,963,137 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB40 to RMB65 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB54 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Panjin Global legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 3 which will be forming limitations when disposing of the property, Panjin Global is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
18.	Changzhou Wujin Mall No. 599 South Chang Wu Road Wujin District Changzhou City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 66,729.70 sq.m. and a 4-storey (plus one level basement) commercial building erected thereon which was completed in September 2010. The property is located at No. 599 South Chang Wu Road in Wujin District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a University town dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 166,110.47 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettabel area of 4,258.54 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	451,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 1	36,523.60
Level 1	32,396.72
Level 2	32,396.72
Level 3	32,396.72
Level 4	32,396.71
Total:	**166,110.47**

The land use rights of the property have been granted for a term expiring on February 27, 2049 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificates — Wu Guo Yong (2011) Di No. 1201692, the land use rights of the property with a site area of approximately 66,729.70 sq.m. were granted to Changzhou Hongyang Home Furnishing Plaza Company Limited ("Changzhou Hongyang"), a 51% interest owned subsidiary of the Company, for a term expiring on February 27, 2049 for commercial use.

2. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Wu Zi Di No. 01085753, the property with a total gross floor area of approximately 166,110.47 sq.m. is owned by Changzhou Hongyang.

3. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favor of China Construction Bank Co., Ltd Changzhou Wujin Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Changzhou Hongyang for an amount of RMB180,000,000 with the security term from July 21, 2010 to March 20, 2016.

4. Pursuant to 453 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 113,507.26 sq.m. are rented to various parties for various terms with the expiry date between August 31, 2015 and August 31, 2016 at a total passing annual rent of RMB42,649,564 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB31 to RMB57 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB31 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 8.0% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Changzhou Hongyang legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 3 which will be forming limitations when disposing of the property, Changzhou Hongyang is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
19.	Daqing Expo Mall located at the southern side of Shijida Road, the northern side of Wei'er Road and the eastern side of Shuangyong Road High-tech District Daqing City Heilongjiang Province The PRC	The property comprises a parcel of land with a site area of approximately 36,620 sq.m. and a 4-storey (plus one level basement) commercial building erected thereon which was completed in December 2014. The property is located at the southern side of Shijida Road, the northern side of Weier Road and the eastern side of Shuangyong Road in High-tech District. This area is newly developed with public transportation along the main roads. The property has a total gross floor area of approximately 103,178.00 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 5,943.10 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	680,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 1	27,423.00
Level 1	18,938.75
Level 2	18,938.75
Level 3	18,938.75
Level 4	18,938.75
Total:	**103,178.00**

The land use rights of the property have been granted for a term expiring on September 27, 2051 for commercial use.

Notes:

1. Pursuant to a Construction Project Investment and Transfer Agreement dated July 10, 2013 entered into between Daqing Xu Sheng Real Estate Development Company Limited and Daqing Red Star Macalline Shibo Home Furnishing Company Limited ("Daqing Shibo"), a 70% interest owned subsidiary of the Company, the land with a site area of approximately 36,620 sq.m. and the construction works erected thereon were contracted to be transferred to Daqing Shibo at a consideration of approximately RMB188,569,857.43.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 230601201300110, permission towards the planning of the aforesaid land parcel with a site area of approximately 36,620 sq.m. has been granted to Daqing Shibo.

3. Pursuant to a State-owned Land Use Rights Certificate – Daqing Guo Yong (2013) Di No. 070011785, the land use rights of the property with a site area of approximately 36,620.00 sq.m. were granted to Daqing Shibo, for a term expiring on September 27, 2051 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 230601201300417 issued by Construction and Planning Bureau of Daqing City in favor of Daqing Shibo the construction works of the property with a total planned gross floor area of approximately 103,178.00 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 230607201403280101 issued by Construction and Planning Bureau of Daqing City in favor of Daqing Shibo, the commencement of the construction works of the property with a gross floor area of approximately 103,178 sq.m. has been permitted.

6. Pursuant to 282 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 59,112.90 sq.m. are rented to various parties for various terms with the expiry date on December 27, 2015 at a total passing annual rent of RMB65,791,450 for commercial purpose.

7. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB70 to RMB90 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB72 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.0% for commercial purpose as the capitalization rate in the valuation.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Daqing Shibo legally owns the land use rights of the property;

   b. Daqing Shibo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   c. Material legal impediment is not found for Daqing Shibo in obtaining the Building Ownership Certificate after fulfilling the construction completion registration procedure according to laws and regulations and paying off the relevant stipulated fees;

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
20.	Langfang Kaihong Mall No. 33 Nanlong Road Anci District Langfang City Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 37,682.45 sq.m. and a 4-storey (plus one level basement) commercial building erected thereon which was completed in August 2013. The property is located at the southern side of Nanhuan Road, the western side of South Yinhe Road in Anci District. This area is well-served by adequate facilities and public transportation along the main roads. The property has a total gross floor area of approximately 102,985.60 sq.m. The details are set out as following:	As at the valuation date, the property was currently rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	575,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 1	21,000.00
Level 1	20,496.40
Level 2	20,496.40
Level 3	20,496.40
Level 4	20,496.40
Total:	**102,985.60**

The land use rights of the property have been granted for a term expiring on March 31, 2050 for commercial use.

Notes:

1. Pursuant to a Project Cooperation Agreement, entered into between Langfang Chengqu Real Estate Development Limited Company and Langfang Kaihong Home Living Plaza Company Limited ("Langfang Kaihong"), a 70% interest owned subsidiary of the Company, the land of the property with a site area of approximately 37,682.45 sq.m. was transferred to Langfang Kaihong.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 131000200900029, permission towards the planning of the aforesaid land parcel with a site area of approximately 37,682.45 sq.m. has been granted to Langfang Kaihong.
3. Pursuant to a State-owned Land Use Rights Certificate — Lang An Guo Yong (2011) No. 00011, the land use rights of the property with a site area of approximately 37,682.45sq.m. have been granted to Langfang Kaihong for a term with the expiry dates on March 31, 2050 for commercial use and financial uses.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 131002201200025 issued by Urban and Rural Planning Bureau of Langfang City, Anci Sub-branch in favor of Langfang Kaihong, the construction works of the property with a total gross floor area of approximately 102,985.77 sq.m. have been approved.
5. Pursuant to a Construction Work Commencement Permit — 131002X20120050101 issued by the Planning and Construction Bureau of the High and New Technology Industry of Langfang City in favor of Langfang Kaihong, the commencement of the construction works of the property with a total gross floor area of approximately 102,985.77 sq.m. has been approved.
6. Pursuant to a Mortgage Contract, the land use rights and the construction works of the property are subject to a mortgage in favor of China Bank Co., Ltd Langfang Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Langfang Kaihong for an amount of RMB,300,000,000 with the security term from July 30, 2013 to April 1, 2021.
7. Pursuant to 306 Exhibition Space Agreements, the property with a total lettable area of approximately 65,060.10 sq.m. are rented to various parties for various terms with the expiry date on August 31, 2015 at a total passing annual rent of RMB51,573,820 for commercial purpose.
8. Our valuation has been made on the following basis and analysis:
   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
   b. the monthly unit rents of these comparable properties range from RMB50 to RMB80 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;
   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB62 per sq.m. per month for commercial purpose; and
   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:
   a. Langfang Kaihong legally owns the land use rights of the property;
   b. Save as the mortgages mentioned in note 6 which will be forming limitations when disposing of the property, Langfang Kaihong is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments;
   c. Langfang Kaihong will legally own the building ownership rights of the property after completing of the relevant ownership registration procedure and obtaining the relevant title certificates; and
   d. Langfang Kaihong Mall, which was put to use without obtaining the completion certificate for construction work of the property, may be subject to mandatory rectification and a fine in the maximum amount representing 4% of the project contract cost.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
21.	Huayun Shopping Mall No. 160 Jinbin Avenue Hedong District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 42,399.10 sq.m. and a 7-storey (plus two levels basement) commercial building erected thereon which was completed in February 2012. The property is located at the southern side of Jinbin Avenue, the western side of Dongxing Road and the eastern side of Linke East Road in Hedong District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings. The property has a total gross floor area of approximately 219,798.52 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 3,172.04 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	2,113,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	35,827.16
Basement Level 1	35,607.36
Level 1	26,156.02
Level 2	24,177.84
Level 3	24,177.84
Level 4	24,177.84
Level 5	24,177.84
Level 6	24,177.84
Level 7	1,318.78
Total:	**219,798.52**

The land use rights of the property have been granted for a term expiring on April 15, 2050 for commercial use.

Notes:

1. Pursuant to 3 Real Estate Title Certificates — Fang Di Zheng Jin Zi Di Nos. 102021323064, 102021323056 and 102021323067, the building with a total gross floor area of approximately 219,798.52 sq.m. is owned by Tianjin Red Star Macalline International Home Furnishing Expo Company Limited ("Tianjin International Expo"), a 65% interest owned subsidiary of the Company, and the relevant land use rights of the property with a site area of approximately 42,399.10 sq.m. have been granted to Tianjin International Expo for a term expiring on April 15, 2050 for commercial use.

2. Pursuant to a Mortgage Contract, the property is subject to a mortgage in favor of Harbin Bank Co., Ltd Tianjin Nankai Sub-branch as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Tianjin International Expo for an amount of RMB1,200,000,000 with the security term expiring on November 29, 2023.

3. Pursuant to 595 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 104,145.32 sq.m. are rented to various parties for various terms with the expiry dates between May 25, 2015 and October 31, 2017 at a total passing annual rent of RMB155,229,584 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB110 to RMB140 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB120 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.0% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Tianjin International Expo legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 2 which will be forming limitations when disposing of the property, Tianjin International Expo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
22.	Shenyang Tiexi Phase II Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	The property comprises five parcels of land with a total site area of approximately 8,602.99 sq.m. and a 7-storey commercial building erected thereon which was completed in November 2014. The property is located at the junction of Xinghua Road and Yunfeng Road in Tiexi District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings. The property has a total gross floor area of approximately 44,160.41 sq.m. The details are set out as following:	As at the valuation date, the property was currently rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	545,000,000

Floor	Gross Floor Area (sq.m.)
Level 1	6,446.41
Level 2	6,446.39
Level 3	6,446.39
Level 4	6,446.39
Level 5	6,446.39
Level 6	6,446.39
Level 7	5,482.05
Total:	**44,160.41**

The land use rights of the property have been granted for a term expiring on October 24, 2045 for commercial use.

Notes:

1. Pursuant to 5 State-owned Land Use Rights Certificates — Shen Yang Guo Yong (2015) Di Nos.TX00249, TX00250, TX00251, TX00252, TX00253, the land use rights of the property with a site area of approximately 8,602.99 sq.m. were granted to Shenyang Red Star Macalline Home Furnishing Expo Company Limited ("Shenyang Expo"), a wholly-owned subsidiary of the Company, for a term expiring on October 24, 2045 for commercial use.

2. Pursuant to 5 Building Ownership Certificates — Shen Fang Quan Zheng Zhong Xin Zi Di Nos. N060626297, N060626298, N060626304, N060626346, N060626353, the property with a total gross floor area of approximately 44,160.41 sq.m. is owned by Shenyang Expo.

3. Pursuant to 93 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 31,899.92 sq.m. are rented to various parties for various terms with the expiry dates between November 21, 2015 and August 31, 2027 at a total passing annual rent of RMB24,815,820 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB100 to RMB200 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB121 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Shenyang Expo legally owns the land use rights and building ownership rights of the property; and

   b. Shenyang Expo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
23.	Beijing West Fourth Ring Mall No. 113 West Fourth Ring Road Fengtai District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 31,510.77 sq.m. and a 5-storey (plus one level basement) commercial building erected thereon which was completed in March 2002. The property is located at No. 113, West Fourth Ring Road Middle in Fengtai District, Beijing. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area supported by residential and commercial buildings. The property has a total gross floor area of approximately 70,181.87 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	2,457,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 1	12,304.83
Level 1	11,769.09
Level 2	11,633.97
Level 3	11,767.07
Level 4	11,385.89
Level 5	11,321.02
Total:	**70,181.87**

The land use rights of the property have been granted for terms expiring on August 16, 2047 for commercial use and August 16, 2057 for car parking use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Jing Feng Guo Yong (2010 Chu) Di No. 00202, the land use rights of the property with a site area of approximately 31,510.77 sq.m. were granted to Beijing Red Star Macalline International Home Furnishing Plaza Company Limited, ("Beijing International"), a wholly-owned subsidiary of the Company, for terms expiring on August 16, 2047 for commercial use and August 16, 2057 for car parking use.

2. Pursuant to a Building Ownership Certificate — X Jing Fang Quan Zheng Feng Zi Di No. 262598, the property with a gross floor area of approximately 70,181.87 sq.m. is owned by Beijing International.

3. Pursuant to a Mortgage Contract of Maximum Amount, a parcel of land with a site area of approximately 31,510.77 sq.m. and the commercial building of the property are subject to a mortgage in favor of Industrial and Commercial Bank of China, Beijing Jiulongshan Sub-branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Beijing International for a maximum amount of RMB500,000,000 with the security term from June 26, 2009 to June 21, 2019.

4. Pursuant to 382 Exhibition Space Agreements, the property with a total lettable area of approximately 51,341.30 sq.m. are rented to various parties for various terms with the expiry date on March 31, 2015 at a total passing annual rent of RMB167,326,013 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB170 to RMB330 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB270 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Beijing International legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 3 which will be forming limitations when disposing of the property, Beijing International is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
24.	Beijing East Fourth Ring Mall No. 193 East Fourth Ring Middle Road Chaoyang District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 19,035.29 sq.m. and a 6-storey (plus two levels basement) commercial building erected thereon which was completed in January 2006. The property is located at the northern side of East Fourth Ring Middle Road in Chaoyang District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings. The property has a total gross floor area of approximately 84,043.89 sq.m. The details are set out as follows:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettabel area of 2,616.43 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	3,034,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	8,317.37
Basement Level 1	12,886.63
Level 1	10,321.67
Level 2	10,355.21
Level 3	10,410.45
Level 4	10,410.45
Level 5	10,410.45
Level 6	10,931.66
Total:	**84,043.89**

The land use rights of the property have been granted for terms expiring on August 5, 2044 for commercial use and August 5, 2054 for car parking use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Jing Chao Guo Yong (2011 Chu) Di No. 00549, the land use rights of the property with a site area of approximately 19,035.29 sq.m. were granted to Beijing Red Star Macalline Shibo Furniture Plaza Company Limited ("Beijing Shibo Furniture"), a wholly owned subsidiary of the Company, for terms expiring on August 5, 2044 for commercial use and August 5, 2054 for car parking use.

2. Pursuant to a Building Ownership Certificate — X Jing Fang Quan Zheng Chao Qi Zi Di No. 529780, the property with a gross floor area of approximately 84,043.89 sq.m. is owned by Beijing Shibo Furniture.

3. Pursuant to 2 Mortgage Contracts, the land use rights and the buildings of the property are subject to two mortgages in favor of BEA Bank (China) Co., Ltd. Beijing Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Beijing Shibo Furniture for the total amount of RMB1,640,000,000 with the security terms from September 18, 2009 to September 17, 2019 and from November 14, 2011 to November 13, 2021.

4. Pursuant to 212 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 53,996.12 sq.m. are rented to various parties for various terms with the expiry dates on March 31, 2015 at a total passing annual rent of RMB189,862,531 for commercial purpose.

5. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB220 to RMB385 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB314 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Beijing Shibo Furniture legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 3 which will be forming limitations when disposing of the property, Beijing Shibo Furniture is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
25.	Tianjin Hexi Mall No. 18 Heiniucheng Road Hexi District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 20,723.50 sq.m. and a 9-storey commercial building erected thereon which was completed in November 2003.	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 533.44 sq.m. which was vacant and certain portion of the property was occupied for office purpose.	1,579,000,000

The property is located at the southern side of Heiniucheng Road, the western side of Jiefang South Road in Hexi District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings.

The property has a total gross floor area of approximately 69,766.47 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Commercial	
Level 1	11,389.59
Level 2	13,058.19
Level 3	13,052.41
Level 4	12,797.08
Level 5	12,535.16
Sub-Total:	**62,832.43**
Office	
Level 6	1,733.51
Level 7	1,733.51
Level 8	1,733.51
Level 9	1,733.51
Sub-Total:	**6,934.04**
Grand-Total:	**69,766.47**

The land use rights of the property have been granted for a term expiring on August 24, 2043 for commercial use.

Notes:

1. Pursuant to 2 Real Estate Title Certificates — Fang Di Zheng Jin Zi Di Nos. 103030807143 and 103030807640, the property with a gross floor area of approximately 69,766.47 sq.m. is owned by Tianjin Red Star Macalline International Home Furnishing Plaza Company Limited ("Tianjin International"), a wholly-owned subsidiary of the Company, and the land use rights of the property with a site area of approximately 20,723.50 sq.m. were granted to Tianjin International, for a term expiring on August 24, 2043 for commercial use.

2. Pursuant to a Maximum Amount Mortgage Contract, the land use rights and the buildings of the property are subject to a mortgage in favor of Hua Xia Bank Co., Ltd. Tianjin Branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Tianjin International for a maximum amount of RMB600,000,000 with the security term from April 21, 2014 and April 21, 2024.

3. Pursuant to 431 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 51,092.64 sq.m. are rented to various parties for various terms with the expiry dates between March 31, 2015 and August 31, 2015 at a total passing annual rent of RMB138,035,809 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB180 to RMB260 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB208 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.0% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Tianjin International legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 2 which will be forming limitations when disposing of the property, Tianjin International is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
26.	Tianjin Hongqiao Mall No. 1 Hongqi Road Hongqiao District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 31,020.90 sq.m. and a 5-storey commercial building erected thereon which was completed in May 2004. The property is located at the southern side of Xiqing Road, the eastern side of Hongqi Road in Hongqiao District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is dominated by residential and commercial buildings. The property has a total gross floor area of approximately 62,470.99 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 526.27sq.m. which was vacant.	1,033,000,000

Floor	Gross Floor Area (sq.m.)
Level 1	13,622.07
Level 2	12,268.11
Level 3	12,402.41
Level 4	12,053.28
Level 5	12,125.12
Total:	**62,470.99**

The land use rights of the property have been granted for a term expiring on February 9, 2043 for commercial use.

Notes:

1. Pursuant to a Real Estate Title Certificate — Fang Di Zheng Jin Zi Di No. 106030752972, the property with a total gross floor area of approximately 62,470.99 sq.m. is owned by Tianjin Red Star Macalline International Home Furnishing Plaza Company Limited ("Tianjin Home Furnishing"), a wholly-owned subsidiary of the Company. The land use rights of the property with a site area of approximately 31,020.90 sq.m. have been granted to Tianjin Furnishing for a term expiring on February 9, 2043 for commercial use.

2. Pursuant to a Mortgage Contract, the land use rights and the building of the property are subject to a mortgage in favor of China Bohai Bank Co., Ltd. Tianjin Branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Tianjin Furnishing for an amount of RMB400,000,000 with the security term from December 12, 2013 to December 11, 2023.

3. Pursuant to 291 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 45,770 sq.m. are rented to various parties for various terms with the expiry date on August 31, 2015 at a total passing annual rent of RMB72,546,260 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. We have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. The monthly unit rents of these comparable properties range from RMB100 to RMB170 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. Appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB145 per sq.m. per month for commercial purpose; and

   d. Based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.0% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Tianjin Home Furnishing legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 2 which will be forming limitations when disposing of the property, Tianjin Home Furnishing is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
27.	Beijing North Fourth Ring Mall No. 1 Beishatan Chaoyang District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 20,408.48 sq.m. and a 7-storey (plus three levels basement) commercial building erected thereon which was completed in September 2008.	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	No commercial value

The property is located at the southern side of Kehui Road, the northern side of Datun Road, the western side of Lincui Road and the eastern side of G6 Jing-Zang highway in Chaoyang District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings.

The property has a total gross floor area of approximately 89,636.55 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Ancillary	294.43
Basement Level 3	12,118.37
Basement Level 2	11,342.49
Basement Level 1	10,950.15
Level 1	7,673.23
Level 2	8,917.59
Level 3	8,885.82
Level 4	8,205.45
Level 5	8,205.45
Level 6	8,205.45
Level 7	4,838.12
Total:	**89,636.55**

The land use rights of the property were leased from Chinese Academy of Agricultural Mechanization Sciences for scientific research use (see note 1).

Notes:

1. According to a Land Lease Agreement dated August 6, 2007, entered into between Chinese Academy of Agricultural Mechanization Sciences and Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited ("Beijing Global"), a wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 20,408.48 sq.m. were leased to Beijing Global for ten years commencing from the grand opening of the property at an annual rent of RMB26,315,000.

2. In the valuation of this property, we have attributed no commercial value to the property which has not obtained Land Use Rights Certificate and Building Ownership Certificate under the name of the Group. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB2,335,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

3. Pursuant to 382 Exhibition Space Agreements, the property with a total lettable area of approximately 56,084.60 sq.m. are rented to various parties for various terms with the expiry dates between July 31, 2015 and November 30, 2015 at a total passing annual rent of RMB179,204,778 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB150 to RMB330 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB264 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.0% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Chinese Academy of Agricultural Mechanization Sciences has obtained the State-owned Land Use Rights Certificate of the property. The land nature is allocated and the usage of the land is scientific research;

   b. Chinese Academy of Agricultural Mechanization Sciences has obtained the Building Ownership Certificate of the property;

   c. Since Beijing Global is not the signing party of the Land Lease Agreement mentioned in note 1, there exists the possibility of controversy that Beijing Global will obtain the property interest of the property according to the agreement in Land Lease Agreement;

   d. The current commercial usage of the property is incompliance with the regulated scientific research land usage; and

   e. The gross floor area of the property represents 1.21% of the properties held and operating leased by the Group as at March 31, 2015. The abovementioned status of the property title will not have material adverse effect on the operation the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
28.	Tianjin Dongli Mall No. 427 Jintang Road Dongli District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 44,264.90 sq.m. and a 6-storey (plus two levels basement) commercial building erected thereon which was completed in September 2012. The property is located at the southern side of Sanwei Road, the northern side of Jintang Road, the eastern side of Erjing Road and the western side of Sanjing Road in Dongli District. This area is well-served by adequate facilities and public transportation along the main roads. The property has a total gross floor area of approximately 187,196.87 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettabel area of 38,685.53 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	841,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	28,282.99
Basement Level 1	26,121.88
Level 1	23,975.95
Level 2	23,695.81
Level 3	23,704.65
Level 4	23,389.80
Level 5	23,285.09
Level 6	14,740.70
Total:	**187,196.87**

The land use rights of the property have been granted for a term expiring on March 22, 2044 for commercial use.

Notes:

1. Pursuant to a Real Estate Title Certificate — Fang Di Zheng Jin Zi Di No.110011312164, the building with a gross floor area of approximately 187,196.87 sq.m. is owned by Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited ("Tianjin Shibo"), a 51% interest owned subsidiary of the Company, and the relevant land use rights of the property with a site area of approximately 44,264.90 sq.m. have been granted to Tianjin Shibo for a term expiring on March 22, 2044 for commercial use.

2. Pursuant to a Mortgage Contract, the land use rights and the buildings of the property are subject to a mortgage in favor of China Development Bank Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. Tianjin Branch, as a security to guarantee the principal obligation under the loan contract entered in to between the Banks and Tianjin Shibo for an amount of RMB560,000,000 with the security term from September 29, 2011 to September 29, 2021.

3. Pursuant to 240 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 27,144.71 sq.m. are rented to various parties for various terms with the expiry dates between September 30, 2015 and June 30, 2019 at a total passing annual rent of RMB44,865,269 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB50 to RMB80 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB60 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Tianjin Shibo Home legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgages mentioned in note 2 which will be forming limitations when disposing of the property, Tianjin Shibo Home is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
29.	Shengyang Shopping Mall No. 10 Hunnan West Road Hunnan New District Shenyang City Liaoning Province The PRC	The property comprises a parcel of land with a site area of approximately 37,270 sq.m. and a 7-storey (plus one level basement) commercial building erected thereon which was completed in April 2012.	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 10,233.90 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	1,627,000,000

The property is located in the center of Hunnan New District, which is rapidly becoming a developed, high-end residential area. This area is well-served by adequate facilities and public transportation along the main roads.

The property has a total gross floor area of approximately 168,183.99 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level 1	27,672.29
Level 1	27,672.30
Level 2	27,672.30
Level 3	27,672.30
Level 4	27,672.30
Level 5	27,672.30
Level 6	2,150.20
Total:	**168,183.99**

The land use rights of the property have been granted for a term expiring on December 27, 2053 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Shen Yang Guo Yong (2015) Di No. HN00426, the land use rights of the property with a site area of approximately 37,270 sq.m. were granted to Shenyang Red Star Macalline Shibo Home Furnishing Company Limited ("Shenyang Shibo"), a 75% interest owned subsidiary of the Company, for a term expiring on December 27, 2053 for commercial use.

2. Pursuant to a Building Ownership Certificate — Shen Fang Quan Zheng Hun Nan Zi Di No. N100072361, the property with a total gross floor area of approximately 168,183.99 sq.m. is owned by Shenyang Shibo.

3. Pursuant to 524 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 99,453.10 sq.m. are rented to various parties for various terms with the expiry dates between March 31, 2015 to August 31, 2019 at a total passing annual rent of RMB113,617,767 for commercial purpose.

4. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB80 to RMB150 per sq.m. for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB97 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.0% for commercial purpose as the capitalization rate in the valuation.

5. We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Shenyang Shibo legally owns the land use rights of the property; and

   b. Shenyang Shibo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments;

VALUATION CERTIFICATE

Group II — Property interests held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
30.	3 buildings known as Wuhan Etouwan Mall under construction located at the eastern side of Qiaoxiao Expressway, the southern side of Third Ring Road and the northern side of Wuhan IKEA Qiaokou District Wuhan City Hubei Province The PRC	The property comprises a parcel of land with a site area of approximately 77,546.49 sq.m. and 3 commercial buildings known as Wuhan Etouwan Mall which were being constructed thereon as at the valuation date. The property is located at the eastern side of Qiaoxiao Expressway Qiaokou District and well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in June 2015. Upon completion, the development will have a total gross floor area of approximately 274,505 .98 sq.m. and the details are set out as following: **Usage** — **Planned Gross Floor Area (sq.m.)** Office — 15,701.68 Commercial — 184,788.59 Underground car parking spaces — 74,015.71 *(1,845 lots)* **Total:** — **274,505.98** As advised by the Group, the total development cost is estimated to be approximately RMB1, 339,142,000 of which RMB1,138,640,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on June 21, 2051 for commercial use.	As at the valuation date, the property was under construction.	1,560,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — WH-2011-59 dated September 19, 2011, the land use rights of the property were contracted to be granted to Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited ("Wuhan Shibo"), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	77,546.49 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial
Plot Ratio	:	3.53
Land Premium	:	RMB476,370,000

2. Pursuant to a Construction Land Planning Permit — Wu Gui Di (2011) No. 171, permission towards the planning of the aforesaid land parcel with a site area of approximately 77,546.49 sq.m. has been granted to Wuhan Shibo.

3. Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2011) Di No. 389, the land use rights of a parcel of land with a site area of approximately 77,546.49 sq.m. on which the property is situated, have been granted to Wuhan Shibo for a term with the expiry date on June 21, 2051 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Wu Gui Jian (2012) No. 159 issued by Construction and Planning Bureau of Wuhan City in favor of Wuhan Shibo, the construction works of the property with a total planned gross floor area of approximately 274,505.98 sq.m. have been approved.

5. Pursuant to 2 Construction Work Commencement Permits — No. 4201042011122700114BJ4001 and No. 4201042011122700114BJ4002 issued by Construction and Planning Bureau of Wuhan City, Qiaokou Sub-branch in favor of Wuhan Shibo, the commencement of the construction works of with a total gross floor area of approximately 274,505.97 sq.m. has been permitted.

6. Pursuant to a Mortgage Contract dated November 20, 2013, a parcel of land with a site area of approximately 77,546 sq.m. and the construction works thereon are subject to a mortgage in favor of Industrial and Commercial Bank of China Co., Ltd., Qiaokou Sub-branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Wuhan Shibo, for an amount of RMB700,000,000 with the security term from November 20, 2013 to November 19, 2019.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Wuhan Red Star Macalline legally owns the land use rights of the property;

   b. Wuhan Red Star Macalline, has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Save as the mortgages mentioned in note 6 which will be forming limitations when disposing of the property, Wuhan Shibo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Wuhan Shibo should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
31.	3 buildings known as Shenyang Yuhong Mall under construction located at the No. 158 Huanghe North Road Yuhong District Shenyang City Liaoning Province The PRC	The property comprises a parcel of land with a site area of approximately 59,456.50 sq.m. and 3 commercial buildings and which were being constructed thereon as at the valuation date. The property is located at the No. 158, the Huanghe North Street, Yuhong District and well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in June 2015. Upon completion, the development will have a total gross floor area of approximately 197,881.88 sq.m. and the details are set out as following:	As at the valuation date, the property was under construction.	844,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	192,048.96
Underground car parking spaces	5,832.92
Total:	**197,881.88**

As advised by Group, the total development cost is estimated to be approximately RMB1,040,951,602, of which RMB694,624,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for terms with the expiry date on December 22, 2051 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated December 29, 2011, the land use rights of the property were contracted to be granted to Shenyang Mingdu Furniture Plaza Company Limited, ("Shenyang Mingdu") a 60% interest owned subsidiary of the Company with the particulars as follows:

Site Area	:	59,456.50 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial
Plot Ratio	:	2.5
Land Premium	:	RMB327,010,750

2. Pursuant to a Construction Land Planning Permit — Di Zi No. 210100201200008, permission towards the planning of the aforesaid land parcel with a site area of approximately 59,456.50 sq.m. has been granted to Shenyang Mingdu.

3. Pursuant to a State-owned Land Use Rights Certificate — Shen Yang Guo Yong (2012) Di No. 0021, the land use rights of a parcel of land with a site area of approximately 59,456.50 sq.m. on which the property is situated, have been granted to Shenyang Mingdu for terms with the expiry date on December 22, 2051 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 210100201200562 issued by Planning and Land Resources Bureau of Shenyang City in favor of Shenyang Mingdu, the construction works of the property with a total planned gross floor area of approximately 197,881.88 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permits — No. 210100201306251501 issued by Shenyang Urban and Rural Construction Committee in favor of Shenyang Mingdu, the commencement of the construction works of the property with a total gross floor area of approximately 197,881.88 sq.m. has been permitted.

6. Pursuant to a Mortgage Contract dated August 16, 2013, a parcel of land with a site area of approximately 59,456.5 sq.m. is subject to a mortgage in favor of Bank of Communications Co., Ltd., Liaoning Sub-branch (the "Bank"), as a security to guarantee the principal obligation under 1 loan contracts entered into between the Bank and Shenyang Mingdu, for an amount of RMB460,000,000 with the security term from August 16, 2013 to August 16, 2021.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Shenyang Mingdu legally owns the land use rights of the property;

   b. Shenyang Mingdu has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Save as the mortgage mentioned in note 6 which will be forming limitations when disposing of the property, Shenyang Mingdu is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Shenyang Mingdu should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
32.	A building known as Changsha Yuelu Mall under construction located at the northern side of Yuelu Avenue the eastern side of Yuehua Road and the western side of Caihong Road Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 31,683.68 sq.m. and a commercial and residential building known as Changsha Yuelu Mall which was being constructed thereon as at the valuation date. The property is located at the northern side of Yuelu Avenue, the eastern side of Yuehua Road and the western side of Caihong Road. The property is well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in January 2016. Upon completion, the development will have a total planned gross floor area of approximately 212,265.77 sq.m.	As at the valuation date, the property was under construction.	525,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	101,668.36
Residential	55,519.84
Underground car parking spaces	55,077.57
Total:	**212,265.77**

As advised by Group, the total development cost is estimated to be approximately RMB794,067,000, of which RMB426,458,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for terms of 40 years expiring on August 8, 2053 for commercial use and 70 years expiring on August 8, 2083 for residential use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated August 9, 2013, the land use rights of the property were contracted to be granted to Changsha Yinhong Home Furnishing Company Limited ("Changsha Yinhong"), a wholly-owned subsidiary of the Company and Changsha Yuelu District YinPenLing Street YinPenLing Villages 'Committee with the particulars as follows:

Site Area	:	31,683.68 sq.m.
Land Use	:	Commercial and residential
Land Term	:	40 years for commercial, 70 years for residential
Plot Ratio	:	4.95
Land Premium	:	RMB266,150,000

2. Pursuant to a Construction Land Planning Permit — Jian Gui (Di) Zi Di Chang Xian Chu (2013) No. 0037, permission towards the planning of the aforesaid land parcel with a site area of approximately 31,683.68 sq.m. has been granted to Changsha Yinhong.

3. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2013) Di No. 094936, the land use rights of a parcel of land with a site area of approximately 31,683.68 sq.m. on which the property is situated, have been granted to Changsha Yinhong for terms expiring on August 8, 2053 for commercial use and August 8, 2083 for residential use.

4. Pursuant to a Construction Work Planning Permit — Jian Gui (Jian) Zi Di Chang Xian Jian 2 (2014) No. 0046 issued by Changsha Urban and Rural Planning Bureau in favor of Changsha Yinhong, the construction works of the property with a gross floor area of approximately 212,265.77 sq.m. has been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 430112201409030101 issued by Housing and Urban and Rural Construction Committee of Changsha City in favor of Changsha Yinhong, the commencement of the construction works of the property with a gross floor area of approximately 212,265.77 sq.m. has been permitted.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Changsha Yinhong legally owns the land use rights of the property;

   b. Changsha Yinhong has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5; and

   c. Changsha Yinhong is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Changsha Yinhong should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
33.	A building known as Tianjin Tanggu Mall under construction located at No. 4668 the south side of Yunshan Road Binhai New Area Tianjin City The PRC	The property comprises a parcel of land with a site area of approximately 52,174.80 sq.m. and a commercial building known as Tianjin Tanggu Mall which was being constructed thereon as at the valuation date. The property is located at the southern side of Yunshan Road Binhai New Area and well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in May 2016. Upon completion, the development will have a total gross floor area of approximately 148,939.31 sq.m.	As at the valuation date, the property was under construction.	576,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	103,516.01
Underground car parking spaces	45,423.30
Total:	**148,939.31**

As advised by the Group, the total development cost is estimated to be approximately RMB806,150,000 of which RMB503,926,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for a term expiring on October 23, 2051 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — TJ11112011011 dated July 28, 2011, the land use rights of the property were contracted to be granted to Tianjin Red Star Macalline Home Furnishing and Decorating Plaza Company Limited ("Tianjin Home Furnishing"), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	52,174.80 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	2.0
Land Premium	:	RMB291,350,000

2. Pursuant to a Construction Land Planning Permit — 2011 Tang Gu Di Zheng No. 0039, permission towards the planning of the aforesaid land parcel with a site area of approximately 52,174.80 sq.m. has been granted to Tianjin Home Furnishing.

3. Pursuant to a State-owned Land Use Rights Certificate — Fang Di Zheng Jin Zi Di No.107051100813, the land use rights of a parcel of land with a site area of approximately 52,174.80 sq.m. on which the property is situated, have been granted to Tianjin Home Furnishing, for terms with the expiry date on October 23, 2051 for commercial use.

4. Pursuant to a Construction Work Planning Permit — 2013 Bin Hai Jian Zheng No.0009 issued by Construction and Planning Bureau of Binhai New Area-Tanggu Branch Tianjin City in favor of Tianjin Home Furnishing, the construction works of the property with a total planned gross floor area of approximately 148,939.31 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 1210731201306006 issued by Construction and Transportation Committee of Binhai New Area Tianjin City in favor of Tianjin Home Furnishing, the commencement of the construction works of the property with a total gross floor area of approximately 148,416.00 sq.m. has been permitted.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Tianjin Home Furnishing legally owns the land use rights of the property;

   b. Tianjin Home Furnishing has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Tianjin Home Furnishing is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Tianjin Home Furnishing should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
34.	2 Buildings known as Harbin Songbei Mall under construction located at the southern side of Zhongyuan Avenue Songbei District Harbin City Heilongjiang Province The PRC	The property comprises a parcel of land with a site area of approximately 64,078.90 sq.m. and 2 commercial buildings and known as Harbin Songbei Mall which were being constructed thereon as at the valuation date. The property is located at the southern side of Zhongyuan Avenue, which is one of the main roads of Songbei District. The property is situated at a developing area, developments in the vicinity are mainly residential projects. The development is scheduled to be completed in July 2016. Upon completion, the development will have a total gross floor area of approximately 239,373.80 sq.m. and the details are set out as following:	As at the valuation date, the property was under construction.	365,000,000

Usage	Planned Gross Floor Area (sq.m.)
Building 1	
Commercial (up ground)	123,154.3
Commercial (underground)	27,636.2
Underground car-parking spaces	29,347.4
Ancillary	1,890.7
Sub-total:	**182,028.6**
Building 2	
Retail (up ground)	34,437.2
Underground car parking spaces	22,577.4
Ancillary	330.6
Sub-total:	**57,345.2**
Grand total:	**239,373.8**

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
		As advised by Group, the total development cost is estimated to be approximately RMB927,548,000, of which RMB337,452,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on January 28, 2052 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated on January 13, 2012 and a Supplement Agreement dated on August 7, 2013, the land use rights of the property were contracted to be granted to Harbin Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Harbin Shibo"), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	64,078.90 sq.m.
Land Use	:	Commercial
Land Term	:	40 years
Plot Ratio	:	2.49
Land Premium	:	RMB186,497,300

2. Pursuant to a Construction Land Planning Permit — Ha Gui Cheng(Songbei) Di Zi Di (2012) No. 25, permission towards the planning of the aforesaid land parcel with a site area of approximately 64,078.90 sq.m. has been granted to Harbin Shibo.

3. Pursuant to a State-owned Land Use Rights Certificate — Ha Guo Yong (2012) Di No. 09007579, the land use rights of a parcel of land with a site area of approximately 64,078.90 sq.m. on which the property is situated, have been granted to Harbin Shibo for a term with the expiry date on January 28, 2052 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Ha Gui Cheng (Song Bei) Jian Zi Di No. (2013) 4 issued by Harbin Urban and Rural Planning Bureau Songbei Branch in favor of Harbin Shibo, the construction works of the property with a total planned gross floor area of approximately 239,373.8 sq.m. have been approved.

5. Pursuant to 2 Construction Work Commencement Permits — No. 2301092012102401-12 and 2301092013040701 issued by Harbin Urban and Rural Construction Bureau Songbei Branch in favor of Harbin Shibo, the commencement of the construction works of the property with a total gross floor area of approximately 239,373.8 sq.m. has been permitted.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Harbin Shibo legally owns the land use rights of the property;

   b. Harbin Shibo has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Harbin Shibo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Harbin Shibo should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
35.	A building known as Chongqing Fuling Mall under construction located at the corner of Taiyi Street and Taibai Street Lidu New Area Fuling District Chongqing The PRC	The property comprises a parcel of land with a site area of approximately 32,982.48 sq.m. and a commercial building and known as Chongqing Fuling Mall which was being constructed thereon as at the valuation date. The property is located at the eastern side of at the corner of Taiyi Street and Taibai Street, Lidu New Area, and well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in June 2015. Upon completion, the development will have a total gross floor area of approximately 73,874.56 sq.m. and the details are set out as following:	As at the valuation date, the property was under construction.	355,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	63,275.87
Underground Car parking spaces	10,598.69
Total:	**73,874.56**

As advised by Group, the total development cost is estimated to be approximately RMB275,694,000 of which RMB267,468,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for a term expiring on 19 Mar 2052 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Yu Di(2012) (Fulin) No. 005, dated March 21, 2012, the land use rights of the property were contracted to be granted to Chongqing Red Star Macalline Zhongkun Home Furnishing Plaza Company Limited ("Chongqing Zhongkun"), 55% interest owned subsidiary of the Company, with the particulars as follows:

Site Area	:	32,982.48 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial
Plot Ratio	:	1.96
Land Premium	:	RMB32,200,000

2. Pursuant to a Construction Land Planning Permit — Li Di Zi Di Jian No. 500102201200005, permission towards the planning of the aforesaid land parcel with a site area of approximately 32,982.48 sq.m. has been granted to Chongqing Zhongkun.

3. Pursuant to a State-owned Land Use Rights Certificate — 303 Fang Di Zheng 2012 T Zi Di No. 00066, the land use rights of a parcel of land with a site area of approximately 32,982.48 sq.m. on which the property is situated, have been granted to Chongqing Zhongkun for a term expiring on March 19, 2052 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Li Jian Zi Di Jian No. 500102201200031, issued by Construction and Planning Bureau of Chongqing City in favor of Chongqing Zhongkun, the construction works of the property with a total planned gross floor area of approximately 73,874.56 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 500102201208200101 issued by Construction and Planning Bureau of Chongqing City, Fuling Sub-branch in favor of Chongqing Zhongkun, the commencement of the construction works of the property with a total gross floor area of approximately 73,874.56 sq.m. has been permitted.

6. Pursuant to a Construction Completion and Inspection Certificates — Jian Jun Bei Fu Li Zi (2015) No. 03, the property has been approved to be complied with the urban and rural planning requirements.

7. Pursuant to a Mortgage Contract of Maximum Amount dated May 31, 2013, a parcel of land with a site area of approximately 32,982.48 sq.m. and the construction works thereon are subject to a mortgage in favor of Bank of China Co., Ltd., Chongqing Fuling Sub-branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Chongqing Zhongkun for an amount of RMB150,000,000 with the security term from May 31, 2013 to June 15, 2017.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Chongqing Zhongkun legally owns the land use rights of the property;

   b. Chongqing Zhongkun has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5; and

   c. Save as the mortgage mentioned in note 6 which will be forming limitations when disposing of the property, Chongqing Zhongkun is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Chongqing Zhongkun should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
36.	A building known as Zhongshan Gangkou Mall under construction located at No.15 Gangkou Avenue Gangkou Town Zhongshan City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 23,737.20 sq.m. and a commercial development known as Zhongshan Gangkou Mall which was being constructed thereon as at the valuation date. The property is located at the eastern side of Gangkou Avenue, the northern side of Mingzhu sixth street and the southern side of Shiji Avenue in Gangkou Town in Zhongshan City. The property is located in a mature residential neighborhood and close to inter-city rail station. The subject area is well-served by public transportation and good public facilities. The development is scheduled to be completed in April 2015. Upon completion, the development will have a total gross floor area of approximately 79,511.00 sq.m. and the details are set out as following:	As at the valuation date, the property was under construction.	302,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	66,711.00
Public facilities	1,518.70
Underground car parking spaces	11,281.30
Total:	**79,511.00**

As advised by Group, the total development cost is estimated to be approximately RMB294,596,000 of which RMB251,902,000 had been incurred as at the valuation date.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
		The land use rights of the property have been granted for a term of 40 years expiring on November 29, 2052 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract No. 442000-2012-002107 dated October 10, 2012, the land use rights of the property were contracted to be granted to Red Star Macalline Group Corporation Ltd with the particulars as follows:

Site Area	:	23,737.20 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial
Plot Ratio	:	5
Land Premium	:	RMB42,726,960

2. Pursuant to a Supplemental Agreement of State-owned Land Use Rights Grant Contract — No. 442000-2012-002107 dated November 21, 2012, the grantee name of the land use rights of the property mentioned in note 1 has been changed to Zhongshan Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Zhongshan Shibo"), a wholly- owned subsidiary of the Company.

3. Pursuant to a Construction Land Planning Permit — Di Zi No. 180222012100003 (Bu), permission towards the planning of the aforesaid land parcel with a site area of approximately 23,737.20 sq.m. has been granted to Zhongshan Shibo.

4. Pursuant to a State-owned Land Use Rights Certificate — Zhong Fu Guo Yong (2012) Di No.1101084, the land use rights of a parcel of land with a site area of approximately 23,737.20 sq.m. on which the property is situated, have been granted to Zhongshan Shibo for a term of 40 years with expiring on November 29, 2052 for commercial use.

5. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 180042013040015 issued by Urban and Rural Planning Bureau of Zhongshan City in favor of Zhongshan Shibo, the construction works of the property with a total planned gross floor area of approximately 79,511.00 sq.m. have been approved.

6. Pursuant to a Construction Work Commencement Permit — No. 442000201312240451ZX4174 issued by Housing and Urban and Rural Construction Committee of Zhongshan City in favor of Zhongshan Shibo, the commencement of the construction works of the property with a total gross area of approximately 79,511.00 sq.m. has been permitted.

7. Pursuant to a Maximum Amount Mortgage Contract, the land use rights and the construction works of the property are subject to a mortgage in favor of Bank of China Co., Ltd Zhongshan Branch. (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Zhongshan Shibo for a maximum amount of RMB240,000,000 with the security term from January 1, 2013 to December 31, 2023.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Zhongshan Shibo legally owns the land use rights of the property;

   b. Zhongshan Shibo has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 6;

c. Save as the mortgage mentioned in note 7 which will be forming limitations when disposing of the property, Zhongshan Shibo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

d. Zhongshan Shi Bo should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
37.	A building known as Wuxi Taihu Mall under construction located at the western side of Wuhu Avenue and the northern side of Guanshan Road Binhu District Wuxi City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 39,015.40 sq.m. and a commercial building known as Wuxi Taihu Mall which was being constructed thereon as at the valuation date. The property is located at the western side of Wuhu Avenue and the northern side of Guanshan Road Binhu District and well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in December 2015. Upon completion, the development will have a total gross floor area of approximately 172,232.00 sq.m. and the details are set out as following:	As at the valuation date, the property was under construction.	717,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	124,835.00
Underground	47,397.00
Car parking spaces	
Total:	**172,232.00**

As advised by Group, the total development cost is estimated to be approximately RMB942,110,000 of which RMB633,697,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for a term expiring on October 30, 2052 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Xi Bin Guo Yong(2013) Di No.004725 dated July 13, 2012, the land use rights of the property were contracted to be granted to Wuxi Red Star Macalline Home Furnishing Plaza Company Limited ("Wuxi Home Furnishing"), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	39,015.40 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial
Plot Ratio	:	3.2
Land Premium	:	RMB476,370,000

2. Pursuant to a Construction Land Planning Permit — Di Zi Di 3202112013B0003, permission towards the planning of the aforesaid land parcel with a site area of approximately 39,015.40 sq.m. has been granted to Wuxi Home Furnishing.

3. Pursuant to a State-owned Land Use Rights Certificate — Xi Bin Gong Yong (2013) Di No. 004725, the land use rights of a parcel of land with a site area of approximately 39,015.40 sq.m. on which the property is situated, have been granted to Wuxi Home Furnishing for a term expiring on October 30, 2052 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 3202112013B0041 issued by Construction and Planning Bureau of Wuxi City in favor of Wuxi Home Furnishing, the construction works of the property with a total planned gross floor area of approximately 172,232 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 320211020140025 issued by Construction and Planning Bureau of Wuxi City, Binhu Sub-branch in favor of Wuxi Home Furnishing, the commencement of the construction works of the property with a total gross area of approximately 172,232 sq.m. has been permitted.

6. Pursuant to a Mortgage Contract dated April 15, 2014, a parcel of land with a site area of approximately 39,015.4 sq.m. and the construction works thereon are subject to a mortgage in favor of China Bank Co., Ltd., Xishan Sub-branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Wuxi Home Furnishing for an amount of RMB500,000,000 with the security term from April 15, 2014 to April 14, 2023.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Wuxi Home Furnishing legally owns the land use rights of the property;

   b. Wuxi Home Furnishing has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Save as the mortgage mentioned in note 6 which will be forming limitations when disposing of the property, Wuxi Home Furnishing is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Wuxi Home Furnishing should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
38.	A building known as Wuhan Hanyang Xikezhan Mall under construction located at Te No. 8 Longyang Road Hanyang District Wuhan City Hubei Province The PRC	The property comprises a parcel of land with a site area of approximately 33,322.04 sq.m. and one commercial buildings and known as Wuhan Hanyang Mall which was being constructed thereon as at the date of valuation. The property is located at the eastern side of Longyang Road and the northern side of Sixin Road Hanyang District and well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in June 2015. Upon completion, the development will have a total gross floor area of approximately 147,970.90 sq.m. and the details are set out as following:	As at the valuation date, the property was under construction.	568,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	109,273.10
Underground car-parking spaces	38,697.80
Total:	**147,970.90**

As advised by Group, the total development cost is estimated to be approximately RMB772,550,000, of which RMB504,097,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for a term expiring date on June 21, 2051 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 42010002013B13875 dated October 8, 2013, the land use rights of the property were contracted to be granted to Wuhan Red Star Macalline Global Home Living Plaza Development Company Limited ("Wuhan Global"), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	33,322.04 sq.m.
Land Use	:	Commercial
Land Term	:	40 years
Plot Ratio	:	3.3
Land Premium	:	RMB259,200,000

2. Pursuant to a Construction Land Planning Permit — Di Zi Di Wu Gui (Yang) Di (2013) No.13, permission towards the planning of the aforesaid land parcel with a site area of approximately 33,322.04 sq.m. has been granted to Wuhan Global.

3. Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2013) Di No. 279, the land use rights of a parcel of land with a site area of approximately 33,322.04 sq.m. on which the property is situated, have been granted to Wuhan Global for a term expiring on October 7, 2053 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di Wu Gui (Yang) Jian (2013) No. 50 HYAA20130083 issued by Construction and Planning Bureau of Wuhan City Hanyang Branch in favor of Wuhan Global, the construction works of the property with a total planned gross floor area of approximately 147,970.90 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit — 4201052013091600114BJ4001 issued by Construction and Planning Bureau of Wuhan City, Hanyang Sub-branch in favor of Wuhan Global, the commencement of the construction works of the property with a total gross floor area of approximately 147,970.90 sq.m. has been permitted.

6. Pursuant to a Mortgage Contract of Maximum Amount dated November 20, 2013, a parcel of land with a site area of approximately 33,322.04 sq.m. and the construction works thereon are subject to a mortgage in favor of Agricultural of China Co., Ltd., Wuhan Hanyang Sub-branch (the "Bank"), as a security to guarantee the principal obligation under 1 loan contract entered into between the Bank and Wuhan Global, for an amount of RMB100,000,000 with the security term from May 19, 2014 to May 18, 2020.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Wuhan Global legally owns the land use rights of the property;

   b. Wuhan Global has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Save as the mortgage mentioned in note 6 which will be forming limitations when disposing of the property, Wuhan Global is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Wuhan Global should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
39.	A building known as Tianjin Beichen Mall under construction located at junction of Jingjin Road and Longmen Eastern Road Beichen District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 36,667.60 sq.m, and a commercial building and known as Tianjin Beichen Mall which was being constructed thereon as at the valuation date. The property is located at the junction from Jingjin Road and Longmen Eastern Road, Beichen District and well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in December 2016. Upon completion, the development will have a total gross floor area of approximately 167,145 sq.m.	As at the valuation date, the property was under construction.	671,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	106,700
Underground car parking spaces	60,445
Total:	**167,145**

As advised by the Group, the total development cost is estimated to be approximately RMB1,014,486,000, of which RMB623,124,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for a term expiring on December 30, 2053 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. TJ11102013014 dated September 26, 2013, the land use rights of the property were contracted to be granted to Tianjin Red Star Macalline World Trade Home Living Company Limited, ("Tianjin World Trade"), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	36,667.60 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial
Plot Ratio	:	3.0
Land Premium	:	RMB482,100,000

2. Pursuant to a Construction Land Planning Permit — 2013 Bei Chen Di Zheng No.0061, permission towards the planning of the aforesaid land parcel with a site area of approximately 36,667.60 sq.m. has been granted to Tianjin World Trade.

3. Pursuant to a State-owned Land Use Rights Certificate — Fang Di Zheng Jin Zi Di No. 113051400047, the land use rights of a parcel of land with a site area of approximately 36,667.60 sq.m. on which the property is situated, have been granted to Tianjin World Trade, for a term expiring on December 30, 2053 for commercial use.

4. Pursuant to a Construction Work Planning Permit — 2015 Bei Chen Jian Zheng No. 0009 issued by Construction and Planning Bureau of Tianjin Beichen Branch in favor of Tianjin World Trade, the construction works of the property with a total planned gross floor area of approximately 167,145 sq.m. have been approved.

5. Pursuant to 2 Construction Work Commencement Permit — Nos. 120113201503270l1161, 120113201505050l1161 issued by Tianjin Beichen District Administrative Examination and Approval Department in favor of Tianjin World Trade, the commencement of construction works of the property with a total gross total area of approximately 167,145 sq.m. has been permitted.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Tianjin World Trade legally owns the land use rights of the property;

   b. Tianjin World Trade has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Tianjin World Trade is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Tianjin World Trade should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
40.	A building known as Hefei Silihe Mall under construction located at the western side of Silihe Road and the northern side of Qianshan Road Luyang District Hefei City Anhui Province The PRC	The property comprises a parcel of land with a site area of approximately 40,000 sq.m. and Hefei Silihe Mall was planned to be constructed thereon.	As at the valuation date, the property was under construction.	235,000,000

The property is located at the western side of Silihe Road and the northern side of Qianshan Road Luyang District and well-served by adequate facilities and public transportation along the main roads.

The development is scheduled to be completed in January 2016. Upon completion, the development will have a total gross floor area of approximately 149,729.67 sq.m. and the details are set out as following:

Usage	Planned Gross Floor Area (sq.m.)
Commercial	111,889.21
Underground car-parking spaces	32,954.83
Supporting facility	4,885.63
Total:	**149,729.67**

As advised by the Group, the total development cost is estimated to be approximately RMB759,836,000 of which RMB201,313,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for a term expiring on May 6, 2053 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated May 14, 2013, the land use rights of the property were contracted to be granted to Hefei Red Star Macalline Shibo Home Living Plaza Company Limited ("Hefei Shibo"), a wholly-owned subsidiary of the Company, with the particulars as follows:

Site Area	:	40,000 sq.m.
Land Use	:	Commercial use
Land Term	:	40 years
Plot Ratio	:	2.9
Land Premium	:	RMB120,000,000

2. Pursuant to a Construction Land Planning Permit — Di Zi No. 340103201300020, permission towards the planning of the aforesaid land parcel with a site area of approximately 40,000 sq.m. has been granted to Hefei Shibo.

3. Pursuant to a State-owned Land Use Rights Certificate — He Guo Yong (2013) Di No. 265, the land use rights of a parcel of land with a site area of approximately 40,000 sq.m. on which the property is situated, have been granted to Hefei Shibo for terms with the expiry date on May 6, 2053 for commercial use.

4. Pursuant to a Construction Work Planning Permit — He Gui Jian Min Xu No. 2013444 issued by Construction and Planning Bureau of Herfei City in favor of Hefei Shibo, the construction works of the property with a total planned gross floor area of approximately 149,729.67 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 34010314072801S01 issued by Hefei Urban and Rural Construction Committee in favor of Hefei Shibo, the commencement of the construction works of the property with a total gross floor area of approximately 149,729.67 sq.m. has been permitted.

6. Pursuant to a Mortgage Contract dated November 26, 2014, the land use right and the construction works thereon is subject to a mortgage in favor of China Construction Bank Co., Ltd Hefei Luyang Sub-branch (the "Bank"), as a security to guarantee the principal obligation under 1 loan contract entered into between the Bank and Hefei Shibo, for an amount of RMB330,000,000 with the security term from November 26, 2014 to November 25, 2021.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Hefei Shibo legally owns the land use rights of the property;

   b. Hefei Shibo has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Save as the mortgage mentioned in note 6 which will be forming limitations when disposing of the property, Hfei Shibo is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Hefei Shibo should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
41.	A building known as Nanjing Pukou Mall under construction located at the northern side of Pukou Avenue Pukou District Nanjing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 54,124 sq.m. and Nanjing Pukou Mall was planned to be constructed thereon. The property is located at the northern side of Pukou Avenue Pukou District and well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be commenced in June 2015 and completed in December 2016. Upon completion, the development will have a total gross floor area of approximately 248,325.30 sq.m.	As at the valuation date, the property was under construction.	517,000,000

Usage	Planned Gross Floor Area (sq.m.)
Commercial	159,932.10
Underground	88,393.20
Car parking spaces	
Total:	**248,325.30**

As advised by the Group, the total development cost is estimated to be approximately RMB851,000,000 of which RMB442,345,000 had been incurred as at the valuation date.

The land use rights of the property have been granted for a term expiring on June 12, 2053 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — 3201012012CR114 dated December 6, 2012, the land use rights of the property were contracted to be granted to Nanjing Red Star International Home Furnishing Company Limited("Nanjing International"), a wholly-owned subsidiary of the Company, with the particulars as follows:

Site Area	:	54,124 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial
Plot Ratio	:	3.0
Land Premium	:	RMB301,000,000

2. Pursuant to a Construction Land Planning Permit — Di Zi No. 320111201310451, permission towards the planning of the aforesaid land parcel with a site area of approximately 54,122.2 sq.m. has been granted to Nanjing International.

3. Pursuant to a State-owned Land Use Rights Certificate — Ning Pu Guo Yong (2013) Di No. 05412, the land use rights of a parcel of land with a site area of approximately 54,124 sq.m. on which the property is situated, have been granted to Nanjing International for a term expiring on June 12, 2053 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi No. 320111201410566 issued by Construction and Planning Bureau of Nanjing City in favor of Nanjing International, the construction works of the property with a total planned gross floor area of approximately 248,325.30 sq.m. have been approved.

5. Pursuant to 2 Construction Work Commencement Permits — Nos. 320101820140007 and 320101820140008 issued by Nanjingi Urban and Rural Construction Committee in favor of Nanjing International, the commencement of the construction works of the property with a total gross floor area of approximately 248,325.30 sq.m. has been permitted.

6. Pursuant to a Mortgage Contract of Maximum Amount dated December 9, 2014, the property is subject to a mortgage in favor of Industrial and Commercial Bank of China Limited Nanjing South Branch (the "Bank"), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Nanjing International for a maximum amount of RMB400,000,000 with the security term from December 9, 2014 to December 8, 2024.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Nanjing International legally owns the land use rights of the property;

   b. Nanjing International has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 4;

   c. Save as the mortgage mentioned in note 6 which will be forming limitations when disposing of the property, Nanjing International is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Nanjing International should apply for the corresponding development and construction procedures according to the development status of the property.

VALUATION CERTIFICATE

Group III — Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at March 31, 2015
				RMB
42.	A parcel of land known as Harbin Xikezhan Mall located at the junction of Chengxiang Road and Hexie Avenue Daoli District Harbin City Heilongjiang Province The PRC	The property comprises a parcel of land with a site area of approximately 39,325.40 sq.m. on which Harbin Xikezhan Mall was planned to be constructed. The property is located at the junction of Chengxiang Road and Hexie Avenue, Daoli District and well served by adequate facilities and public transportation along the main roads. The development is scheduled to be commenced in March 2015 and completed in October 2016. Upon completion, the development will have a total gross floor area of approximately 148,589.28 sq.m. The land use rights of the property have been granted for a term expiring on December 25, 2054 for wholesale and retail uses.	As at the valuation date, the property was vacant.	325,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Ha Zheng Tu (Ha Xi) He Gong Zi (2013) No. 2 dated on May 27, 2013, the land use rights of the property were contracted to be granted to Harbin Red Star Macalline International Home Furnishing Company Limited ("Harbin International"), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	39,325.40 sq.m.
Land Use	:	Wholesale and retail uses
Land Term	:	40 years for commercial
Plot Ratio	:	1.0 to 2.5
Land Premium	:	RMB245,600,000

2. Pursuant to a Construction Land Planning Permit — Ha Gui Cheng (Ha Xi) Di Zi Di No. (2014) 18, permission towards the planning of the aforesaid land parcel with a site area of approximately 39,325.40 sq.m. has been granted to Harbin International.

3. Pursuant to a State-owned Land Use Rights Certificate — Ha Guo Yong (2014) Di No. 02030767, the land use rights of a parcel of land with a site area of approximately 39,325.40 sq.m. have been granted to Harbin International for a term with the expiry date on December 25, 2054 for wholesale and retail uses.

4. Pursuant to a Construction Work Planning Permit — Ha Gui Cheng (Ha Xi) Jian Zi Di No. (2014) 32 issued by Harbin Urban and Rural Planning Bureau Songbei Branch in favor of Harbin International, the construction works of the property with a total planned gross floor area of approximately 148,589.28 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 2301092014101101-01 2014.841 issued by Harbin Urban and Rural Construction Bureau Songbei Branch in favor of Harbin International, the commencement of the construction works of the property with a total gross floor area of approximately 148,589.28 sq.m. has been permitted.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Harbin International legally owns the land use rights of the property;

   b. Harbin International has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5;

   c. Harbin International is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

   d. Harbin International should apply for the corresponding development and construction procedures according to the development status of the property.

PART B — PROPERTY INTERESTS HELD BY FIVE COMPANIES

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
43.	Shenyang Tiexi Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	The property comprises a parcel of land with a site area of approximately 38,472.14 sq.m. and a 7-storey (plus one level basement) commercial building erected thereon which was completed in June 2008. The property is located at the junction of Xinghua Road and Yunfeng Road in Tiexi District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 153,106.70 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 74.50 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	3,000,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 1	23,070.52
Level 1	21,428.00
Level 2	21,877.00
Level 3	21,877.00
Level 4	21,715.00
Level 5	21,377.00
Level 6	21,762.18
Total:	**153,106.70**

The land use rights of the property have been granted for a term expiring on October 24, 2054 for commercial use.

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract – Shen Gui Guo Tu Di (Tiexi) Chu He Zi 2006 Di No. (80) dated at December 29, 2006 entered into between Shenyang Planning and Land Resources Bureau of Tiexi and Shenyang Red Star Macalline Shibo Home Living Plaza Property Company Limited ("Shenyang Property"), the land use rights of the property were contracted to be granted to Shenyang Property with the particulars as follows:

Site Area	:	66,184.33 sq.m.
Land Use	:	Commercial
Land Term	:	40 years
Land Premium	:	RMB135,677,876.5

2. Pursuant to a State-owned Land Use Rights Certificate – Shen Xi Guo Yong 2008 No. 093, the land use rights of the property with a site area of approximately 38,472.14 sq.m. were granted to Shenyang Property, for a term expiring on October 24, 2054 for commercial use.

3. Pursuant to a Building Ownership Certificate – Shen Fang Quan Zheng Zhong Xin Zi Di No. N060331925, the property with a gross floor area of approximately 153,106.70 sq.m. is owned by Shenyang Property.

4. Pursuant to a Mortgage Contract, the land use rights and the construction works of the property are subject to a mortgage in favor of The Bank of East Asia (China) Co., Ltd. Shenyang Branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Shenyang Property for a maximum amount of RMB495,000,000 with the security term from September 17, 2009 to September 17, 2019.

5. Pursuant to 506 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 120,212.82 sq.m. are rented to various parties for various terms with the expiry date on March 31, 2015 at a total passing annual rent of RMB209,245,276 for commercial purpose.

6. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB100 to RMB200 for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB165 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

7. We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Shenyang Property legally owns the land use rights and building ownership rights of the property; and

   b. Save as the mortgage mentioned in note 4 which will be forming limitations when disposing of the property, Shenyang Property is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
44.	Changchun Shopping Mall located at the southern side of Hedong Road, the northern side of Yumin Road and the eastern side of Yuanda Street Erdao District Changchun City Jilin Province The PRC	The property comprises a parcel of land with a site area of approximately 54,062 sq.m. and a 5-storey (plus two levels basement) commercial building erected thereon which was completed in May 2012. The property is located at the southern side of Hedong Road, the northern side of Yumin Road and the eastern side of Yuanda Street in Erdao District. This area is well-served by adequate facilities and public transportation along the main roads. The property has a total gross floor area of approximately 173,148.00 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use except for a portion of the property with a lettable area of 9,345.87 sq.m. which was vacant and certain portion of the property was occupied for office and car parking purpose.	1,113,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level	42,987.52
Level 1	26,482.12
Level 2	25,967.69
Level 3	25,967.69
Level 4	25,967.69
Level 5	25,775.29
Total:	**173,148.00**

The land use rights of the property have been granted for a term expiring on October 7, 2048 for commercial use.

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. A000703 dated October 7, 2008, the land use rights of the property were contracted to be granted to Changchun Red Star Macalline Home Furnishing Property Company Limited ("Changchun Property"), a subsidiary of Shanghai Red Star Macalline Enterprise Development Company Limited, with the particulars as follows

Site Area	:	54,062 sq.m.
Land Use	:	Commercial use
Land Term	:	50 years
Plot Ratio	:	4.5
Land Premium	:	RMB135,000,000

2. Pursuant to a Construction Land Planning Permit — Di Zi No. 220000200900161, permission towards the planning of the aforesaid land parcel with a site area of approximately 62,507 sq.m. (including the property) has been granted to Changchun Property.

3. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2010) Di No. 050013689, the land use rights of the property with a site area of approximately 54,062 sq.m. (including the property) were granted to Changchun Property for a term expiring on October 7, 2048 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 220000201000003 issued by Changchun Urban and Rural Planning Bureau in favor of Changchun Property, the construction works of the property with a total planned gross floor of approximately 348,295.00 sq.m. (including the property) has been approved for construction.

5. Pursuant to a Construction Work Commencement Permits — Chang Jian Gong Zi (2011) Di No. 012 issued by Changchun Urban and Rural Construction Committee in favor of Changchun Property, the commencement of construction works of the property with a total floor area of approximately 173,148 sq.m. has been permitted.

6. Pursuant to a Construction Work Completion and Inspection Certificates — No. 20130561, the property has been approved to be complied with the urban and rural planning requirements.

7. Pursuant to a Building Ownership Certificate — Fang Quan Zheng Chang Fang Quan Zi Di No. 201506030605, portions of the property with a gross floor area of approximately 141,721.10 sq.m. is owned by Changchun Property.

8. Pursuant to 394 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 89,414.13 sq.m. are rented to various parties for various terms with the expiry dates between December 24, 2013 and September 23, 2016 at a total passing annual rent of RMB92,548,279 for commercial purpose.

9. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB75 to RMB120 for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB81 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.0% for commercial purpose as the capitalization rate in the valuation.

10. We have been provided with a legal opinion and memorandum regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

    a. Changchun Property legally owns the land use rights of the property;

    b. Changchun Property is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the lands use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

    c. It is not found any material legal impediment for Changchun Property in obtaining the Building Ownership Certificate after fulfilling the construction completion registration procedure according to laws and regulations and paying off the relevant stipulated fees.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
45.	Xinglong Shopping Mall No. 1969 Puxing Highway Pujiang Town Minhang District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 30,312.57 sq.m. and a 4-storey (plus one level basement) commercial building erected thereon which was completed in September 2014. The property is located at the northern side of Lianhang Road, the eastern side of Puxing Highway, Pujiang Town, Minhang District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a residential area. The property has a total gross floor area of approximately 117,800.10 sq.m. The details are set out as following: **Floor** — **Gross Floor Area (sq.m.)** Basement Level 1 — 38,284.65 Level 1 — 22,703.89 Level 2 — 19,774.41 Level 3 — 19,791.82 Level 4 — 17,245.33 **Total:** — **117,800.10** The land use rights of the property have been granted for a term expiring on June 2, 2051 for commercial use.	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	1,137,000,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — Hu Min Gui Tu 2011 No. 14 dated March 30, 2011 entered into between the Planning and Land Resources Bureau of Minhang District of Shanghai and Shanghai Red Star Macalline Property Development Company Limited ("Shanghai Red Star Property"), the land use rights of the property were contracted to be granted to Shanghai Red Star Property with the particulars as follows:

Site Area	:	103,970.50 sq.m. (including the land parcel of the property)
Land Use	:	Office and commercial uses
Land Term	:	40 years for commercial use and 50 years for office use
Plot Ratio	:	1.8
Land Premium	:	RMB719,520,000

2. Pursuant to a Construction Land Planning Permit — Hu Min Di (2011) EA31011220111855, permission towards the planning of the aforesaid land parcel in note 1 with a site area of approximately 103,970.50 sq.m. has been granted to Shanghai Xinglong Property Development Company Limited ("Shanghai Xinglong"), a subsidiary of Shanghai Red Star Macalline Enterprise Development Company Limited.

3. Pursuant to a Real Estate Title Certificate — Hu Fang Di Min Zi (2014) Di No. 048305, portions of the property with a gross floor area of approximately 79,515.45 sq.m. is owned by Shanghai Xinglong and the land use rights of the property with a site area of approximately 103,970.50 sq.m. (including the property) were granted to Shanghai Xinglong, for a term expiring on June 2, 2061 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di Hu Min Jian No. (2012) FA31011220120871 issued by Planning and Land Resources Bureau of Minhang District of Shanghai in favor of Shanghai Xinglong the construction works of the property with a total planned gross floor area of approximately 273,377.53 sq.m. (including the property) have been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 310112201112281901 issued by Shanghai Construction Management Office in favor of Shanghai Xinglong, the commencement of the construction works of the property with a total floor area of approximately 273,377.53 sq.m. (including the property) has been permitted.

6. Pursuant to a Construction Work Completion and Inspection Certificates — No. 2014MH0180, the property has been approved to be complied with the urban and rural planning requirements.

7. Pursuant to 239 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 48,319.36 sq.m. are rented to various parties for various terms with the expiry dates between September 20, 2014 and April 15, 2015 at a total passing annual rent of RMB56,454,095.08 for commercial purpose.

8. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB60 to RMB130 for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB122 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 5.5% for commercial purpose as the capitalization rate in the valuation.

9. We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Shanghai Xinglong legally owns the land use rights of the property;

   b. Shanghai Xinglong Is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal Instruments; and

   c. It is not found any material legal impediment for Shanghai Xinglong in obtaining the Building Ownership Certificate after fulfilling the construction completion registration procedure according to laws and regulations and paying off the relevant stipulated fees.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
46.	Dalian Shopping Mall located at the western side of Huadong Road and the northern side of Zhonghua Road Ganjingzi District Dalian City Liaoning Province The PRC	The property comprises a parcel of land with a site area of approximately 42,224.60 sq.m. and a 6-storey commercial building which was completed in August 2013. The property is located at the western side of Huadong Road and the northern side of Zhonghua Road in Ganjingzi District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 107,286.40 sq.m. The details are set out as following:	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	1,330,000,000

Floor	Gross Floor Area (sq.m.)
Level 1	18,515.60
Level 2	17,011.20
Level 3	18,174.20
Level 4	18,338.80
Level 5	17,985.80
Level 6	17,260.80
Total:	**107,286.40**

The land use rights of the property have been granted for a term expiring on March 27, 2081 for public and residential use.

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. 2102112011A004 dated March 28, 2011 entered into between the State-owned Dalian Land Resources Bureau of Dalian and Dalian Red Star Macalline Investment Development Company Limited ("Dalian Investment"), a subsidiary of Shanghai Red Star Macalline Enterprise Development Company Limited, the land use rights of the property were contracted to be granted to Dalian Investment with the particulars as follows:

Site Area	:	42,224.60 sq.m.
Land Use	:	Public and residential use
Land Term	:	70 years for residential, 50 years for public
Plot Ratio	:	≤6.0
Land Premium	:	RMB1,087,000,000

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 210211201200014, permission towards the planning of the aforesaid land parcel with a site area of approximately 52,225.20 sq.m. has been granted to Dalian Investment.

3. Pursuant to a State-owned Land Use Rights Certificate — Da Guo Yong (2012) Di No. 04055, the land use rights of the property with a site area of approximately 42,224.60 sq.m. were granted to Dalian Investment for a term expiring on March 27, 2081 for public and residential use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 2102112012000020 issued by Planning Bureau of Dalian City in favor of Dalian Investment, the construction works of the property with a total planned gross floor area of approximately 396,660.00 sq.m.(including the property) have been approved.

5. Pursuant to a Construction Work Commencement Permit — No. 210200201209061901 issued by Dalian Construction Management Office in favor of Dalian Investment, the commencement of the construction works of the property with a total floor area of approximately 396,660.00 sq.m. (including the property) has been permitted.

6. Pursuant to a Mortgage Contract, the land use rights and the construction works of the property are subject to a mortgage in favor of Bohai Sea Bank Dalian Branch (the "Bank"), as a security to guarantee the principal obligation under the loan contract entered into between the Bank and Dalian Investment for an amount of RMB600,000,000 with the security term from October 30, 2013 to October 30, 2023.

7. Pursuant to 336 Exhibition Space Agreements, portions of the property with a total lettable area of approximately 74,159.70 sq.m. are rented to various parties for various terms with the expiry date between August 16, 2013 and August 15, 2015 at a total passing annual rent of RMB113,007,656.82 for commercial purpose.

8. Our valuation has been made on the following basis and analysis:

   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;

   b. the monthly unit rents of these comparable properties range from RMB80 to RMB130 for commercial purpose on the lettable area basis exclusive of management fee;

   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB125 per sq.m. per month for commercial purpose; and

   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

9. We have been provided with a legal opinion and memorandum regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Dalian Investment legally owns the land use rights of the property;

b. Save as the mortgage mentioned in note 6 which will be forming limitations when disposing of the property, Dalian Investment is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments; and

c. It is not found any material legal impediment for Dalian Investment in obtaining the Building Ownership Certificate after fulfilling the construction completion registration procedure according to laws and regulations and paying off the relevant stipulated fees.

d. Dalian Investment, which was put to use without obtaining the completion certificate for construction work of the property, may be subject to mandatory rectification and a fine in the maximum amount representing 4% of the project contract cost.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2015
				RMB
47.	Yunnan Shopping Mall No. 318 Guangfu Road Xishan District Kunming City Yunnan Province The PRC	The property comprises a parcel of land with a site area of approximately 37,540 sq.m. and a 6-storey commercial building which was completed in September 2011. The property is located at the southern side of Jinguang Road and the eastern side of Guangfu Road in Xishan District. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area dominated by retail stores and commercial buildings. The property has a total gross floor area of approximately 84,277.55 sq.m. The details are set out as following: **Floor** — **Gross Floor Area (sq.m.)** Level 1 — 14,181.63 Level 2 — 14,021.10 Level 3 — 14,145.28 Level 4 — 14,145.28 Level 5 — 14,145.28 Level 6 — 13,638.97 **Total:** — **84,277.55** The land use rights of the property have been granted for a term expiring on February 7, 2050 for commercial use.	As at the valuation date, the property was rented to various parties for commercial use and certain portion of the property was occupied for office and car parking purpose.	869,000,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — CR53 Kunming 2010009 dated March 3, 2010 entered into between the State-owned Kunming Land Resources Bureau of Yunnan and Yunnan Red Star Macalline Property Company Limited ("Yunnan Property"), a subsidiary of Shanghai Red Star Macalline Enterprise Development Company Limited, the land use rights of the property were contracted to be granted to Yunnan Red Star with the particulars as follows:

Site Area	:	37,540 sq.m.
Land Use	:	Commercial use
Land Term	:	40 years
Land Premium	:	RMB328,909,919

2. Pursuant to a Construction Land Planning Permit — Yun Di No. 0026147, permission towards the planning of the aforesaid land parcel with a site area of approximately 37,540 sq.m. has been granted to Yunnan Property.
3. Pursuant to a State-owned Land Use Rights Certificate — Kun Guo Yong (2010) Di No. 00090, the land use rights of the property with a site area of approximately 37,540 sq.m. were granted to Yunnan Property for a term expiring on February 7, 2050 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 530101201000239 issued by Construction and Planning Bureau of Kunming City in favor of Yunnan Property, the construction works of a project with a total planned gross floor area of approximately 212,909.90 sq.m. (including the property) have been approved.
5. Pursuant to a Construction Work Commencement Permit — Jian Zi No. 530100201106150101 issued by Construction and Planning Bureau of Kunming City in favor of Yunnan Property, the commencement of the construction works of a project with a total gross floor area of approximately 212,909.90 sq.m. (including the property) has been permitted.
6. Pursuant to 12 Building Ownership Certificates — Kun Fang Quan Zheng Kunmingshi Zi Di Nos. 201449705 to 201449710 and 201449712 to 201449717, the property with a gross floor area of approximately 84,277.55 sq.m. is owned by Yunnan Property.
7. Pursuant to 232 Exhibition Space Agreements, the property with a total lettable area of approximately 62,310.81 sq.m. are rented to various parties for various terms with the expiry date between September 1, 2014 and August 31, 2015 at a total passing annual rent of RMB78,130,649 for commercial purpose.
8. Our valuation has been made on the following basis and analysis:
   a. we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments as the subject property for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
   b. the monthly unit rents of these comparable properties range from RMB70 to RMB110 for commercial purpose on the lettable area basis exclusive of management fee;
   c. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance condition and other characters between the comparable properties and the property to arrive at the average market unit rent. The average market rent we have assumed in our valuation is RMB90 per sq.m. per month for commercial purpose; and
   d. based on our research on commercial markets in the similar area of the property, the stabilized market yield ranges from 5.5% to 8.0% as at the valuation date. Considering the location and other characteristics of the property, we have applied market yield of 7.0% for commercial purpose as the capitalization rate in the valuation.
9. We have been provided with a legal opinion and memorandum regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:
   a. Yunnan Property legally owns the land use rights and building ownership rights of the property; and
   b. Save as portions of the property with a total gross floor area of approximately 11,405.23 sq.m. sealed up by the court arising from the lawsuit between Yunnan Property and the construction contractor which will be forming limitations when disposing of the property, Yunnan Property is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property upon compliance with the relevant laws and regulations, as well as binding contracts and other legal instruments;

TAXATION OF OUR COMPANY

PRC Taxation

Business Tax

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) issued by the State Council on December 13, 1993, amended on November 10, 2008 and effective as of January 1, 2009 and Detailed Rules for the Implementation of the "Interim Regulations of the People's Republic of China on Business Tax" (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on December 25, 1993, as amended on December 15, 2008 and effective as of January 1, 2009, and further revised on October 28, 2011, the tax rate on income from site-leasing businesses and management services is 5% of the basis of such income, the tax rate on advertising revenue is 5% of the basis of such revenues minus deductible advertising costs, the tax rate on construction incomes is 3% of the basis of relevant contract rates, and the tax rate on other service revenue is 5%.

Value-Added Tax (VAT)

Pursuant to the PRC Interim Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) issued by the State Council in December 13, 1993, amended on November 10, 2008, and effective as of January 1, 2009, for enterprises identified as general taxpayers, the VAT on sale of goods or taxable services is output tax minus deductible input tax, and the output tax equals sale volume multiplied by the statutory tax rate of 17% or 6% (Note). The tax rate applicable to small-scale taxpayers is 3%.

Note: Pursuant to Cai Shui [2011] No. 110 Notice of the Ministry of Finance on Printing and Distributing the "Pilot Plan for the Imposition of Value-Added Tax to Replace Business Tax" (營業稅改徵增值稅試點方案), effective as of January 1, 2012, the pilot plan "VAT to Replace Business Tax" is applicable to the transportation industry and some of modern services industries in Shanghai. Pursuant to Cai Shui [2012] No. 71 Notice of the Ministry of Finance on Pilot Plan for the Imposition of Value-Added Tax to Replace Business Tax in Transportation Industries and Some of Modern Services Industries in Beijing and Other 8 Provinces or Municipalities, effective as of September 1, 2012, the VAT to Replace Business Tax is extended from Shanghai to Beijing and 8 other provinces or municipalities. Pursuant to Cai Shui [2013] No. 106 Notice of the Ministry of Finance on Including Railway Transport and Postal Services under the Pilot Program of Replacing Business Tax with Value-Added Tax (關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知), effective as of January 1, 2014, the VAT to Replace Business Tax is applicable to nationwide railway transport and postal services. The VAT rate to be levied on the Company's income from business consulting and management fees over projects prior to opening (including projects titled under the Company's name) and some modern services is 6%.

Municipal Maintenance Tax

According to the PRC Provisional Regulations on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) issued by the State Council in February 1985 and amended on January 8, 2011, a taxpayer of product tax, VAT or business tax is required to pay a municipal maintenance tax calculated on the basis of product tax, VAT and business tax. The tax rate is 7% for a taxpayer in an urban area, 5% in a county or a town, and 1% for a taxpayer not in any urban area or county or town.

Education Surcharge

Pursuant to the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) issued by the State Council on April 28, 1986, and subsequently amended on June 7, 1990, August 20, 2005, and January 8, 2011, any taxpayer of consumption tax, VAT, or business tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知), which was issued on December 13, 1984. The education surcharge rate is 3% of the basis of consumption tax, VAT and business tax.

Local Education Surcharge

According to Notice of the Ministry of Finance on Issues Concerning the Uniformity of Local Education Surcharge Policies (財政部關於統一地方教育附加政策有關問題的通知) issued by Ministry of Finance on November 7, 2010, the local education surcharge is 2% of the basis of VAT, business tax and consumption tax.

Real Estate Tax

With approval from local competent tax authorities, except for the real estate tax rate for 2012, 2013 and 2014 of Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited and Yunnan Red Star Macalline Property Company Limited and 2014 of Yantai Red Star Macalline Home Furnishing Company Limited are calculated on the ratio of 12% of the basis of rental income from the malls. All other real estate tax rates are calculated on the ratio of 1.2% of the basis of the residual value of the property.

Income Tax

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "EIT Law") enacted by the National People's Congress on March 16, 2007 and relevant implementation rules enacted by the State Council on December 6, 2007, that both became effective on January 1, 2008, a uniform income tax rate of 25% applies to PRC enterprises, foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC.

Except for subsidiaries mentioned in Tax Preference and Approvals set forth in the following text, the Income Tax rate for Our Company and its other subsidiaries is 25%.

Tax Preference and Approvals

Pursuant to Cai Shui [2011] No. 58 Notice of the Ministry of Finance on the Taxation Policies for Deepening the Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) and Announcement of the State Administration of Taxation on Issues concerning Enterprise Income Tax in Further Implementing the Western Development Strategy (關於深入實施西部大開發戰略有關企業所得稅問題的公告) (SAT [2012] No. 12), with approval from local competent tax authorities, the preferential rate on income tax for 2012 and 2013 of Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited was 15%, while for 2014 the preferential rate was temporarily at 15%.

Pursuant to Cai Shui [2011] No. 58 Notice of the Ministry of Finance on the Taxation Policies for Deepening the Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) and Announcement of the State Administration of Taxation on Issues concerning Enterprise Income Tax in Further Implementing the Western Development Strategy (關於深入實施西部大開發戰略有關企業所得稅問題的公告) (SAT [2012] No. 12), with approval from local competent tax authorities, the preferential rate on income tax for 2012 and 2013 of Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited was 15%, while for 2014 the preferential rate was temporarily at 15%.

Pursuant to Cai Shui [2011] No. 58 Notice of the Ministry of Finance on the Taxation Policies for Deepening the Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) and Announcement of the State Administration of Taxation on Issues concerning Enterprise Income Tax in Further Implementing the Western Development Strategy (關於深入實施西部大開發戰略有關企業所得稅問題的公告) (SAT [2012] No. 12), with approval from local competent tax authorities, the preferential rate on income tax for 2012 of Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited was 15%.

TAXATION APPLICABLE TO SHAREHOLDERS

Tax on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) (the "Individual Income Tax Law"), as amended, and its implementation rules, dividends paid to individuals by PRC companies are subject to a withholding tax at a rate of 20%. Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (內地和香港特別行政區關於所得避免雙重繳稅和防止偷漏稅的安排), which was executed on August 21, 2006 and became effective on December 8, 2006, the PRC government may impose a tax on dividends paid to a Hong Kong resident including natural persons and legal entities from a PRC company, but such tax shall not exceed 10% of the total sum of the dividends payable. If a Hong Kong resident holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total sum of dividends payable by such a PRC company.

For a foreign individual shareholder who is not a PRC resident, pursuant to the SAT Notice on the Issues concerning the Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 Circular (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, the receipt of dividends on H Shares of the Company is subject to a withholding tax at a rate ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the nation or region in which the foreign resident resides. For the individual holders of H shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for relevant preferential tax treatment and, upon approval by the tax authorities, the extra tax withheld will be refunded. For foreign individual residents of nations or regions that have not entered into a tax treaty with the PRC, the tax rate on dividends is 20%.

Enterprises

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal

Evasion with Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), which was executed on August 21, 2006 and became effective on December 8, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident including natural persons and legal entities from a PRC company, but such tax shall not exceed 10% of the total sum of the dividends payable. If a Hong Kong resident holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total sum of dividends payable by such PRC company. Pursuant to the Enterprise Income Tax Law of the People's Republic of China effective from January 1, 2008 and its implementation rules, a non-resident enterprise that has not established a representative office or other premises or whose established representative office or premise is not actually related to the dividends received is subject to a 10% enterprise income tax on its revenues derived from the PRC. Such a withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty.

Pursuant to the Notice on Issues concerning the Withholding and Payment of Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to Overseas Non-resident Corporate H share Holders (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the SAT and effective on November 6, 2008, a PRC resident enterprise must withhold and pay the enterprise income tax at a uniform rate of 10% in respect of dividend distributions made after 2008 and beyond. Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B share (國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends paid after 2008, and after that are distributed to a non-resident enterprise. Such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty.

Tax Treaties

Investors who are not PRC residents but either reside in countries which have entered into double-taxation treaties with the PRC or reside in either Hong Kong or Macau Special Administrative Regions of the PRC may be entitled to a reduction of the tax imposed on the dividends paid to such investors by a PRC company. The PRC has signed double-taxation avoidance arrangements with Hong Kong SAR and Macau SAR, respectively, and has double-taxation treaties with a number of other countries, including but not limited to the United States, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore and the United Kingdom. Under each of these double taxation avoidance treaties or arrangements, the rate of tax imposed by taxation authorities in the PRC may be reduced.

Tax on Share Transfers

Individual Investors

According to the Individual Income Tax Law and the Regulations for Implementation of The Individual Income Tax Law of The PRC (中華人民共和國個人所得稅法實施條例), the income from the transfer of properties is subject to tax under the Individual Income Tax Law at a rate of 20%. The Regulation on the Implementation of the Individual Income Tax Law also stipulates that the measure used to impose the Individual Income Tax Law for shares transfer shall be determined separately by the Ministry of Finance under the State Council and implemented after an approval is obtained by the State Council. However, such a measure is yet to be publicly implemented to date. Pursuant to Notice On Continuing The Income Tax-Free Policy

On the Share Transfer of Individual Holders (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi No. [1998]61) issued on March 30, 1998 and implemented by the Ministry of Finance and SAT on January 1, 1997, the income from the transfer of shares of listed companies by individuals continues to be provisionally exempt from the Individual Income Tax Law. However, at present, there are no laws specifying the tax rate for income from the sales of the shares of listed companies on a stock exchange overseas by a non-PRC resident individual.

Enterprises

According to the EIT Law and the Implementation Rules of EIT Law, non-resident enterprises which have not established organizations or premises in the PRC, or if established, the income derived is not actually associated with such organizations or premises, are subject to enterprise income tax of 10% on gain originated from the PRC, such as gains from sales of shares in a PRC enterprise. The tax may be reduced or eliminated pursuant to an applicable tax treaty.

Taxation Policy of Shanghai-Hong Kong Stock Connect

On October 31, 2014, the Ministry of Finance, the State Administration of Taxation and CSRC jointly issued the “Circular on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong” (hereinafter referred to as “Shanghai-Hong Kong Stock Connect Taxation Policy”), which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connect.

Pursuant to the “Shanghai-Hong Kong Stock Connect Taxation Policy”, personal income tax will be temporarily exempted for the transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Business tax will be temporarily exempted in accordance with the current policy for the spread income derived from dealing in stocks listed on the Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investment in H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, personal income tax is withheld by H-stock companies at the rate of 20%; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, personal income tax is withheld by CSDCC at the rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing a tax credit document.

Pursuant to the “Shanghai-Hong Kong Stock Connect Taxation Policy”, enterprise income tax will be levied according to law on the transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be levied or exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises that hold H stocks for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-Share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credits according to law in respect of dividend income tax which has been withheld and paid by non-H Share companies listed on the Hong Kong Stock Exchange.

Pursuant to the "Shanghai-Hong Kong Stock Connect Taxation Policy", mainland investors who transfer stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDCC and HKSCC may collect the abovementioned stamp duty on each other's behalf.

Tax Treaties

Overseas investors that reside in nations or regions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to exemption from any income tax imposed by the PRC tax authorities on their income arising from the sale of shares in PRC-resident companies depending on the specific provisions as set forth in the applicable tax treaties. The PRC currently has treaties for the avoidance of double taxation with a number of countries, including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States (the treaty with the United States does not contain an exemption from any PRC tax imposed on gains arising from the sale of shares in a PRC resident enterprise). Mainland China also has an arrangement for the avoidance of double taxation with Hong Kong.

TAXATION IN HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by our Company.

Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at the rate of 16.5% and on non-corporate at a maximum rate of 15.0%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN CURRENCY EXCHANGE

The Management of Foreign Exchange system in the PRC has undergone several profound changes. Regulations of the PRC on Foreign Exchange Control (中華人民共和國外匯管理條例) (the "Regulations on the Foreign Exchange") was issued by the State Department on January 29, 1996 and implemented on April 1, in the same year, and its first amendment was made on January 14, 1997 while the second amendment was made on August 5, 2008, and states the existing major regulations on the foreign exchange applicable to income and expenditures of foreign exchange or operational activities for institutions and individuals residing in the PRC as well as the income of foreign exchange or foreign exchange operating activities for institutions and individuals residing abroad. The Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) was issued by PBOC on June 20, 1996 and implemented on July 1, 1996, and stipulates matters such as settlements and purchases of and payments in foreign exchange as well as the opening of foreign exchange accounts and overseas payments for local institutions, resident individuals, and institutions established in the PRC and for personnel coming to the PRC.

The Chinese Government has been gradually loosening its control over foreign exchanges. According to the existing Regulations on the Foreign Exchange, the Chinese government allows foreign exchanges to be retained by local institutions and individuals without a compulsory sale and settlement, the income from which can be transferred to the PRC or overseas according to the regulations concerning this matter. The PRC has achieved the exchange for recurring items in RMB. For recurring income from the foreign exchange items of local enterprises, local enterprises can decide to retain or sell to financial institutions operating foreign exchange settlements and sale businesses according to their own requirements. For the recurring expenditure incurred from the foreign exchange items of local enterprises, enterprises pay their own foreign exchanges with valid certificates or by purchasing foreign exchanges from the financial institution operating the settlement and sale of foreign exchanges according to its own requirements. The convertibility of RMB (into foreign currency) for capital account items is not available yet in the PRC and capital account items are still under restriction.

The PRC enterprises which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, make a payment from their foreign exchange accounts at designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchanges for the distribution of dividends to their shareholders, and PRC enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign exchange, with the support of board resolutions approving the distribution of dividends, may make a payment from their foreign exchange accounts or exchange currencies and make a payment at designated foreign exchange banks.

Pursuant to the Notice of the SAFE issued on February 28, 2015, on the Policies of Further Simplifying and Improving Direct Foreign Investment Management (關於進一步簡化和改進直接投資外匯管理政策的通知) (effective as of June 1, 2015), the registration and approval of foreign exchanges under direct investment projects located in and out of the PRC are no longer required, and the Notice also simplifies some procedures of foreign exchange for direct investments.

In addition, the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) issued and implemented by SAFE on December 26, 2014 stipulates the foreign control matters for local enterprises that are listed offshore:

1. SAFE and its branches (the "FE") supervise, manage and examine business registrations, account openings and usages, cross-border incomes and expenses, and capital exchanges for local enterprises listed offshore.

2. Onshore enterprises shall register in relation to their offshore listings with FE in the place they registered with related materials within 15 working days of the completion of the initial offering of shares overseas.

3. Onshore enterprises (excluding banking financial institutions) shall open their own in-territory accounts at banks in the place they are registered in order to handle corresponding capital exchanges and transfers for its business for its initial offer (or enhancement) or repurchase of its business.

4. Onshore enterprises (excluding banking financial institutions) shall open a corresponding account for foreign exchange settlements and pending payments (accounts dominated in RMB, hereinafter referred to as "account for pending payment") in the bank with which they open their special accounts for overseas listing to deposit their RMB funds obtained from foreign exchange settlement, funds raised from overseas listing and repatriated in RMB, and the funds remitted abroad in RMB for repurchase of Overseas Shares and the surplus thereof.

5. Onshore enterprises may repatriate the capital raised offshore to their own corresponding in-territory accounts or retain at their own offshore accounts. The capital purpose shall be consistent with the related contents set out in publicly disclosed documents such as the prospectus or corporate bond prospectus, shareholder circulars, resolutions in the general meeting.

This appendix sets out summaries of certain aspects of the PRC judicial system and its arbitration system related to the operation and business of the Company as well as the legal regulations and securities regulations of the Company. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including the summaries of certain material differences between the PRC and the Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

The PRC Legal System

According to the Constitution of the PRC (中華人民共和國憲法), the Organic Law of the People's Courts of the PRC (中華人民共和國法院組織法) and the Organic Law of the People's Procuratorates of the PRC (中華人民共和國人民檢察院組織法), the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other special divisions, such as the intellectual property division, where necessary. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the power to exercise legal supervision over the litigation activities of people's courts at the same level or below.

The people's courts have adopted a "second instance as final" appellate system. A party may appeal against the judgment and ruling of the people's court in the first instance to the people's court at the subsequently higher level in accordance with the procedures provided by laws. The judgment and ruling by the intermediate people's courts, the higher people's courts and the Supreme People's Court of the second instance are final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment and ruling of the people's court at a lower level, it has the authority to review the case itself or direct the lower-level people court to conduct a retrial.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "Civil Procedure Law") was adopted by the NPC on April 9, 1991, and was amended on October 28, 2007 and August 31, 2012, respectively. The Civil Procedure Law sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of civil judgment and ruling. All parties to a civil action suit conducted within the PRC must comply with the provisions of the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of residence. An action involving a contractual dispute shall come under the jurisdiction of the people's court in the defendant's place of domicile or where the contract is performed. The parties to a contract may agree in the written contract to choose the people's court of the place where the defendant resides, where the contract is performed, where the contract is signed, where the plaintiff is domiciled or where the subject matter of the contract is located and other places which have the connection with the dispute to be the competent court provided that the provisions of the Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

If any party to a civil action suit refuses to comply with a legally effective judgment or ruling by a people's court in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment or ruling. For an effective award made by an arbitration tribunal when a people's court has not issued a ruling prohibiting the enforcement of such an award, if a party fails to comply with the award, the other party may apply to the people court for the compulsory enforcement of the award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. An application for enforcement shall be submitted within two years prior to the expiration of the fulfillment period required by the relevant legal instruments.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by a people's court in the PRC according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition and enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, or causing damage to its sovereignty, security and the public interests.

The PRC Company Law, Special Regulations and Mandatory Provisions

The PRC Company Law, the Special Provisions of the State Council Concerning the Issuing and Listing of Shares Overseas by Joint Stock Limited Company (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "**Special Provisions**") and The Mandatory Clauses of the Articles of Association of Companies Seeking Overseas Listing (到境外上市公司章程必備條款) (the "**Mandatory Provisions**").

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Meeting on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999 and on August 28, 2004, and revised on October 27, 2005. The revised PRC Company Law took effect on January 1, 2006, and it was amended again on December 28, 2013. The latest revised PRC Company Law came into effect on March 1, 2014.

The Special Regulations were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations are formulated in respect of the overseas offering and listing of shares by joint stock limited companies registered within China.

The Mandatory Provisions jointly promulgated by Securities Commission of the State Council and the State Restructuring Commission on August 27, 1994 prescribe provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges. Accordingly, the relevant content of Mandatory Provisions has been incorporated into Appendix 6 of the Articles of Association of our Company.

General Provisions

A "joint stock limited company" ("a company") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the assets invested. Unless otherwise provided by laws, a company cannot be the capital contributor which has joint and several liabilities associated with the debts of invested enterprises.

Incorporation

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, and at least half of the promoters must have resided in the PRC.

A company incorporated by promotion is one with registered capital entirely subscribed to by the promoters. Where a company is incorporated by public subscription, the promoters are required to subscribe for a portion of the shares to be issued, generally not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or to specific persons.

For companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce. The shares shall not be offered to other persons until the shares subscribed by the promoters are paid in full; for companies incorporated by way of public subscription, the registered capital is in the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce. Pursuant to Securities Law adopted on December 29, 1998 by the standing committee of the NPC and amended four times on August 28, 2004, October 27, 2005 , June 29, 2013 and August 31,2014 respectively, the total share capital of a company which applies for its shares to be listed shall not be less than RMB30 million.

The promoters shall convene an inaugural meeting within 30 days from the date the shares were paid and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of the promoters and subscribers holding shares representing more than 50% of the shares of the company. Functions and powers exercisable by the inaugural meeting include approving the articles of association of the Company, electing members of the board of directors and the board of supervisors of the company (directors or supervisors who are representatives of the employees shall be elected democratically by representatives of the employees). The passing of any foregoing resolution of the inaugural meeting requires more than half of the votes cast by subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for the registration of the incorporation of the company. A company is formally established once the registration has been approved by the registration authority and an Enterprise Legal Person Business License has been issued.

During the course of incorporation of the Company, the promoters of a company shall be liable for: (i) the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) the compensation for damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share capital

The promoters of a company may make capital contributions in currency or in non-currency property that may be valued in currency and transferable, such as physical objects, intellectual property and land use rights. Non-currency property contributed as capital shall be valued and verified.

A company may issue registered or bearer shares. However, shares issued to a promoter or a legal person shall be registered shares and shall bear the name of such promoter or legal person. No separate account with a different name may be opened for such shares, nor may such shares be registered in the name of a representative.

Pursuant to the requirements of the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and listed overseas are defined as overseas listed foreign invested shares, and those issued to investors within the PRC other than the aforementioned areas by a company, are defined as domestic shares. Qualified Foreign Institutional Investor (QFII") approved by the China Securities Regulatory Commission (the "CSRC") may hold domestic listed shares.

A company may offer its shares to foreign investors with the approval of the securities administration department of the State Council. According to the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement on issuing overseas listed foreign invested shares, to retain not more than 15% of the aggregate amount of overseas listed foreign invested shares proposed to be issued.

The share offering price may be equal to or in excess of par value, but shall not be less than par value.

Increase in capital

The proposed issue of new shares by the company must be approved by shareholders in shareholders' general meeting. The Securities Law requires the other conditions for a company to offer new shares to the public: (i) a complete and well-operated organization; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; (iv) fulfillment of any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer of new shares of a company requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, the company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

Reduction of share capital

A company may reduce its registered capital in accordance with the following procedures stipulated by the PRC Company Law:

- The company shall prepare a balance sheet and an inventory of property;
- The reduction of registered capital must be approved by shareholders in the general meeting;
- The company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in newspapers within 30 days once a solution approving the reduction in capital has been passed;
- Creditors of the company may require the company to clear its debts or provide relevant guarantees; and
- The company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

Repurchase of shares

A company shall not purchase its own shares other than for the following purposes:

- to reduce the registered capital;
- to merge with another company(s) holding the company's shares;
- to grant shares as a reward to the staff of the company; and
- to purchase the company's own shares upon a request of its shareholders who vote against the resolution regarding the merger or division of the company in a shareholders' general meeting.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase of its issued shares shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in the PRC in accordance with the articles of association of the company, a company may repurchase its issued shares by way of: (i) a general offer to all of its shareholders to repurchase the same proportion; (ii) on a stock exchange by way of open trading; or (iii) through agreement outside the stock exchange.

A company may not accept its own shares as the subject matter of a pledge.

Transfer of shares

The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council of China. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by Chinese laws or by administrative regulations; the name and address of the transferee should be registered in the shareholders' registers upon transfer. No changes required in the aforesaid clause may be made to the shareholders' registers within 20 days prior to a shareholders' general meeting or five days prior to the benchmark date set by the Company for the purpose of the distribution of dividends.

But if it is otherwise prescribed in relevant provisions of the laws with respect to the registration of change to the register of shareholders of listed companies, then such relevant provisions shall apply. The transfer of bearer shares is effective as of when the shareholder delivers the stock to the transferee.

Shares held by the promoter(s) of a company shall not be transferred within one year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of its shares being listed on a stock exchange. Directors, supervisors and senior management of the company shall not transfer over 25% of the total shares they hold in the company each year during their terms of office, and shall not transfer any share of the company held by each of them within one year from the listing date, and shall not transfer the shares they hold in the company within six months after they leave office.

Shareholders

The articles of association of a company set forth the shareholders' rights and obligations and are binding on all the shareholders. Pursuant to the PRC Company Law and the Mandatory Provisions, a shareholder's rights include:

- the right to receive dividends and other profit distributions based on the number of shares held;
- the right to attend in person or appoint a representative to attend the shareholders' general meeting and to vote in respect of the amount of shares held;
- the right to inspect the articles of association, register of shareholders, bond records of the company, minutes of the general meetings, resolutions of the Board of the Directors, resolutions of the supervisor's meetings, financial and accounting reports and propose and doubt matters in relation to the company's operations;
- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association of the company;
- the right to obtain surplus assets of the company upon its termination or liquidation based on the number of shares held;
- the right to claim against other shareholders who abuse their rights of shareholders for the damages;
- if the procedure for convening the shareholders' general meeting or the meeting of the board of directors, or the method of voting violates laws, administrative regulations or the articles of association of the company, or if the contents of our solution violate the articles of association of the company, a shareholder may present a petition to a court for the cancellation of this resolution; and

- other rights specified in laws and regulations and the articles of association of the company.

The obligations of shareholders include: abide by the articles of association of the company; pay the subscription monies in respect of shares subscribed for; be liable for the debt and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect to the shares taken up; not abuse shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status and limited obligations of the company as a legal person to damage the interests of the creditors of the company; and any other obligations specified in the articles of association of the company.

Shareholders' general meeting

The shareholders' general meeting is the organ of authority of a company, which exercises the following functions and powers in accordance with the requirements of the PRC Company Law:

- to decide on the company's business plans and investment plans;
- to elect and replace the directors and supervisors who are not representatives of the employees and to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;
- to review and approve the company's proposed annual financial budgets and final accounts;
- to review and approve proposals for profit distribution and for recovery of losses of the company;
- to decide on the increase or reduction of the company's registered capital;
- to decide on the issue of corporate bonds;
- to decide on merger, division, dissolution, liquidation or change the form of the company;
- to amend the articles of association of the company; and
- other functions and powers specified in the articles of association of the company.

The shareholders' general meeting must be convened once a year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the articles of association of the company;

- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or shareholders holding in aggregate, 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; and
- other circumstances required by the articles of association.

The shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors. Where the Chairman of the Board of Directors is unable to or fails to perform the duty, the meeting shall be presided over by the Vice Chairman of the Board of Directors. Where the Vice Chairman of the Board of Directors is unable to or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by a simple majority of the directors.

The written notice to convene the shareholders' general meeting shall be dispatched to all of the registered shareholders 45 days before the general meeting pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed at the general meeting and the date and place of the meeting. Shareholders intending to attend the general meeting are required to send written confirmations of their attendance to the company 20 days before the meeting. There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the general meeting may be held thereafter.

The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas-listed, foreign-invested shares are deemed to be different classes of shareholders for this purpose.

Pursuant to the requirements of the PRC Company Law, a shareholder holding, or shareholders holding in aggregate, more than 3% of the shares of the company may propose an interim resolution and present it to the board in writing. According to the Special Regulations, at the annual shareholders' general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose new resolutions to the company in writing, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting.

Shareholders present at the shareholders' general meeting possess one vote for each share they hold. However, the company shall have no vote for any shares of the company. A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his/her voting rights within the authorization scope. Resolutions proposed at the shareholders' general meeting shall be approved by more than half of the voting rights cast by shareholders present (including attendance in person or represented by proxies) at the general meeting, except that resolutions such as amendments to the articles of association, the increase or reduction of registered capital or mergers, divisions, dissolutions or changes in the form of the company, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present at the general meeting.

Directors

A company shall have a board of directors, which shall consist of five to 19 members. The board of directors may have democratically elected employee representatives through workers Conferences or other forms. The term of office of directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Under the PRC Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' general meeting and report on its work to the shareholders' general meeting;
- to implement the resolution of the shareholders' general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budgets and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to prepare plans for the merger, division, dissolution or changes in the forms of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager and to decide on the remuneration, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendments to the articles of association of a company.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors 10 days before the meeting. The board of directors may otherwise provide for the notice method and notice period for convening extraordinary meetings.

Meetings of the board of directors can be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his/her behalf. Resolutions of the board of directors require the approval of more than half of all directors.

The directors are responsible for the resolutions of the board. If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association or resolutions of a general meeting as a result of which the company suffers serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when their solution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

The board of directors shall appoint a chairman and may appoint a vice chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors shall convene and preside over the meetings of the board of directors and inspect the implementation of resolutions of the board of directors.

The office of the legal representative of a company may be served by the chairman of the board, the executive director or the manager as stipulated in company's articles of association.

Supervisors

A company shall have a Board of Supervisors of no fewer than three members. The Board of Supervisors shall include representatives of the shareholders and an appropriate ratio of the representatives of the company's staff and workers, where the ratio of the staff and workers' representatives shall not be less than one to three. Directors and senior management personnel may not concurrently serve as supervisors. The term of office of a supervisor shall be three years. If re-elected upon expiration of his term of office, a supervisor may serve consecutive terms.

According to the PRC Company Law, the Board of Supervisors shall exercise the following functions and powers:

- check the company's financial affairs;

- supervise the directors and senior management in the performance of their duties, and put forward proposals on the removal of any director or senior management who violates laws, administrative regulations, the articles of association or resolution of the shareholders' meeting;

- require the director or senior management to make corrections if his act is detrimental to the interests of the company;

- propose the convening of extraordinary shareholders' general meetings, and convene and preside over the shareholders' general meetings when the board of directors fails to perform the duties of convening and presiding over the shareholders' general meetings;

- put forward proposals at shareholders' general meetings;

- institute proceeding against the directors and senior management upon the shareholders' request if a director or senior management violates the provisions of laws, administrative regulations or the articles of association in the performance of company duties, thereby causing losses to the company; and

- other functions and powers specified in the articles of association of the company.

Managers and other senior management

A company shall have a manager who shall be appointed or removed by the board of directors. The board of directors may decide that a member of the board of directors shall serve concurrently as the manager.

According to the PRC Company Law, the manager is accountable to the board of directors and shall exercise the following functions and powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

- arrange for the implementation of the company's annual business plans and investment plans;

- draft the plan for the establishment of the company's internal management organization;

- draft the basic management system of the company;

- formulate the specific rules and regulations of the company;

- recommend the appointment or dismissal of the deputy manager(s) and person(s) in charge of financial affairs of the company;

- decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the board of directors; and

- other functions and powers delegated by the board of directors.

It is also specified by the PRC Company Law that where the articles of association have other provisions on the functions and powers of the manager, such provisions shall prevail.

Pursuant to the PRC Company Law, besides managers, the other senior management includes deputy managers and persons in charge of financial affairs, the secretary to the board of directors and other personnel specified in the articles of association.

Qualifications and duties of directors, supervisors and senior management

According to the PRC Company Law, a person may not serve as a director, supervisor or senior management if he/she is:

- a person with no or limited capacity for civil acts;

- a person who was sentenced to criminal punishment for the crime of corruption, bribery, encroachment of property, misappropriation of property or disruption of the order of the socialist market economy, and not more than five years has elapsed since the expiration of the enforcement period with respect to these offenses;

- a person that was deprived of his/her political rights for committing a crime, and not more than five years has elapsed since the expiration of the enforcement period;

- a director or factory director, manager of a company or enterprise liquidated upon bankruptcy that was personally responsible for the bankruptcy of the company or enterprise, and not more than three years has elapsed since the date of completion of the bankruptcy liquidation;

- legal representative of a company or enterprise that had its business license revoked and had been closed down by order for violation of law, for which such representative bears individual liability, and not more than three years has elapsed since the date on which the business license of the company or enterprise was revoked; or

- a person with a comparatively large amount of unsettled personal debts.

Directors, supervisors and senior management shall comply with the provisions of relevant laws and regulations, administrative regulations and the articles of association, perform their duties honestly and protect the interests of the company. The PRC Company Law and the Mandatory Provisions provide that directors, supervisors and senior management bear duties to act honestly and diligently for the company. The fiduciary duties of the directors, supervisors, managers and other senior management may not cease with the termination of their office. Their confidentiality obligation in relation to the company's business secrets shall remain effective upon termination of their office. A director, supervisor and senior management who violate the provisions of laws, administrative regulations or the articles of association in the performance of his duties shall be liable to indemnify the company for the losses caused to the company.

Finance and accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each financial year, a company shall prepare a financial and accounting report which shall be audited by an accounting firm as provided by law.

A company shall make available its financial and accounting report at the company for the inspection by the shareholders within 20 days before the convening of the annual general meeting of shareholders. Companies that issue shares to the public must publish its financial and accounting report.

When a company distributes its after-tax profits for a given year, it shall allocate 10% of profits to its statutory common reserve. A company shall no longer be required to make allocations to its statutory common reserve once the aggregate amount of such reserve exceeds 50% of its registered capital. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profits for the current year prior to making allocations to the statutory common reserve. A company may, if so resolved by the shareholders' general meeting, make allocations to the discretionary common reserve from its after-tax profits after making allocations to the statutory common reserve from the after-tax profits.

A company's after-tax profits remaining after it has made up its losses and made allocations to its common reserve shall be distributed in proportion to the shareholdings of its shareholders, unless the articles of association stipulate that the profits shall not be distributed in proportion to the shareholdings.

A company shall enter under its capital common reserve the premium over the nominal value of the shares of the company on issue, and such other income as the finance department of the State Council requires to be entered under the capital common reserve.

A company's common reserves shall be used for making up losses, expanding the production and business operation or increasing its capital by means of conversion, but the capital common reserve shall not be used for making up the company's losses. Where the funds from the statutory common reserve are converted to registered capital, the remaining funds in such reserve shall not be less than 25% of the company's registered capital after such conversion.

Appointment and retirement of auditors

The Special Regulations require a company to employ an independent accounting firm to audit the company's annual report and review and check other financial reports. The accounting firm is to be employed for a term commencing from the close of an annual general meeting and ending at the close of the next annual general meeting.

If a company removes or ceases to continue to appoint the accounting firm, it is required to give prior notice to the accounting firm and the accounting firm is entitled to make representations before the shareholders in general meeting. The appointment, removal or non-re-appointment of the accounting firm shall be decided by the shareholders in general meeting and shall be filed with the CSRC for record.

Distribution of profits

According to the PRC Company Law, a company shall not allocate its profits before the loss is compensated and the provision on the statutory pension is made. The Special Regulations and the Mandatory Provisions provide that the dividends or other amounts to be paid to holders of overseas listed foreign invested shares by a company shall be calculated and declared in Renminbi and paid in foreign currency. The payment of foreign currency to shareholders shall be made through a receiving agent.

Dissolution and liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

(i) when the term of operation set down in a company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;

(ii) the shareholders in a general meeting have resolved to dissolve a company;

(iii) a company is dissolved by reason of its merger or demerger;

(iv) a company is subject to the revocation of business license, a closure order or dismissal in accordance with laws; or

(v) in the event that a company encounters substantial difficulties in its operation and management and its continual existence shall cause a significant loss to the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the voting rights of all shareholders of a company present a petition to the court for dissolution of the company.

Where a company is to be dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days from the date of dissolution. This such liquidation committee shall be composed of directors or persons decided upon by the shareholders' general meeting. If no liquidation committee is established within the time limit, the company's creditors may request the court to designate relevant persons to form a liquidation committee.

The liquidation committee shall notify creditors within 10 days after the date of its establishment and issue a public notice in newspapers within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days after the date of receipt of notification, or within 45 days after the date of public notice for those who did not receive any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- thoroughly examine the company's properties and prepare a balance sheet and an inventory of properties, respectively;
- notify creditors by notice or public notices;
- dispose of and liquidate relevant outstanding business of the company;
- pay outstanding taxes and taxes arising in the course of liquidation;
- clear the claims and debts;
- dispose of the surplus properties of the company after its debts have been paid off; and
- participate in civil lawsuits on behalf of the company.

If the liquidation committee, having thoroughly examined the company's properties and prepared a balance sheet and an inventory of properties, becomes aware that the company's properties are insufficient to pay its debts, it shall apply to the court for a declaration of bankruptcy of the company. If the company's properties are sufficient to pay its debts, the liquidation committee shall formulate a liquidation plan and submit the same to the shareholders' general meeting or the court for confirmation. After being applied towards the payment of the liquidation expenses, and the wages, social insurance premiums and statutory compensation of staff and workers, outstanding taxes and the settlement of the debts of the company, the properties of a company shall be distributed in proportion to the shareholding of its shareholders.

Upon completion of liquidation, the liquidation committee shall compile a liquidation report and submit the same to the shareholders' general meeting or the court for confirmation, and to relevant administration bureau for industry and commerce for applying for cancellation of the company's registration. A public notice of its termination shall be issued.

Overseas listing

A company may issue shares to overseas investors after obtaining approval from the securities regulatory authority of the State Council and its shares may be listed overseas.

Loss of H share certificates

The Special Regulations and the Mandatory Provisions provide that in the case of loss of share certificates by the shareholders of overseas-listed foreign invested shares, an application for the issue of replacement certificates may be handled in accordance with the law or rules of the securities exchanges or other relevant regulations of the place where the original copy of the register of shareholders of overseas listed foreign invested shares is kept.

Suspension and termination of listing

The Securities Law provides that where a company is in one of the following circumstances, the stock exchange shall decide to suspend the listing and trading of its shares:

(i) there is a change in the total share capital, equity distribution, etc., of the company and the listing conditions are no longer fulfilled;

(ii) the company fails to disclose its financial status as required, or there are falsehoods in the financial and accounting reports that may mislead investors;

(iii) the company has committed a major breach of the law;

(iv) the company has suffered continuous losses for the latest three years; or

(v) other circumstances stipulated by the listing rules of the relevant stock exchange.

In the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange as described in (i) above, or the company has refused to rectify the situation in the case described in (ii) above, or the company fails to become profitable in the next subsequent year in the case described in (iv) above, or the company is dissolved or declared bankrupt, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

Merger and de-merger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company that is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

The Securities Law and other relevant regulations

The PRC has promulgated a number of regulations that relate to the issuance and trading of Securities. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was the competent authority in charge of the unified macro administration of the national securities market. Its major responsibilities included coordinating the drafting of draft securities laws and regulations, researching and formulating guidelines, policies and rules on the securities market, formulating the development plans of the securities market and offering plans and advice, direction, coordination, supervision and inspection of all securities-related work and administering the CSRC. The CSRC was the regulatory and implementing body of the Securities Committee and was responsible for the drafting of administration rules for the securities market, supervising securities companies, regulating the offering and trading of marketable securities, regulating public offering of shares by PRC companies in the PRC and overseas. In 1998 the securities commission was dissolved and its responsibilities were transferred to the CSRC.

The Securities Law comprehensively regulates activities in the PRC securities market. This law involves, among other things, the issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to conduct the overseas offering of securities directly or indirectly and list its securities outside the PRC.

According to the Notice of the CSRC on Issues Concerning Regulation the Overseas Listing of Enterprise Subordinate to Domestic Listed Company (中國證券監督管理委員會關於規範境內上市公司所屬企業到境外上市有關問題的通知) promulgated by the CSRC on July 21, 2004, where a subsidiary controlled by a PRC-listed company applies for overseas listing, the PRC-listed company shall comply with the following conditions: (i) the listed company has been profitable in the latest three years consecutively; (ii) the businesses and assets in which the listed company has invested with the proceeds from its share issues and share offerings within the latest three fiscal years shall not be used as its capital contribution to the subordinate enterprise for the purpose of applying for overseas listing; (iii) the net profits of the subordinate enterprise that the listed company is entitled to according to the equity interests in the consolidated statements for the latest fiscal year shall not exceed 50% of the net profits in the consolidated statements of the listed company; (iv) the net assets of the subordinate enterprise that the listed company is entitled to according to the equity interests in the consolidated statements for the latest fiscal year shall not exceed 30% of the net assets in the consolidated statements of the listed company; (v) there is no competition in the same industry between the listed company and the subordinate enterprise, and they are independent from each other in assets and finance, and have no cross employment of managers; (vi) the shares of the subordinate enterprise held by the directors, senior management personnel and affiliated personnel of the listed company and the subordinate enterprise shall not exceed 10% of the total share capital of the subordinate enterprise prior to the overseas listing; (vii) the funds or assets of the listed company are not in the possession of the person, legal person or other organization having actual controlling power or its affiliated party, and there are no major affiliated transactions that prejudice the interests of the company; and (viii) the listed company has no acts of major violations of laws or regulations in the latest three years.

On December 20, 2012, the CSRC promulgated the Regulatory Guidelines for the Application Documents and Examination Procedures for Overseas Share Issuance and Listing by Joint Stock Companies (關於股份有限公司境外發行股票和上市申報檔及審核程式的監管指引), which set out the provisions on the application documents, application and examination procedures for overseas share issuance and listing by companies.

Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (中華人民共和國仲裁法) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995, and was amended on August 27, 2009. It is applicable to contract disputes and other property interest disputes between equal citizens, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to an arbitral award. Where the parties entered into an arbitration agreement, the court will refuse to handle the proceedings appealed by a party unless the arbitration agreement is null and void.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a Chinese company listed in Hong Kong and, in the case of the Listing Rules, also in a contract between the company and each director or supervisor, to the effect that the parties shall submit the dispute or claim for arbitration for any dispute or claim that arises between (i) a holder of H shares and the company; (ii) a holder of H shares and a holder of domestic shares; or (iii) a holder of H shares and the directors, supervisors or other officers of the company, or from any rights or obligations provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of a company.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center ("HKIAC") for arbitration. CIETAC is an economic and trade arbitration organ in the PRC. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply to have such arbitration take place in Shenzhen according to the securities arbitration rules of the HKIAC.

Under the Civil Procedure Law and the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an arbitral award, the other party to the award may apply to the court for enforcement in accordance with relevant provisions of the Civil Procedure Law. A people's court may refuse to enforce an arbitral award if a party can testify that there is a procedural or membership irregularity provided by law, the award exceeds the scope of the arbitration agreement, or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award against a party who, or whose property, is not within the PRC, may apply directly to a foreign court with jurisdiction. Similarly, an arbitral award made by a foreign arbitration body to be recognized and enforced by the PRC courts shall be applied by a party to the intermediate courts of the place where the enforcer resides or the property is located, and the PRC courts shall deal with in accordance with any international treaty or the principles of reciprocity concluded or acceded to by the PRC.

On January 22, 1987, the PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (承認和執行外國仲裁裁決公約) (the "New York Convention"), which became effective in PRC on April 22, 1987. This Convention provides that all arbitral awards made in a member country of the Convention shall be recognized and enforced by other member countries of the Convention with exception of certain circumstances the member country can refuse to enforce. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the basis of reciprocity; and (ii) the PRC will only apply the New York Convention in disputes considered under the PRC laws to be arising from contractual and non-contractual mercantile legal relations. On June 18, 1999, the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitration Awards between the Mainland and Hong Kong (最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排) for mutual enforcement of arbitral awards was entered into between the Supreme People's Court of PRC and Hong Kong and became effective on February 1, 2000. Under this arrangement, any award made by the PRC arbitral authorities recognized by Hong Kong and Macao Affairs Office of the State Council can be enforced in Hong Kong.

Judicial judgment and its enforcement

Under the Arrangement of the Supreme People's Court between the Courts of the Mainland and the Hong Kong on Mutual Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdiction as Agreed to by the Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) issued by the Supreme People's Court on July 3, 2008 and became effective on August 1, 2008, in the case of final judgment, defined through the payment amount and the enforcement power, made between a mainland court and Hong Kong SAR court in a civil and commercial case with written jurisdiction agreement, the parties concerned shall apply to the mainland people's court or Hong Kong SAR court for recognition and enforcement based on this arrangement. "Choice of court agreement in written" in this arrangement refers to a written agreement defining the exclusive jurisdiction of either the mainland people's court or Hong Kong SAR in order to resolve a dispute with particular legal relation that occurred or is likely to occur by the parties concerned since the effective date of this arrangement. Accordingly, the parties concerned may apply to the courts in mainland or Hong Kong to recognize and enforce the final judgment made by the courts in Hong Kong or the Mainland that meet certain conditions for this arrangement.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "HKSFC") issued the "Joint Announcement — Principles that Should be Followed when the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong is Implemented" and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "Shanghai-Hong Kong Stock Connect") by the Shanghai Stock Exchange (hereinafter referred o as "SSE"), the Stock Exchange, China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as "CSDCC") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of mainland securities houses by mainland investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot programme, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is

RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that mainland investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On June 13, 2014, the CSRC issued the "Certain Requirements on the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong", which came into effect on the same day. Shanghai-Hong Kong Stock Connect follows the existing laws and regulations for the settlement of transactions in both markets. The relevant transaction settlement activities follow the regulatory requirements and business rules of the place where transactions are settled. Listed companies follow the regulatory requirements and business rules of the places where they are listed. Securities houses or brokers follow the regulatory requirements and business rules of countries or regions in which they are located. Investors who deal in stocks through Shanghai-Hong Kong Stock Connect shall conduct settlements with securities houses or brokers in RMB. Stocks acquired by mainland investors through Southbound Trading Link shall be recorded in securities accounts maintained by CSDCC with HKSCC. CSDCC, after seeking opinions from mainland investors in advance through mainland securities houses, shall exercise its right against the stock issuer in its own name in accordance with the opinions of investors through HKSCC. The record of shareholding issued by CSDCC is the legal evidence of equity interest enjoyed by mainland investors. CSDCC is responsible for the stock and capital settlement of transactions closed through the Southbound Trading Link.

On September 26, 2014, the SSE issued the "Pilot Measures of the Shanghai Stock Exchange for Shanghai-Hong Kong Connect", which came into effect on the same day. Since the Southbound Trading Link implements a comprehensive designated trading system, the relevant requirements of the SSE regarding designated transactions are applicable. The SSE may adjust the requirements of the Southbound Trading Link such as trading method, order type, scope of business and trading restrictions based on market needs. The SSE and the Stock Exchange strengthen the regulation and management of transactions and relevant information disclosures under Shanghai-Hong Kong Stock Connect through cross-border cooperation in regulations. Information such as instant quotes of stocks in the Southbound Trading Link business is issued by the Stock Exchange. The Stock Exchange is responsible for regulating acts such as information disclosure of stocks under Southbound Trading Link, issuers of stocks under Southbound Trading Link and relevant information disclosure obligors, with the laws, administrative regulations, departmental rules, regulatory documents and stock exchange business rules of the place where stocks are listed applicable.

On November 14, 2014, CSRC issued the "Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under South bound Trading Link", which came into effect on the same day. The act of the placement of shares by Hong Kong-listed companies with original domestic shareholders under the Southbound Trading Link shall be filed with CSRC. Hong Kong-listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share of placement applications. The CSRC will supervise the process based on the approved opinion and conclusion of the Hong Kong side.

On November 10, 2014, CSRC and HKSFC issued a "Joint Announcement", approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the "Joint Announcement", trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

MATERIAL DIFFERENCES BETWEEN CERTAIN COMPANY LAW MATTERS IN THE PRC AND HONG KONG

The Hong Kong company law is primarily set out in the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and rules of equity that apply to Hong Kong. Our Company, which is a joint stock limited liability company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law applicable to a joint stock limited liability company established in the PRC issuing overseas listed foreign shares to be listed on the Hong Kong Stock Exchange.

There are material differences between the Hong Kong company law and the PRC law applicable to a joint stock limited liability company incorporated under the PRC Company Law, to which our Company is and will be subject. This summary is, however, not intended to be an all-inclusive comparison.

Corporate Subsisting

Under the Companies Ordinance, a company that has share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited liability company may be incorporated by either the promotion method or the subscription method.

Share Capital

Under the new Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and companies have increased flexibility to alter their share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into a larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares.

The PRC Company Law does not recognize the concept of authorized share capital. The registered capital of a joint stock limited liability company incorporated by the promotion method is the total number of its share capital denominated by all promoters who have registered at the company registration authority; the registered capital of a joint stock limited liability company incorporated by the subscription method is the received total amount of its share capital that has been registered at the company registration authority. Any increase in registered capital must be approved by the shareholders at a general meeting and by the relevant governmental and regulatory authorities in the PRC (if required).

Under the PRC law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, capital contributions may be in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out according to the law to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under the PRC law, the domestic shares in the share capital of a joint stock limited liability company, which are denominated and subscribed for in Renminbi, may only be subscribed or traded by the State, PRC legal and natural persons and qualified foreign investors. The overseas listed foreign shares issued by a joint stock limited liability company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, except as otherwise permitted under the Trial Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資管理試行辦法), may only be subscribed and traded by investors from the Hong Kong Special Administrative Region, the Macau Special Administrative Region, Taiwan or any country and territory outside the PRC.

Under the PRC Company Law, shares in a joint stock limited liability company held by its promoters cannot be transferred within one year after the date of the establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Hong Kong Stock Exchange. Shares in a company held by its directors, supervisors and management personnel and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lock up on our Company's issue of Shares and the 12-month lock-up on the Controlling Shareholders' disposal of Shares, as illustrated by the undertaking given by our Company to the Hong Kong Stock Exchange as described in "Underwriting" in this prospectus.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contained certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the Companies Ordinance.

Shareholders' Meetings — Notice

Under the PRC Company Law, notice of a shareholders' general meeting of a joint stock limited company must be given 20 days before the meeting, while notice of an extraordinary meeting must be given 15 days before the meeting or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum notice period of a general meeting other than an annual meeting is 14 days; and the notice period for an annual general meeting is 21 days.

Shareholders' Meetings — Quorum

Under Hong Kong law, the quorum for a meeting of a company is provided for in the articles of association of a company, but must be at least two members. The PRC Company Law does not specific any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may be convened when replies to the notice of that meeting have been received from Shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our Shareholders by way of a public announcement and we may hold the Shareholders' general meeting thereafter.

Shareholders' Meetings — Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes by members present in person or by proxy at a general meeting. In the event that the resolution is passed at a general meeting on a show of hands, it is out of the number of members who vote in person and the number of persons who vote on the resolution as duly appointed proxies. In the event that their solution is passed at a general meeting on a poll, it is out of the total voting rights of all the members who (being entitled to do so) vote in person or by proxy on the resolution.

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our Shareholders present in person or by proxy at a Shareholders' general meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, mergers, divisions, dissolutions or transformations, which require two-thirds of the affirmative votes cast by Shareholders present in person or by proxy at a Shareholders' general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variations of class rights However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix headed "Appendix VI — Summary of the Articles of Associations" to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in questions, (iii) by agreement of all the members of the Company or (iv) if there are provisions in the Articles of Association relating to the variation of those rights, then in accordance with those provisions.

Our Company (as required by the Listing Rules and the Mandatory Provisions) have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as difference classes. The special procedures for voting by a class of shareholders shall not apply in the following circumstances: (i) pursuant to a Shareholders' special resolution, where our Company issues and allots domestic shares or foreign shares listed abroad, either separately or concurrently in any 12-month period, should not more than 20% of each of the existing issued overseas listed shares; (ii) where plan to issue domestic shares and overseas listed shares upon our Company's establishment is completed within 15 months following the date of approval by the CSRC; and (iii) upon receiving the approval of the State Council Securities regulatory authority, transfer non-listed shares, including domestic shares and foreign shares to overseas listed shares.

Directors

The PRC Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration made by directors of interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits, and limitations against compensation for loss of office without shareholders' approval. The PRC Company law provides that such resolution relates to an enterprise with which the director is interested or connected. The Mandatory Provisions, however, contain certain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office which is similar to those available under Hong Kong Law.

Supervisor Committee

Under the PRC Company Law, the board of directors and managers of a joint stock limited liability company are subject to the supervision and inspection of a supervisory committee. But there is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his/her powers, to act in good faith and honestly in what he/she considers to be the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders, with the permission of a court, to take derivative action on behalf of the company against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing the company from suing the directors in breach of their duties in its own name.

Although the PRC Company Law gives our Shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by our shareholders in a general meeting, or by the Board of Directors, that violates any law, administrative rules or Articles of Association. In the event that the Directors or management personnel violate laws, administrative rules or Articles of Association when performing their duties and cause losses to the Company, there is no form of proceedings equal to a derivative action. The Mandatory Provisions, however, provide us with certain remedies against the Directors, Supervisors and officers who breach their duties to us. In addition, every director and supervisor of a joint stock limited liability company applying for a listing of its foreign shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company acting as an agent for each shareholder to comply with the articles of association. This allows minority shareholders to act against directors and supervisors in default.

Minority Shareholder Protection

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his/her interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority protection provisions similar to (though not as comprehensive as) those available under Hong Kong law. These provisions state that a controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his/her duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior officers may be resolved through the courts. Our Articles of Association provide that all disputes or claims between the Company and its Directors, Supervisors, managers or other members of senior management or a holder of foreign Shares and between a holder of foreign Shares and the Company's Directors, Supervisors, managers or other members of senior management or a holder of domestic listed Shares, arising from the Articles of Association, contracts signed under article 144 and article 145 of the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company shall be submitted to arbitration by related parties. A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center ("HKIAC") for arbitration. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply to have such arbitration take place in Shenzhen according to the securities arbitration rules of the HKIAC.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed in the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Financial Disclosure

A joint stock limited liability company is required under the PRC Company Law to make available at its office for inspection by shareholders its financial reports 20 days before an annual general meeting. In addition, a public company under the PRC Company Law must publish its financial data. The annual balance sheet also has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its financial statements sheet, auditors' report and directors' report which are to be looked over by the company in its annual general meeting not less than 21 days before such meeting.

Information on Directors and shareholders

The PRC Company Law gives the shareholders of a company the right to inspect its articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders of the Company have the right to inspect and, after payments of reasonable charges, make copies of certain information on the shareholders and on the Directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under both PRC and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period of debt recovery action under Hong Kong law is six years while under the PRC law the period is two years. The Mandatory Provisions require the appointment by the company of a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as the receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited liability company in respect of such foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 673 of the Companies Ordinance which requires the sanction of the court. Under the PRC law, the merger, de-merger, dissolution or change to the form of a joint stock limited liability company has to be approved by shareholders in a general meeting.

Mandatory Transfers

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profits to the statutory common reserve fund. There are no such requirements under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his/her duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Fiduciary duties

In Hong Kong, there is the common law concept of fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, and senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or are prejudicial to the interests of the company.

Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for registration of transfers of shares for more than thirty (30) days (extendable to sixty (60) days in certain circumstances) in a year, whereas the articles of a company provide, as required by the PRC Company Law, that share transfers may not be registered within thirty (30) days before the date of a shareholders' meeting or within five (5) days before the record date set for the purpose of distribution of dividends.

Listing Rules

The Listing Rules provide additional requirements which apply to an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements that apply to our Company.

(i.) Compliance advisor

A company seeking a listing on the Stock Exchange is required to appoint a compliance advisor acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance advisor may not be terminated until our placement acceptable to the Stock Exchange has been appointed. If the Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended laws, regulations or codes in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

(ii.) Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such a report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

(iii.) Process agent

Our Company is required to appoint and maintain a person authorized to accept service of processes and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his/her appointment and his/her contact particulars.

(iv.) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the issued share capital and that the class of securities for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK$50,000,000. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of over HK$10,000,000,000.

(v.) Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(vi.) Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, our Company may repurchase its own H Shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of Domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, our Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar the PRC law of which the directors are aware, if any. Any general mandate given to the Directors to repurchase H Shares must not exceed 10% of the total amount of the existing issued H Shares.

(vii.) Mandatory provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI to this prospectus.

(viii.) Redeemable shares

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the H Shares are adequately protected.

(ix.) Preemptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in a general meeting, and the approvals by special resolutions of the holders of domestic shares and H shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the company's articles of association, prior to (i) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (ii) any major subsidiary of the company making any such authorization, allotment, issue or grant so as to materially dilute the percentage equity interest of the company and its shareholders in such a subsidiary.

No such approval will be required, but only to the extent that the existing shareholders of the company have by special resolution in a general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and H shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the CSRC; or whereupon approval of the securities supervision or administration authorities of the State Council, the shareholders of domestic shares of the company can transfer its shares to overseas investors and such shares can be listed and traded in foreign markets.

(x.) Supervisors

Our Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

The remuneration and appraisal committee of our Company or an independent board committee must form a view in respect of service contracts that require Shareholders' approval and advise Shareholders (other than Shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and its Shareholders as a whole and advise Shareholders on how to vote.

(xi.) Amendment to the Articles of Association

Our Company is required not to permit or cause any amendment to be made to its Articles of Association that would cause the same to cease to comply with the mandatory provision of the Listing Rules and the Mandatory Provisions or the PRC Company Law.

(xii.) Documents for inspection

Our Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by Shareholders at reasonable charges the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- reports showing the number and nominal value of securities repurchased by the Company since the end of the last certificates year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- a copy of the latest annual returns led with the Administration for Industry and Commerce; and
- for Shareholders only, copies of minutes of meetings of Shareholders.

(xiii.) Receiving agents

Our Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

(xiv.) Statements in share certificates

Our Company is required to ensure that all of its prospectus and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer any of its Shares in the name of any particular holder unless and until such holder delivers to such Share registrar a signed form in respect of such Shares bearing statements to the following effect that the acquirer of the Shares:

- agrees with the Company and each Shareholder of the Company, and the Company agrees with each Shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitrate in

accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the Company and each Shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- authorizes the Company to enter into a contract on his behalf with each Director, Supervisor, manager and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to the Shareholders as stipulated in the Articles of Association.

(xv.) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

Our Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(xvi.) Contract between the Company and its Directors, officers and Supervisors

Our Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the Company to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Takeovers Code and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by each Director or officer to the Company acting as agent for each Shareholder to observe and comply with his obligations to the Shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, the neither party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- the PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by laws or administrative regulations;

- the award of the arbitral body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or officer with the Company on its own behalf and on behalf of each Shareholder; and
- any reference to arbitration shall be deemed as authorization for the arbitral tribunal to conduct hearings in open session and to publish its award.

Our Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

(xvii.) Subsequent listing

The Company must not apply for the listing of any of the H Shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign Shares are adequately protected.

(xviii.) English translation

All notices or other documents required under the Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

(xix.) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of our Company's listing.

OTHER LEGAL AND REGULATORY PROVISIONS

Upon our Company's listing, the provisions of the Securities and Futures Ordinance, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to our Company.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on March 5, 2015, which shall become effective as of the date on which the H Shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for investors. As discussed in the appendix headed "Appendix VIII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, the full document of the Articles of Association in Chinese is available for examination.

1. DIRECTORS AND BOARD OF DIRECTORS

a) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issuance, which are subject to approval by the Shareholders' general meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in relevant laws and administrative regulations.

b) Power to dispose assets of our Company or our subsidiaries

Upon a disposal of the fixed assets by the Board of Directors, if the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the cost received from the fixed assets of our Company disposed of within the four months immediately preceding this suggestion for disposal exceeds 33% of the value of fixed assets of our Company indicated on the latest audited balance sheet submitted to the Shareholders' meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the prior approval of the Shareholders' general meeting. The above disposal refers to the transfer of rights and interests in certain assets, but does not include the provision of guarantees with fixed assets. The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected by the violation of the above restrictions found in the Articles of Association.

c) Indemnification or compensation for loss of office

It shall be provided in the written contract entered into between our Company and the Directors or Supervisors in connection with their emoluments that they are entitled to compensation or other payments for loss of office or retirement as a result of the acquisition of our Company, subject to the approval of the general Shareholders' meeting in advance. Acquisition of our Company refers to any of the following circumstances:

1. an offer made to all of the Shareholders by any person; or

2. an offer made by any person such that said person will become the controlling shareholder of our Company. The definition of "controlling shareholder" is consistent with that in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the requirements stipulated within this provision, any payment received shall belong to the person who sells the Shares for accepting the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments.

d) Loans to Directors, Supervisors or other management personnel

Our Company shall neither provide the Directors, Supervisors, the general manager (Chief Executive Officer) or other senior management of our Company or our parent company with loans or loan guarantees either directly or indirectly; nor provide persons related to the above personnel with loans or loan guarantees.

The following circumstances are exempted from the preceding provision:

1. Our Company provides its subsidiaries with loans or loan guarantees;

2. Our Company provides any of the Directors, Supervisors, the general manager (Chief Executive Officer) or other senior management with loans, loan guarantees or any other fund pursuant to the employment contracts approved at the Shareholders' meeting to pay all expenses incurred for the purpose of our Company or performing his duties owed to our Company; and

3. In case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors, the general manager (Chief Executive Officer) or other senior management or related personnel with loans or loan guarantees, provided that the conditions governing the above loans or loan guarantees shall be normal commercial conditions.

In the event that our Company provides loans in violation of the preceding restriction, the person who receives the loan(s) must payoff the loan(s) immediately, regardless of the conditions of said loans. Any guarantees provided by our Company in violation of the above requirements shall not be mandatorily enforced against it, unless under the following circumstances:

1. Provision of loans to personnel related to the Directors, Supervisors, the general manager (Chief Executive) or other senior management of our Company or its parent company is unknown to the loan provider; and

2. The loan provider has lawfully sold the collateral provided by our Company to a *bona fide* purchaser.

For the purpose of the above provisions, "guarantee" includes the acts of the guarantor bearing the liabilities or providing properties to ensure that the obligor performs the obligations.

e) Provide financial aid for acquiring the Shares or shares of any of our subsidiaries

Our Company or its subsidiaries shall not provide any financial aid in any manner to any person that acquires or plans to acquire the Shares of our Company. Such person includes anyone who undertakes obligations, directly or indirectly, from acquiring the Shares; and our Company or its subsidiaries shall not provide the person mentioned in the preceding paragraph with financial aid at any time or in any manner, to mitigate or discharge the obligations of the abovementioned obligor.

The following activities are not prohibited by the preceding provision:

1. Related financial aid provided by our Company is genuinely for the interest of our Company and the main purpose of the financial aid is not to acquire the Shares, or such financial aid is an incidental part of a master plan of our Company;

2. The lawful distribution of the properties by way of dividends;

3. Distribution of dividends in the form of Shares;

4. Reducing the registered capital, redeeming the Shares or adjusting the equity structure, etc. pursuant to the Articles of Association;

5. Our Company providing loans within its scope of business and in the ordinary course of its business (provided that such loans shall not result in a reduction of the net assets of our Company or even if the net assets are reduced, such financial aid is paid from the profit of our Company available for distribution); and

6. Our Company providing the employee stock ownership plan with funding (provided that such loans shall not result in reduction in the net assets of our Company or even if the net assets are reduced, such financial aid is paid from the profit of our Company available for distribution).

The "financial aid" mentioned above includes but is not limited to the following:

1. Gifts;

2. Guarantees (including acts of the guarantor assuming liabilities or providing properties to ensure that the obligor performs the obligations), compensation (excluding compensation arising out of our Company's own fault), release or waiver of rights;

3. Provision of loans or signing of contracts whereby our Company performs obligations before others, change of the parties to the loans or contracts as well as the assignment of the rights in the loans or contracts; and

4. Financial aid provided by our Company in any other manner when it is insolvent, has no net assets, or will suffer significant decreases in its net assets.

The abovementioned "assuming obligations" includes an instance where an obligator undertakes obligations by entering into agreements or making arrangements (no matter whether the agreements or arrangements are mandatorily enforceable or whether the obligator bears the obligations by himself or herself or jointly with any other person) or changing its financial status in any other manner.

f) Disclose matters relating to the contract rights of our Company and voting on the contract/s

When any of the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management have material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into in any manner directly or indirectly (except for employment contracts that our Company has entered into with the

Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible regardless of whether the above contracts, transactions, arrangements or suggestions are subject to the approval of the Board of Directors in normal circumstances.

The Director affiliated with the enterprise involved in the matters discussed by the Board of Directors shall not exercise his own, or represent other directors to exercise voting rights for such matters. The meeting of the Board of Directors may be held once more than half of the unaffiliated Directors are present. The resolution made by the meeting of the board shall be adopted by more than half of all such Directors. Where there are less than three unaffiliated Directors, the relevant matters shall be forwarded to the general meeting of shareholders for deliberation.

Except for circumstances provided under Note 1 in Appendix 3 to the Listing Rules or approved by Hong Kong Stock Exchange, with respect to any contract, transaction or arrangement in which a Director or any of its close associates (as defined in the Listing Rules taking effect from time to time) have a material interest, the Director shall not vote and shall not be included in the quorum. If the relevant contract, transaction, arrangement or proposal involves a connected transaction as provided under the Listing Rules, the "close associates" within this paragraph shall be replaced by "associates" (as defined in the Listing Rules taking effect from time to time).

Unless the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management who have interests have made a disclosure to the Board of Directors in accordance with the requirements provided in the first paragraph of this clause and the Board of Directors approves the matters at the meeting in which they are not included in the quorum nor participate in the voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts of related Directors, Supervisors, the general manager and other senior management violating their obligations.

Where related personnel of the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management have interests in certain contracts, transactions and arrangements, the relevant Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management shall also be deemed to have interests.

g) Remuneration

Our Company shall sign written agreements with the Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholders' meeting, including:

1. Remuneration for providing services as the Directors, Supervisors or senior management of our Company;

2. Remuneration for providing services as the Directors, Supervisors or senior management of the subsidiaries of our Company;

3. Remuneration for providing other services for management of our Company and its subsidiaries; and

4. Compensation received by the Directors or Supervisors as a result of loss of position or retirement.

No Director or Supervisor shall initiate any litigation against our Company over any interests payable related to the above unless provided for in the above contracts.

h) Resignation, Appointment and Dismissal

None of the following persons shall serve as the Director, Supervisor, the general manager (Chief Executive Officer) or other senior management:

1. Anyone who has no civil capacity or has limited civil capacity;

2. Anyone who has been convicted of the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;

3. Anyone who has served as director, factory manager or manager of a company or enterprise that is bankrupt and liquidated as a result of improper management, was personally liable for the bankruptcy of the company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of the company or enterprise;

4. Anyone who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws, was personally liable, and is within three years of the date on which the business license of such company or enterprise was revoked;

5. Anyone who has a large sum of debt, which was not paid at maturity;

6. Anyone who is investigated by the judicial agencies for violation of criminal law and whose case is pending;

7. Anyone who may not serve as a head of the company pursuant to the provisions of the laws and administrative regulations;

8. Anyone who is not a natural person;

9. Anyone judged by the competent agencies to have violated the provisions of relevant securities laws, has been involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made;

10. Other circumstances which are applicable pursuant to the Listing Rules or the provisions of the laws and administrative regulations of which our Company' shares are listed.

If our Company elects or appoints a director or supervisor or employs the senior officer in violation of the preceding provision, such election, appointment or employment is invalid.

Our Company shall remove the director, supervisor or senior officer once the circumstances described in the first paragraph of this item h occur.

The validity of the acts of the Directors, the general manager (Chief Executive Officer) or other senior management on behalf of our Company to *bona fide* third parties shall not be affected by any irregularities in their appointment, election or qualifications.

Our Company shall have a Board of Directors consisting of 12 Directors, of which there shall be one (1) chairman, one (1) vice chairman and four independent non-executive directors.

The Directors shall be elected by the general meeting of Shareholders and shall serve three-year terms. Upon expiration of the term, the Director may be re-elected.

The chairman and vice chairman of the Board shall be elected and dismissed by a vote of more than one half of the Directors and shall serve three-year terms. Upon expiration of the term, the chairman and vice chairman may be re-elected.

The Directors need not hold any of the Shares of our Company.

Written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to our Company at least seven days in advance. This such notice period shall be calculated from the day after the issuance of the aforementioned election meeting notice, and the expiry thereof shall not be later than seven days before such meeting.

i) Responsibilities

Apart from the obligations set forth in related laws, administrative regulations or the listing rules of the stock exchange where the Shares are listed, the Directors, Supervisors, the general manager (Chief Executive Officer) or other senior management shall assume the following obligations for each of the Shareholders when exercising their rights and performing their responsibilities:

1. They shall not cause our Company to operate beyond the scope of business indicated on its business license;

2. They shall sincerely take the best interests of our Company as the starting point of any action;

3. They may not deprive our Company of its properties in any manner, including, but not limited to, opportunities beneficial to our Company; and

4. They shall not deprive the Shareholders of personal rights and interests, including, but not limited to, the right to receive dividends distributed and to vote, except for restructuring of our Company approved at the Shareholders' meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors, general manager (Chief Executive Officer) and other senior management have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill as a reasonably prudent person would act under similar circumstances.

When performing their responsibilities, the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management must comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, but is not limited to, performing the following obligations:

1. Sincerely taking the best interests of our Company as the starting point of any action;

2. Exercising one's rights within but not exceeding the scope of authority;

3. Exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless permitted by laws and administrative regulations or with the informed consent of Shareholders given in a general meeting;

4. Treating Shareholders of the same class equally and Shareholders of different classes fairly;

5. Entering into any contract, transaction or arrangement with our Company is not allowed, unless in line with the Articles of Association or the Listing Rules or otherwise with the full knowledge and approval of the general Shareholders' meeting;

6. Seeking private gain using the properties of our Company in any manner is not allowed, unless agreed upon by the general Shareholders' meeting with its full knowledge;

7. Using one's position to take bribes or other illegal gains is not allowed, nor is any form of embezzlement of the property of our Company, including but not limited to opportunities beneficial to our Company;

8. Accepting commissions associated with transactions of our Company is not allowed unless agreed by the general Shareholders' meeting with its full knowledge;

9. Compliance with the Articles of Association, discharging duties in a faithful manner, safeguarding the interests of our Company rather than seeking private gain by taking advantage of one's position and authority in our Company;

10. Competing with our Company in any manner is not allowed, unless agreed by the Shareholders at the general Shareholders' meeting with its full knowledge;

11. Misappropriation of funds or the loaning of funds to others is not allowed, nor is depositing the assets of our Company in an account opened in one's own name or other names, nor is using the assets of our Company to provide guaranty for the shareholders of our Company or other individuals; and

12. Disclosure of any confidential information relating to our Company obtained during employment without the consent and full knowledge of the general Shareholders' meeting; unless in the interest of our Company, using such information is also not allowed; however, under the following circumstances the information may be disclosed to a court or other competent government agencies as required by

    a) the mandatory provisions of the law;

    b) the public interest;

c) the interest of the Directors, Supervisors, the general manager (Chief Executive Officer) or other senior management.

The Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management may not direct the following personnel or institutions ("related personnel") to perform acts that the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management are prohibited from doing:

1. Spouses or minor children of the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management;

2. Trustees of the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management or the persons mentioned in (1);

3. Partners of the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management or persons mentioned in (1) and (2);

4. The company under *de facto* control by the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management individually or jointly with the persons or other directors, supervisors, the general manager (Chief Executive Officer) and other senior management of companies mentioned in (1), (2) and (3); and

5. Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management of the controlled companies mentioned in (4).

The good faith obligation owed by the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management may not necessarily terminate with the expiration of their terms; their obligation to keep the trade secrets of our Company in confidence shall survive the expiration of their terms. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time from the occurrence of the events to the time of resignation, as well as the circumstances and conditions under which the relationship with our Company is terminated.

Except as otherwise provided in the Articles of Association, liabilities of Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management arising from the violation of specific duties may be released by informed Shareholders in general meetings.

2. MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the relevant laws, administrative regulations, the Listing Rules and Articles of Association.

Where the amendments to the Articles of Association involve the contents of the Mandatory Provisions, it shall not take effect until approved by the competent examinations department authorized by the State Council and the securities regulatory authorities of the State Council; where the amendment of the Articles of Association involves our Company's registration, it shall be necessary to carry out the lawfully prescribed procedures for a change in registration.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Holders of Domestic Shares and holders of overseas listed foreign Shares of our Company shall be considered as different classes of shareholders. Rights conferred on any class of shareholders in the capacity of shareholders excluding other classes of Shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders' general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the Articles of Association.

Any Shareholder who holds different classes of Shares is a classified Shareholder.

The classified Shareholders shall enjoy rights and assume obligations pursuant to the provision of laws, administrative regulations and Articles of Association. Under proper circumstances, our Company shall ensure that the Preferred Shareholders are entitled to sufficient voting rights.

Any plan of our Company to change or abolish the rights of a classified Shareholder is subject to the approval of the general Shareholders' meeting in the form of a special resolution and the approval of the affected classified Shareholders at a separately convened Shareholders' meeting in accordance with the provisions of from Articles 85 through 89 of the Articles of Association before it can be implemented.

The rights of a classified Shareholder shall be viewed as changed or abolished under any of the following circumstances:

1. Increase or reduction in the number of the classified Shares, or an increase or reduction in the number of classified Shares with equal or more voting rights, distribution rights and other privileges than this type of classified Shares;

2. Convert all or part of the classified Shares into other types or convert another type of Shares, partly or wholly, into this type of classified Shares or grant such conversion rights;

3. Cancel or reduce the right of the classified Shares to obtain generated dividends or cumulative dividends;

4. Reduce or cancel the right of the classified Shares to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;

5. Increase or cancel or reduce the right of the classified Shares to convert Share rights, options rights, voting rights, transfer rights, preemptive rights and the right to obtain the securities of our Company;

6. Cancel or reduce the right of the classified Shares to receive funds payable of our Company in specified currencies;

7. Create new classified Shares entitled to equal or more voting rights, distribution rights, or other privileges than the classified Shares;

8. Impose restrictions on the transfer or ownership of the classified Shares or increase such restrictions;

9. Issue subscription or conversion rights for this or other classified Shares;

10. Increase the rights and privileges of other types of Shares;

11. The restructuring plan of our Company may constitute different types of Shareholders to assume responsibilities disproportionately; and

12. Amend or abolish clauses stipulated in the Articles of Association.

Whether or not the affected classified Shareholders have voting rights at the Shareholders' meeting, in the event of the matters described above in Article 84 from (2) through (8), (11) and (12), the classified Shareholders will have voting rights at the classified Shareholders' meeting, but the Shareholders that have interests at stake shall have no voting rights at the classified Shareholders' meeting.

The resolution of the classified Shareholders' meeting shall be passed by a minimum of votes representing no less than two-thirds of Shareholders with voting rights in attendance of the classified Shareholders' meeting.

When convening a classified Shareholders' meeting, 45 days before the meeting is convened, our Company shall send a written notice to inform all registered holders of the classified Shares on matters to be deliberated at the meeting, as well as the date and venue of the meeting. Shareholders planning to attend the meeting shall send to our Company a written reply concerning attendance at the meeting 20 days before the meeting.

In the event that the number of Shares with voting power represented by Shareholders planning to attend the meeting accounts for no less than one half of the total number of said classified Shares with voting power at the meeting, our Company may convene a classified Shareholders' meeting; if this number is not reached, our Company shall again inform the Shareholders of the matters to be deliberated as well as the date and venue of the meeting within five days in the form of an announcement, and our Company may convene a classified Shareholders' meeting once the announcement is issued.

The notice of the classified Shareholders' meeting need only be sent to the Shareholders who have the right to vote at the meeting.

Insofar as possible, any classified Shareholders' meeting shall be held in accordance with the same procedures as those of the Shareholders' meeting, and any clause that relates to the procedures for convening the Shareholders' meeting in the Articles of Association shall apply to any classified Shareholders' meeting.

The special procedures for voting by the classified Shareholders shall not apply in the following circumstances:

1. Upon the approval of a special resolution at the general Shareholders' meeting, our Company either separately or concurrently issues Domestic Shares and overseas listed foreign shares once every 12 months, and the number of those shares to be issued shall not account for more than 20% of each of its outstanding shares;

2. The plan to issue Domestic Shares and overseas listed foreign Shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council; and

3. Upon the approval by the securities regulatory authorities of the State Council, the unlisted Shares held by the Shareholders (including Domestic Shares and overseas listed foreign Shares) become listed or traded on an overseas stock exchange.

4. SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY MAJORITY VOTE

The resolutions of the Shareholders' meeting are categorized as ordinary resolutions and special resolutions.

An ordinary resolution can be adopted by a simple majority of the votes held by the Shareholders (including proxies) in attendance of the general Shareholders' meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies) in attendance of the general Shareholders' meeting.

5. VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

When voting at the general Shareholders' meeting, the Shareholder (or proxy) may exercise his or her voting rights in accordance with the number of Shares with voting power held with each Share representing one vote, but our Company is not entitled to vote with the number of Shares held by it, and this such part of the Shares shall not be calculated into the total number of the voting rights represented by the Shareholders attending the general meeting.

When voting at a general meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor of their total number of votes.

When the number of dissenting votes equals to the number of supporting votes, no matter by a show of hands or by a vote, the chairman of the meeting is entitled to one additional vote.

6. GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meetings are divided into annual general Shareholders' meetings and extraordinary general meetings. The Board of Directors may convene a general meeting. The annual general Shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

7. ACCOUNTING AND AUDITS

a) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations, as well as the PRC accounting standards developed by the competent department in charge of finance under the State Council.

The Board of Directors shall submit the financial reports of our Company, as required by the laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company, at every annual Shareholders' meeting.

Apart from the CASBE and regulations, the financial reports of our Company shall also conform to international accounting standards or the accounting standards of overseas areas where the Shares are listed. In the event of any major discrepancy between the financial reports prepared in accordance with the two accounting standards, such difference must be provided in the notes to the financial reports. As to the distribution of after-tax profits of our Company in a fiscal year, whichever after-tax profits are lower as indicated on the two financial reports shall prevail.

Our Company shall make its financial reports available for inspection by the Shareholders 20 days before the annual general Shareholders' meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report referred to in the Articles of Association.

Our Company shall send the aforesaid reports, as well as the balance sheet (including each document required to be appended thereof by laws) and income statement or statement of income and expenditure, to each of the holders of overseas listed foreign Shares by postage-paid mail at least 21 days before the annual general Shareholders' meeting is convened and the recipient's address shall be the address as shown in the register of Shareholders.

Our Company's interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with PRC accounting standards, regulations, as well as international accounting standards or the accounting standards of the overseas area in which the Shares are listed.

Our Company must publish the financial reports twice in each fiscal year. Interim financial reports shall be published within 60 days of the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days of the end of each fiscal year.

Our Company shall not keep any accounting books other than those specified by law.

b) Appointment and Dismissal of Accountants

Our Company shall appoint an accounting firm with independent qualifications that meets appropriate requirements of the PRC to be responsible for auditing our annual report and reviewing our other financial reports.

The term of the accounting firm appointed by our Company shall start at the close of the annual general Shareholders' meeting and continue until the close of the next annual Shareholders' meeting.

Without prejudice to the right of the accounting firm to claim compensation for being dismissed, the Shareholders may dismiss the accounting firm through an ordinary resolution at the general Shareholders' meeting prior to the expiration of the term of any accounting firm notwithstanding the terms and conditions of the contract entered into between our Company and the accounting firm.

Remuneration of the accounting firm and the manner in which the remuneration is determined shall be decided by the general Shareholders' meeting. The Board of Directors shall confirm the remuneration of the accounting firm appointed by the Board of Directors.

Appointment, dismissal or refusal to renew the contract with the accounting firm by our Company is subject to the resolution of the general Shareholders' meeting and shall be filed with the securities regulatory authorities of the State Council.

Where it is proposed that any resolution be passed at a general Shareholders' meeting concerning the appointment of an accounting firm, which is not an incumbent firm, to replace an existing accounting firm or to fill a casual vacancy in the office of the accounting firm, or to reappoint a retiring accounting firm which was appointed by the board of directors to fill a casual vacancy, or to remove the accounting firm before the expiration of its term of office, the following provisions shall apply:

1. A copy of the proposal concerning appointment or removal shall be sent to the accounting firm proposed to be appointed or to leave its office, or the accounting firm which has left its office in the relevant fiscal year before the notice of a meeting is given to the shareholders.

   Leaving includes leaving by removal, resignation and retirement.

2. If the leaving accounting firm makes representations in writing and requests our Company to notify the Shareholders of such representations, our Company shall (unless the representations are received too late):

   a) in any notice given to Shareholders about a resolution to be made, state the representations that have been made by the accounting firm which is about to leave; and

   b) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.

3. If the accounting firm's representations are not sent in accordance with clause (2) above, the relevant accounting firm may require that the representations be read out at the shareholders' general meeting and may lodge further complaints.

4. An accounting firm which is leaving its office shall be entitled to attend:

   a) the general shareholders' meeting relating to the expiry of its term of office;

   b) any general shareholders' meeting at which it is proposed to fill the vacancy caused by its removal; and

   c) any shareholders' general meeting convened on its resignation.

and to receive all notices of, and other communications relating to any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former accounting firm of our Company.

Prior to the removal or the non-reappointment of the accounting firm, notice of such removal or non-reappointment shall be given to the accounting firm, which shall be entitled to make an appearance at the general meeting. Where the accounting firm resigns, it shall make clear to the general meeting whether there has been any impropriety on the part of our Company.

The accounting firm may tender resignation by delivery a written notice to our Company's legal address. The resignation shall become effective on the date of delivery or on such later date as may be stipulated in such resignation. The written notice shall include the following representations:

1. Its resignation does not include any statement that should be disclosed to the Shareholders or creditors of our Company; and

2. Any representation that should be disclosed.

Within 14 days of receipt of the notice mentioned above, our Company shall send the copy of the notice to the pertinent authorities. If the notice includes statements mentioned in (ii) of the preceding paragraph, our Company shall retain a copy thereof for the Shareholders to inspect and send a copy of the above-mentioned statements to all Shareholders who are entitled to receive our Company's financial reports in accordance with the addresses registered on the register of Shareholders.

In the event that the resignation notice of the accounting firm includes any statement that should be disclosed to the Shareholders or creditors, the accounting firm may request the Board of Directors to convene an extraordinary general meeting to hear its explanations regarding the resignation.

8. NOTIFICATION AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meeting is the authorized organ of our Company that can perform duties and exercise powers in accordance with the law.

Without the approval of a resolution of the general Shareholders' meeting, our Company shall not enter into a contract with any person other than the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management that would make a person responsible for the management of all or part of the main business of our Company.

Under any of the following circumstances, the Board of Directors shall convene an extraordinary general meeting within two months:

1. The number of Directors is less than the number specified in the Company Law or less than two thirds of the number required in the Articles of Association;
2. The uncovered losses of our Company reach one-third of its total paid-in share capital;
3. The Shareholders holding 10% or more shares separately or jointly request to convene an extraordinary general meeting in writing;
4. The Board of Directors considers it necessary or the Supervisory Committee proposes convening an extraordinary general meeting; or
5. Any other circumstances stipulated in laws, administrative regulations, the Listing Rules and the Articles of Association.

When convening a general Shareholders' meeting, our Company shall send a written notice to inform all registered Shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting 45 days before it is convened. Shareholders planning to attend shall send to our Company a written reply to that effect 20 days before the meeting is held.

At our Company's general Shareholders' meeting, the Board of Directors, the Board of Supervisors and the Shareholders individually or jointly holding 3% or more Shares are entitled to submit written proposals to our Company. The content of the proposal shall be within the authorized scope of the general meeting, have an explicit topic and subject to be deliberated on, and conform to the provision of laws, administrative regulations and the Articles of Association.

The shareholder(s) holding, separately or jointly, 3% or more of the total shares of our Company may put forward *ex tempore* proposals to our Company no later than 10 days prior to the convening of the general meeting by submitting the proposals in writing to the convener. The convener shall issue a supplemental notice of a general meeting specifying the details of the *ex tempore* proposals to shareholders within two days after the receipt of the proposals.

Except for proposals set forth in the notice of the general Shareholders' meeting or otherwise in accordance with the provisions in this section, the general meeting shall not vote on or adopt any resolutions on such proposal.

Our Company shall calculate the number of Shares with voting power represented by the Shareholders planning to attend the general Shareholders' meeting in accordance with the written replies received 20 days before the meeting is convened. In the event that the number of Shares with voting power represented by the Shareholders planning to attend is no less than one-half of the total number of Shares with voting power, our Company may convene the general Shareholders' meeting. If this number is not reached, our Company shall again inform the Shareholders of all matters to be deliberated and the date and venue of the new meeting within five days in the form of an announcement before the general Shareholders' meeting may be convened.

The notice of the general Shareholders' meeting shall meet the following requirements:

1. Made in writing;

2. Specified the venue, date and duration of the meeting;

3. Specified the matters and resolutions to be deliberated at the meeting;

4. Provision to the Shareholders of the materials and explanations necessary for the Shareholders to make sound decisions about the matters to be deliberated. This principle includes, but is not limited to, the provision of the detailed terms and contract(s), if any, of the proposed transaction(s) and serious explanations about related causes and effects when our Company proposes merger/s, redemption of shares, restructuring of stock capital or other restructuring;

5. In the event that any of the Directors, Supervisors, the general manager (Chief Executive Officer) or other senior management has material interests at stake in matters to be deliberated, the nature and extent of the interests at stake shall be disclosed. If the matters to be deliberated affect any Director, Supervisor, the general manager (Chief Executive Officer) or other senior management as a Shareholder in a manner different from how they affect other Shareholders of the same type, the difference shall be explained;

6. Inclusion of the full text of any special resolution to be proposed for adoption at the meeting;

7. A clear explanation that the Shareholder is entitled to attend and vote at the general Shareholders' meeting, or to appoint one or more entrusted representative(s) to attend and vote at the meeting on his or her behalf and that such person(s) may not necessarily be a Shareholder(s);

8. Record date for shareholders who are entitled to attend the meeting;

9. Specified delivery time and place of the power of attorney for proxy voting of the meeting; and

10. Name and telephone number of the contact person;

The notice of the general Shareholders' meeting shall be sent in person or by postage-paid mail, to the Shareholders (regardless of whether such Shareholders have the right to vote at the general Shareholders' meeting or not), and each recipient's address shall be according to the address indicated on the register of Shareholders, or published on the website of our Company and the website designated by Hong Kong Securities Exchange provided that the appropriate laws, regulations and Listing Rules are followed. For holders of Domestic Shares, the notice of the general Shareholders' meeting may be given in the form of a public announcement.

The public announcement provided in the preceding provision shall be published in one or more newspapers designated by the securities regulatory authority of the State Council within a period of 45 to 50 days before the meeting is convened. Once the announcement is made, all holders of Domestic Shares shall be deemed to have received the notice of the general Shareholders' meeting. In the event that the notice of the meeting is not sent to persons entitled to receive it due to accident or oversight, or such persons fail to receive notice of the meeting, the meeting and resolutions made at the meeting shall not be held invalid.

The following matters shall be approved by the general Shareholders' meeting through ordinary resolutions:

1. Work report of the Board of Directors and Supervisory Committee;

2. Plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;

3. Appointment, dismissal, remuneration and payment methods of the members of the Board of Directors and the members of the Supervisory Committee who are representatives from the Shareholders;

4. Annual budget/final account report, balance sheet, income statement and other financial reports concerning our Company; and

5. Other matters in addition to those shall be approved by special resolution as stipulated in the laws, administrative regulations, Listing Rules or the Articles of Association.

The following matters shall be approved by special resolution at the general Shareholders' meeting:

1. Our Company's capital stock increases/decreases and issues of any type of shares, warrants and other similar securities;

2. Our Company's bond issues;

3. Division, merger, dissolution and liquidation of our Company and the change of form of our Company;

4. Amendments to the Articles of Association;

5. Other matters as approved by ordinary resolution of the general Shareholders' meeting which are believed could materially affect our Company and need to be approved by special resolution;

6. Substantial assets acquired, disposed of, or guarantee granted for an amount exceeding 30% of total assets of our Company within one year; and

7. Other matters as required by the Articles of Association and the Listing Rules need to be approved by special resolution.

Where the Supervisory Committee or Shareholders separately or jointly holding 10% or more of the Shares request the Board to convene an extraordinary general meeting or classified Shareholders' meeting, the following procedures shall be followed:

1. The Supervisory Committee or Shareholders who separately or jointly hold 10% or more of the Shares may request the Board to convene an extraordinary general meeting or classified Shareholders' meeting by signing a written requirement or several copies with the same format and to illustrate the subject of the meetings. The Board of Directors shall convene an extraordinary general Shareholders' meeting or classified Shareholders' meeting as soon as possible upon the receipt of the aforesaid written request. The Shareholders shall calculate the aforesaid number of shareholdings as from the date of the submission of the written requirement.

2. If the Board of Directors fails to issue a notice of meeting within 30 days upon the receipt of the aforesaid written request, the Supervisory Committee may convene a meeting itself within four months upon the Board's receipt of such request; if the Supervisory Committee fails to convene and chair the meeting, the Shareholders who separately or jointly hold no less than 10% of the Shares of our Company within no less than 90 consecutive days may convene and chair themselves, of which the convening procedure shall be at best the same as if convened by the Board of Directors.

If the Shareholders call and convene a meeting by themselves due to the Board of Directors being unable to convene a meeting in accordance with the aforesaid requirement, the expenses reasonably resulted therefrom shall be borne by our Company and be deducted from the amounts due to the Directors as a result of loss of office.

The general Shareholders' meeting shall be chaired by the president; if the president cannot or fails to perform his/her duties, the general Shareholders' meeting shall be chaired by the vice-president; if the vice-president cannot or fails to perform his/her duties, the general Shareholders' meeting shall be chaired by a director co-elected by more than half of the Directors.

If the Board cannot or fails to perform its duty to convene the general Shareholders' meeting, the Supervisory Committee shall convene and chair the meeting in time; if the Supervisory Committee cannot or fails to perform its duty to convene the general Shareholders' meeting, the Shareholders who separately or jointly hold no less than 10% of our Company's shares within no less than 90 consecutive days may convene and chair the meeting themselves.

The chairman of the Supervisory Committee shall chair the general Shareholders' meeting as convened by the Supervisory Committee. If the chairman of the Supervisory Committee fails to fulfill his/her obligation or refuses to fulfill his/her obligation, a supervisor jointly elected by more than half of the supervisors shall chair the meeting.

A general Shareholders' meeting convened by Shareholders shall be chaired by a person elected by the convener; if for any reason the Shareholders cannot elect the chairman, the meeting shall be chaired by the attending Shareholder (including proxy) representing most voting Shares at the meeting.

9. THE CONVERSION AND TRANSFER OF SHARES

Subject to the approval of the securities regulatory authorities of the State Council, holders of Domestic Shares of the Company may proportionally convert the Domestic Shares they held into H Shares and such Shares may be listed and traded on the Hong Kong Stock Exchange. The conversion of Domestic Shares into H Shares and the listing and trading of such Shares on the Hong Kong Stock Exchange shall also comply with relevant domestic and Hong Kong laws, regulations and requirements. Unless required by the Hong Kong Stock Exchange, the conversion of Domestic Shares into H Shares and the listing and trading of such shares on the Hong Kong Stock Exchange do not require approval by a poll at a class meeting.

Any alteration or rectification to any part of the register of Shareholders shall be made in accordance with the laws in the place where such part of the register of Shareholders is maintained.

No change may be made to the information in the register of Shareholders as a result of the share transfer within 30 days before the general Shareholders' meeting is convened or within five days prior to the benchmark date on which our Company has decided to distribute dividends.

Unless otherwise provided by laws, administrative regulations, or the Listing Rules, all fully paid-up Shares of our Company shall be free from any restrictions on right of transfer, and be clear of any lien. The transfer of H Shares shall be registered by our Company through a local share register organization in Hong Kong.

All fully paid-up H Shares can be freely transferred in accordance with the Articles of Association, but unless they conform to the following conditions, the Board of Directors may refuse to recognize any transfer instrument without providing any reason;

1. All transfer instruments or other instruments that are related to the title of any Shares or may have an impact upon the title of the Shares shall be registered; and payment shall be made to our Company in accordance with the fee standard provided in the Listing Rules of the Stock Exchange of Hong Kong, but such payment shall not exceed the maximum fee provided by the Stock Exchange of Hong Kong in its Listing Rules from time to time;

2. The transfer instruments only involve H Shares listed in Hong Kong;

3. The stamp duty chargeable on the transfer instruments has been paid;

4. The relevant Share certificate, and upon the reasonable request of the Board of Directors, any evidence in relation to the right of the transferor to transfer the Shares has been submitted;

5. If the Shares are to be transferred to joint holders, the number of the joint holders shall not exceed four;

6. The relevant Shares are free from any Lien of our Company; and

7. It is prohibited to transfer any Share to minors or persons without a sound mind or other legally proclaimed behavioral disability.

If our Company refuses to register the Share transfer, our Company shall issue a written notice of such rejection to the transferor and transferee within two months of the date the transfer application was officially made.

10. RIGHTS OF OUR COMPANY TO BUY BACK OUR OUTSTANDING ISSUED SHARES

Under any of the following circumstances, our Company may buy back the outstanding issued Shares subject to the procedure provided within the Articles of Association and the approval of competent administrative organ in the PRC:

1. Cancellation of the Shares to reduce our Company's share capital;

2. Merger with other companies which hold the Shares of our Company;

3. Granting Shares to the staff of our Company as incentives;

4. Buying back the Shares from Shareholders at their request who vote against any resolutions adopted at the general Shareholders' meeting concerning the merger and division of our Company; or

5. Other circumstances as permitted by the laws and administrative regulations.

Our Company may buy back Shares in any of the following ways after being approved by the competent administrative organ:

1. Making a general buyback offer to all Shareholders *pro rata*;

2. Buying back Shares through public trading on the securities exchange;

3. Buying back Shares by an agreement outside a stock exchange; or

4. Other circumstances as permitted by the laws and administrative regulations.

Where our Company buys back the Shares by an agreement outside a stock exchange, it shall obtain prior approval at the general Shareholders' meeting pursuant to the Articles of Association. Likewise, subject to the prior approval of the general Shareholders' meeting, our Company may cancel or amend the contract signed in the aforesaid manner or waive any of its rights in the contract.

The aforesaid buyback contracts include (but are not limited to) agreements committing to assume the obligation to buy back the Shares and to acquire the right to buy back the Shares.

Our Company shall not transfer any contract that buys back the Shares or any rights conferred under the contract.

As for the redeemable Shares that our Company is entitled to buy back, if they are not bought back in the market or by bidding, the price may not exceed a certain maximum limit. If the Shares are bought back by bidding, a proposal to bid must be made to all Shareholders on equal terms.

Unless our Company has entered into the liquidation process, the following provisions for the buyback of issued Shares shall be observed:

1. Where our Company buys back Shares at face value, the funds shall be deducted from the book balance of the distributable earnings and the proceeds obtained from the issue of new Shares to buy back the old Shares;

2. Where our Company buys back the Shares at a premium as compared to the face value, the portion of funds equivalent to the face value shall be deducted from the book balance of the distributable earnings and the proceeds obtained from the issue of new Shares made for the purpose of buying back Shares, while the portion of funds higher than face value shall be dealt with in the following manner:

   a) Where the Shares bought back were issued at face value, the funds shall be deducted from the book balance of the distributable earnings;

   b) Where the Shares bought back were issued at a premium to the face value, the funds shall be deducted from the book balance of the distributable earnings and the proceeds obtained from the issue of new Shares made for the purpose of buying back the Shares. However, the amount deducted from the proceeds obtained from the issue of new Shares shall not exceed the total premium amount obtained when the Shares bought back were issued or the amount (including the premium amount of the issue of new Shares) in the premium account of our Company (or the capital reserve account) when the Shares are bought back.

3. The funds paid by our Company for the following purposes shall be allocated from the distributable earnings:

   a) To obtain the right to buy back the Shares;

   b) To modify any contract to buy back the Shares; and

   c) To release any obligation of our Company under the share buyback contract.

After the total face value of the cancelled Shares is deducted from the registered capital pursuant to the relevant provisions, the amount deducted from the distributable earnings for paying up the face value portion of the Shares bought back shall be credited to the premium account (or capital reserve account).

11. DIVIDEND AND DISTRIBUTION METHODS

Our Company may distribute dividends by the following ways (or by both ways simultaneously)

1. Cash; and

2. Shares.

When allocating the after-tax profits of the current year, our Company shall allocate 10% of its profit to the legal reserve fund. In the event that the accumulated legal reserve fund of our Company has reached no less than 50% of the registered capital of our Company, no further allocation is required.

In the event that the legal reserve fund of our Company is insufficient to make up the losses of our Company for the previous year, before allocating the legal reserve fund in accordance with the provision of the previous paragraph, our Company shall first make up the losses by using the profits from the current year.

After allocating the legal reserve fund from the after-tax profits of our Company, our Company may allocate the discretionary reserve fund according to the resolution of the general shareholders' meeting.

Where the Shareholders' meeting, the general Shareholders' meeting or the meeting of Board of Directors violates the preceding provisions and decides on the distribution of profits to shareholders prior to making up the losses of our Company and allocating profits to the legal reserve fund, shareholders must return the profit to be distributed to our Company.

The shares held by our Company shall not be entitled to any profit distribution.

Our Company shall appoint, on behalf of holders of overseas-listed foreign Shares, receiving agents to receive dividends and other payable funds that are distributed with respect to our overseas-listed foreign Shares.

The receiving agents appointed by our Company shall comply with related provisions of the laws or the securities exchange where the Shares are listed.

The receiving agent appointed by our Company for the holders of overseas listed foreign Shares shall be a trust company registered under the Hong Kong Trustee Ordinance.

Our Company has the right to terminate the dispatch of dividend warrants to holders of overseas listed foreign shares by mail, provided that such right shall not be exercised until the dividend warrants have not been cashed for two consecutive occasions. However, where the dividend warrant is, for the first time, undelivered to the addressee and returned, our Company may also exercise such right.

In connection with exercising the authority to issue warrants to bearer shareholders, no new warrants shall be issued to replace the lost ones unless our Company confirms without reasonable doubt that the original warrants are destroyed.

12. SHAREHOLDER PROXIES

Any Shareholder who is entitled to attend and vote at the general Shareholders' meeting has the right to appoint one or more persons (who may not necessarily be Shareholders) as his or her Shareholder proxy to attend and vote at the meeting in his or her place. Pursuant to the authorization of the Shareholder, the proxy may exercise the following rights:

1. Speak for the Shareholder at the general Shareholders' meeting;

2. Demand a poll individually or with others; and

3. Unless otherwise provided by the listing rules or other securities laws and regulations, exercise the right to vote by a show of hands or a poll, but the Shareholder proxy may only exercise the right to vote by a poll when more than one proxy is appointed.

If the said shareholder is a recognized clearinghouse (or its nominee), the shareholder may authorize one or more suitable persons to act as its representative(s) at any general shareholders' meeting or at any classified Shareholders' meeting; however, if more than one person is authorized, the power of attorney shall clearly indicate the number and types of shares involved in the said authorization. The persons with such authorization may represent the recognized clearing house (or its nominee) to attend the meeting (without showing the share certificate, notarized authorization and/or further proof to substantiate the official authorization) and exercise the rights, as if they were individual shareholders of our Company.

The instrument appointing a proxy must be duly authorized in writing and signed by the shareholder or its agent; for a legal person shareholder, the proxy must be affixed with the common seal or signed by its director or its agent and duly authorized in writing. The letter of authorization shall contain the number of the shares to be represented by the agent. If several persons are authorized as the agents of the shareholder, the letter of authorization shall specify the number of the shares to be represented by each agent.

The power of attorney must be kept at our Company's legal address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time at which the resolution is adopted. If the power of attorney is signed by another person authorized by the appointer by means of power of attorney or other instrument of authorization, a notary must verify the power of attorney or other instrument. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney appointing the entrusted representative at the legal address or other location designated in the notice convening the meeting.

A legal person shareholder should attend the meeting with its legal representatives or the proxy appointed by the legal representative.

For the purpose of the Articles of Association, the appointee's attendance of such meeting or conducting any activity shall be deemed as the appointer's attendance of such meeting or (as applicable) as conducting those activities.

The proxy form issued to Shareholders by the Board of Directors of our Company for the appointment of proxies shall enable Shareholders to freely instruct their proxies to vote for or against any resolution, and give separate instructions in respect of the matters to be voted on under each subject. The form of the proxy shall contain a statement that a proxy may vote at his own discretion in the absence of specific instructions from the Shareholder.

Where the appointer is deceased, incapacitated to act, withdrawn from the appointment or the power of attorney, or where the relevant shares have been transferred prior to the voting, a vote given in accordance with the letter of authorization shall remain valid provided that no written notice of such event has been received by our Company prior to the commencement of the relevant meeting.

13. REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Our Company shall keep a register of Shareholders, which shall include the following particulars:

1. the name (title), address (residence), occupation or nature of each shareholder;
2. the class and number of shares held by each shareholder;
3. the amount paid-up or payable in respect of shares held by each shareholder;
4. the serial numbers of the shares held by each shareholder;
5. the date on which a person registers as a shareholder; and
6. the date on which a person ceases to be a shareholder.

The register of shareholders shall be sufficient evidence of the holding of our Company's shares by a shareholder, unless there is evidence to the contrary.

Subject to the Articles of Association and other relevant provisions, immediately after the transfer of our Company's shares, the name of the transferee shall be entered into the register of Shareholders as the holder of such shares.

The transfer and transmission of shares shall be entered into the register of Shareholders.

Pursuant to the understanding reached and agreement entered into between the competent agency in charge of securities under the State and the overseas securities regulatory authorities, our Company may keep an overseas register of the holders of the overseas-listed foreign Shares and entrust an overseas entity to manage it.

Within the register of overseas-listed Shareholders, the original register of Shareholders of H Shares shall be maintained in Hong Kong, and a duplicate shall be maintained in our Company's residence; the appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the register of Shareholders of overseas listed foreign shares at all times.

If there is any inconsistency between the original and the duplicate of the register of members of overseas-listed foreign shares, the original version shall prevail.

Different parts of the register of Shareholders shall not overlap one another. No transfer of the shares registered in any part of the register shall, during the existence of that registration, be registered in any other parts of the register of Shareholders.

When our Company convenes the general Shareholders' meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of equities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the Shareholders whose names appear on the register of Shareholders shall be the Shareholders.

Any person who objects to the register of Shareholders and requests to register his or her name (title) in the register of Shareholders or to remove his or her name (title) from the register of Shareholders may apply to the court with jurisdiction to amend the register of Shareholders.

14. QUORUM OF GENERAL SHAREHOLDERS' MEETINGS

Our Company shall calculate the number of voting Shares represented by the Shareholders intending to attend the meeting according to the written reply received 20 days prior to the meeting. If the number of Shares carrying voting rights represented by the Shareholders intending to attend the meeting no less than one half of the total number of Shares carrying voting rights, our Company may convene the general Shareholders' meeting. If this number is not reached, our Company shall again inform the Shareholders of the matters to be deliberated and the date and venue of the meeting within five days in the form of an announcement before the general Shareholders' meeting is to be convened.

15. RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

Apart from the obligations required in laws, administrative regulations or the listing rules of the stock exchange on which the Shares are listed, the controlling shareholder (as defined in Article 52 of the Articles of Association) shall not make any decision that is detrimental to the interest of all or part of the Shareholders on the following issues by exercising his or her Shareholder voting rights:

1. Releasing the Directors and Supervisors from the responsibility of acting honestly in the best interest of our Company;

2. Permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of assets in any form, including, but not limited to, any opportunity that is beneficial to our Company; and

3. Permitting the Directors and Supervisors (for their own or others' interests) to deprive other Shareholders of their personal rights and interests, including, but not limited to, any dividend distribution or voting right, but excluding the restructuring of our Company approved at the general Shareholders' meeting pursuant to the Articles of Association.

16. COMPANY LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

1. Upon the occurrence of the dissolving events provided in the Articles of Association;

2. The general Shareholders' meeting adopts a resolution to dissolve our Company;

3. Our Company needs to be dissolved for the purpose of merger or division;

4. Our Company is declared legally bankrupt as a result of failure to pay due debts;

5. The business license is revoked, or our Company is ordered to close or be eliminated according to applicable law; or

6. Where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the

Shareholders, and the difficulties may not be overcome through other means, Shareholders who hold no less than 10% of the Shares carrying voting rights may request the People's Court to dissolve our Company.

Where the circumstances provided in the above provision (1) happen, our Company may continue to survive by amending the Articles of Association. Where our Company is dissolved due to the provisions set forth in (1), (2), (5) and (6) above, a liquidation team shall be established within 15 days and the personnel of the liquidation team shall be consist of the persons determined by the general Shareholders' meeting through ordinary resolution.

Where our Company is dissolved due to the provision set forth in (4) above, the People's Court may organize the Shareholders, relevant agents and relevant professionals to establish a liquidation team in order to conduct the liquidation.

In the event of a failure to establish the liquidation team on time, the creditors may request the People's Court to designate the relevant persons to form the liquidation team for the purpose of carrying out the liquidation.

Where the Board of Directors decides to liquidate our Company due to causes other than areas in which our Company has declared that it is insolvent, the board of directors shall include a statement in its notice convening a general Shareholders' meeting to consider the liquidation to the effect that, after making full inquiry into the affairs of our Company, the Board of Directors is of the opinion that our Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the Shareholders in general meeting for the liquidation of our Company, all functions and powers of the Board of Directors shall cease.

The liquidation team shall act in accordance with the instructions of the general Shareholders' meeting to make a report at least once every year for the general meeting on the team's receipts and payments, the business of our Company and the progress of liquidation and to present a final report for the general meeting on completion of the liquidation.

Within 10 days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in newspaper within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or within 45 days of the date of the announcement if the notice is not received. The liquidation team shall carry out registration of the creditors' claims.

The liquidation team shall exercise the following powers during the liquidation period:

1. Take stock of our Company's assets and prepare a balance sheet and a list of assets, respectively;
2. Notify or publish an announcement to creditors;
3. Deal with and liquidate any pending business associated with our Company;
4. Pay off all outstanding taxes and taxes in connection with liquidation;
5. Settle claims and debts;

6. Dispose of the remaining assets of our Company after paying up all the debts; and

7. Represent our Company in any civil litigation proceedings.

After taking stock of the assets of our Company and preparing the balance sheet and list of properties, the liquidation team shall draw up a liquidation scheme and submit it to the Shareholders' meeting or the competent administrative authorities for recognition.

Our Company's assets shall be distributed for repayments in the following order: payment of liquidation expenses, staff wages, social security expenses and statutory compensation, payment of outstanding taxes, and payment of our Company's debts.

Our Company's residual assets after repayment of its debts in accordance with the preceding paragraph shall be distributed to its shareholders according to the class and proportion of their shareholdings.

During the liquidation period, our Company remains in existence; however, it shall not carry out any business activities irrelevant to the liquidation.

Our Company's assets shall not be distributed to its shareholders prior to repaying debts in accordance with the foregoing provisions.

17. OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

a) General Provisions

Our Company is a permanently existing joint stock limited liability company.

Our Company is an independent legal person entity, owns independent property of a corporate body, and is entitled to the property rights of a corporate body.

All capital of our Company is divided into shares with same par value per share. The rights and liabilities of the shareholders of our Company to our Company are limited to the shares subscribed to them, and our Company is liable for its debts to the extent of its entire assets.

Shareholders may institute legal proceedings against our Company pursuant to the Articles of Association; our Company may institute legal proceedings against its Shareholders pursuant to the Articles of Association; Shareholders may institute legal proceedings against other Shareholders pursuant to the Articles of Association; Shareholders may institute legal proceedings against the Directors, Supervisors, the general manager (Chief Executive Officer) and other senior management pursuant to the Articles of Association.

b) Our Company may increase stock capital by the following means:

1. Issuing new Shares to unspecified investors;

2. Issuing new Shares to specified investors;

3. Placing or giving new Shares to existing Shareholders;

4. Converting the reserve funds into share capital; or

5. Other means approved by the laws, administrative regulations and securities regulatory authorities of the State Council.

Upon approval to increase our Company's capital via an issue of new shares according to the provisions of the Articles of Association, the matter shall be dealt with in accordance with the procedures of related laws and administrative regulations of the State.

Subject to compliance with the Articles of Association, our Company may decrease its registered share capital. Where our Company decides to decrease its share capital, the matter shall be dealt with in accordance with our Company Law and other related administrative regulations and the Articles of Association.

If our Company decreases its registered capital, our Company must prepare a balance sheet and a list of properties.

After our Company's reduction in capital, the registered capital may not be less than the statutory minimum amount.

c) Shareholders

The Shareholders are persons lawfully holding Shares and whose names (titles) are already listed in the register of Shareholders.

Shares issued by our Company to domestic investors and subscribed for in RMB are known as Domestic Shares. Shares issued by our Company to overseas investors and subscribed for in foreign currencies are known as foreign Shares. Foreign Shares that are listed overseas are known as overseas listed foreign Shares. Overseas listed foreign Shares that are listed on Hong Kong Stock Exchange are known as H Shares, i.e., shares approved to be listed on Hong Kong Stock Exchange, using RMB as its par value, and using Hong Kong Dollar to conduct subscription and transaction.

Both domestic Shareholders and foreign Shareholders are ordinary Shareholders, entitled to the same rights and assuming the same obligations.

The rights of the ordinary Shareholders are as follows:

1. To receive distribution of dividends and other forms of benefits according to the number of Shares held;

2. To participate in or appoint a Shareholder proxy to participate in and exercise voting rights at the Shareholders' meeting;

3. To supervise and manage the business and operational activities, provide suggestions or submit queries;

4. To transfer the Shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

5. To obtain relevant information according to the provisions of the Articles of Association;

6. To participate in the distribution of the remaining assets of our Company according to the number of Shares held upon the termination or liquidation;

7. To request our Company to buy back their Shares if they vote against any resolutions adopted at the general Shareholders' meeting concerning the merger and division of our Company;

8. To institute a lawsuit with the People's court against activities in detriment to the interest of our Company or infringing the legal rights of the Shareholders pursuant to our Company Law or other laws, administrative regulations, claiming relevant rights; and

9. Other rights conferred by laws, administrative regulations, department rules, listing rules of the place where the shares are listed and the Articles of Association.

The chairman of the Board of Directors is responsible for signing Share certificates. Where the stock exchange on which the Shares are listed requires the other senior management to sign the Share certificates, they shall also be signed by other such personnel. The Share certificates shall become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the Share certificates is subject to the authorization of the Board of Directors. The signature of the chairman of the Board of Directors or other related senior management may also be printed on the Share certificates. Where our Company does not have the condition to issue and transact its shares in a paperless form, other regulations promulgated by the security regulatory administrative authorities and stock exchange of the place where the shares are listed shall apply.

If any person whose name appears in the register of Shareholders or requests to register his or her name (title) in the register of Shareholders loses his or her Share certificates (that is, "original Share certificates"), he or she may apply to our Company to reissue new Share certificates for those Shares (the "Relevant Shares").

In the event that a holder of Domestic Shares applies to our Company for a reissue after losing the Share certificates, the matter shall be dealt with pursuant to related provisions of the Company Law.

In the event a holder of overseas listed foreign Shares applies to the Company for reissue after losing the Share certificates, the matter shall be dealt with pursuant to the laws and rules of the stock exchange where the original register of holders of the overseas listed foreign Shares is kept, or other related provisions.

If a holder of overseas listed foreign Shares who lists in Hong Kong loses Share certificates and applies for a replacement issue, the Share certificates shall be issued in compliance with the following requirements:

1. The applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of Share certificates, as well as a statement that nobody else may request to be registered as a Shareholder with respect to the pertinent Shares.

2. Before deciding to issue new Share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the Shareholder with respect to the Shares.

3. If our Company decides to issue new Share certificates to the applicant, we shall publish an announcement in newspapers designated by the Board of Directors indicating that we plan to reissue new Share certificates; the announcement period shall be 90 days and the announcement shall be published at least once every 30 days.

4. Before publishing the announcement indicating the reissue of new Share certificates, our Company shall submit a copy of the announcement to be published to the securities exchange on which the Shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days.

   If the application for reissue of new Share certificates is not approved by the registered Shareholders of the related Shares, our Company shall mail the copy of the announcement to be published to the Shareholders.

5. In the event that nobody raises any objection to the reissue of new Share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (3) and (4) above, the new Share certificates may be reissued according to the application.

6. When reissuing new Share certificates, our Company shall immediately cancel the original Share certificates and register the cancellation and replacement issue on the register of Shareholders.

7. All expenses incurred by our Company from the cancellation of the original Share certificates and replacement issue of the new Share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

d) Shareholders Failing to Be Contacted

Our Company is entitled to sell the Shares of a holder of overseas-listed foreign Shares who is unable to be contacted under the circumstances indicated below in a way as the Board of Directors deems fit:

1. Our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period;

2. Upon expiration of the 12-year period, our Company publishes an announcement in at least one newspaper in the place where our Company is listed, indicating its intention to sell the Shares and notifies the stock exchange where such Shares are listed of such intention.

e) Regulations on the Powers of the Board of Directors and Convening the Board

The Board of Directors is responsible for the general Shareholders' meeting and exercises the following powers:

1. To convene the general Shareholders' meeting and report on progress to the general Shareholders' meeting;

2. To implement the resolutions of the general Shareholders' meeting;

3. To determine the business and investment plans;

4. To devise the annual financial budget and closing account plans;

5. To devise the earnings distribution and loss offset plans;

6. To formulate the plans for increasing or decreasing the registered capital and the issuance of corporate bonds;

7. To formulate the plans for corporate merger, separation, dissolution and changing the form of our Company;

8. To decide on the setup of our Company's internal management organization;

9. To appoint or dismiss the general manager (Chief Executive) of our Company; based on the nomination of the general manager (Chief Executive), appoint or dismiss the deputy general manager, the chief financial officer; appoint or dismiss the secretary of the Board of Directors, and determine their remuneration;

10. To set the basic management systems;

11. To make modification plans to the Articles of Association; and

12. To other powers and duties authorized by the laws, administrative regulations, listing rules of the place where the Shares of our Company are listed and the Articles of Association as well as the general Shareholders' meeting.

All of the above resolutions adopted by the Board of Directors, except those in (6), (7) and (11) and those that must be approved by no less than a two-thirds vote of the Directors otherwise specified in laws, administrative regulations, the Listing Rules and the Articles of Association, shall be approved by a simple majority of votes by the Directors.

Board meetings are divided into a general meeting and an extraordinary meeting. Meetings of the Board of Directors shall be convened at least four times a year and be called by the chairman of the Board of Directors. A notice of at least 14 days shall be sent to all Directors and Supervisors before the general meeting is convened and a notice of at least five days shall be sent to all Directors and Supervisors before the extraordinary meeting is convened. Where an extraordinary meeting needs to be convened due to an emergency, a meeting notice can be issued through telephone or other verbal manner at any time, provided that the convener shall make a clarification at the meeting.

An extraordinary Board meeting can be convened under any of the following situations:

a) When the shareholders representing over 10% of voting rights make a proposal;

b) When over one-third of directors make a proposal;

c) When the Supervisory Committee makes a proposal;

d) When the chairman of the Board of Directors deems necessary;

e) When over half of independent non-executive Directors make a proposal; or

f) When the general manager (Chief Executive Officer) makes a proposal.

The chairman of the Board of Directors shall convene and chair over the Board meeting within 10 days after the receipt of the proposal.

The Directors shall attend the Board of Directors meeting in person. In the event that Directors are unable to attend the meeting for some reason, the Directors may appoint in writing other Directors to attend the Board of Directors meeting. The proxy letter shall set forth the scope of authorization.

The Director who attends the meeting on behalf of another Director shall exercise the right of the Director within the scope of authorization. If any Director fails to attend the meeting of the Board of Directors or entrusts a proxy to be present on his/her behalf, such Director shall be deemed to have waived his/her voting rights at that meeting.

Meetings of the Board of Directors shall be attended by no less than one-half of the Directors (including Directors who appoint in writing other Directors to attend the Board of Directors in their place pursuant to the provisions of the Articles of Association) before the Board of Directors meeting can be convened.

Each Director has one vote. Save as otherwise provided in the Articles of Association, resolutions made by the Board of Directors must be approved by more than one-half of the Directors' votes. When the number of affirmative votes equals the number of dissenting votes, the chairman of the Board of Directors is entitled to one additional vote.

f) Independent Non-executive Director

An independent non-executive director is a director taking office in our Company only as a director, a member of the Board of Directors Special Committee or the chairman of the Board, and does not have any relation to the main Shareholder of our Company that may influence his/her independent objective judgment. The number of the independent non-executive directors shall be at least one-third of the total number of the members of the Board and cannot be less than three. There shall be at least one independent non-executive director who is equipped with proper professional qualification or is to some extent specialized in accounting or pertinent financial management, and there shall be at least one independent non-executive director who resides in Hong Kong.

g) Secretary of the Board of Directors

The secretary of the Board of Directors must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors.

h) Supervisory Committee

The Supervisory Committee consists of three Supervisors and includes one chairman. The Supervisors serve three-year terms and may be reelected.

The chairman of the Supervisory Committee shall be elected and dismissed by no less than a two-thirds vote of the members of the Supervisory Committee.

The Supervisory Committee shall consist of employee representative Supervisors, which account for no less than one-third of the Supervisory Committee of our Company; other supervisors shall be elected through the general Shareholders' meeting.

The Directors, general manager (Chief Executive) and other senior management shall not also serve as Supervisors.

The meetings of Supervisory Committee shall be divided into a general meeting and a special meeting. The Supervisory Committee shall convene at least one general meeting every six months, which shall be convened and chaired over by the chairman of the Supervisory Committee. A Supervisor can make a proposal to convene a special meeting of the Supervisory Committee. Where the chairman of the Supervisory Committee fails or refuses to perform his/her duties, a Supervisor appointed by more than half of the Supervisors of the Committee can convene and chair the meeting.

The Supervisory Committee shall be responsible to the general Shareholders' meeting and lawfully exercises the following powers:

1. Examine the financial standing of our Company;

2. Supervise the Directors and senior management to ensure that they do not, in performing their duties to our Company, act in contravention of any laws, administrative regulations, the Listing Rules, the Articles of Association or resolutions of the general Shareholders' meetings, and to put forward suggestions for dismissing any Directors or senior management who are in breach of the laws, administrative regulations, the Listing Rules, the Articles of Association or resolutions of the general Shareholders' meetings;

3. Require the Directors and senior management to take corrective measures when their actions are detrimental to the interests of our Company;

4. Verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a reexamination by the certified public accountants and practicing auditors;

5. Propose to convene an extraordinary general meeting, where the Board of Directors fails to perform the duties in relation to convening or presiding over the general Shareholders' meeting as required by the Company Law, to convene and preside over the general Shareholders' meeting;

6. Submit proposals at the general Shareholders' meetings;

7. Represent our Company in negotiating with or in bringing actions against the Directors and senior management; and

8. Other powers and duties stipulated in the Articles of Association.

The Supervisors may attend the Board meeting, query or provide suggestions on the resolutions of the Board meeting.

The Supervisory Committee may report to the CSRC and other competent authorities directly.

In the event that the Supervisory Committee finds any abnormal situation within our Company's operation, it may conduct investigations; if necessary, it may engage an accounting firm to assist in the investigations, the expenses of which shall be borne by our Company.

Meetings of the Supervisory Committee shall be held only when no less than two-thirds of the members are in attendance. Resolutions at the meetings of the Supervisory Committee shall be decided by an open poll and each supervisor shall have one vote. Supervisors shall attend meetings of the Supervisory Committee in person. If a supervisor is unable to attend the meeting for any reason, he or she may entrust other supervisors to attend the meeting on his or her behalf by signing a power of attorney, which shall state the scope of authorization.

Resolutions of the meeting of the Supervisory Committee shall be adopted by the Supervisors through no less than a two thirds vote.

i) President

Our Company shall have one general manager (Chief Executive Officer), who shall be appointed and removed by the Board of Directors; several deputy general managers, one chief financial officer, all of whom shall be appointed and removed by the Board of Directors after being nominated by the general manager (Chief Executive Officer).

The Board of Directors can decide whether the position of general manager (Chief Executive Officer) and other senior management shall be concurrently served by a member of the Board.

The general manager (Chief Executive Officer) and other senior management shall have a term of office for three years and can be reelected.

The general manager (Chief Executive Officer) is responsible to the Board of Directors and exercises the following powers:

1. Be in charge of the operational management of our Company, to organize the implementation of resolutions of the Board of Directors;

2. Organize the implementation of the annual operation plans and investment schemes of our Company;

3. Formulate the structure scheme of the internal management agency of our Company;

4. Formulate the basic management system of our Company;

5. Formulate the basic rules of our Company;

6. Propose the appointment or dismissal of the deputy general manager, financial officer or other senior management of our Company;

7. Appoint or dismiss other management except those who shall be appointed or dismissed by the Board of Directors; and

8. Other powers and duties authorized by the Articles of Association and the Board of Directors.

j) Reserves

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the earnings to the statutory reserve. When the total amount of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no more allocations need to be provided.

If the statutory reserve is insufficient to offset the losses incurred during the previous year, the earnings generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth in the preceding paragraph.

After allocation to the statutory reserve from the after-tax earnings of our Company, our Company may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the general Shareholders' meeting.

Where the Shareholders' meeting, the general Shareholders' meeting or the meeting of Board of Directors violate the preceding provisions and decides on the distribution of profits to shareholders prior to making up the losses of our Company and allocating to the legal reserve fund, shareholders must return the profit so distributed to our Company.

The shares held by our Company shall not be entitled to any profit distribution.

k) Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

1. Whenever any dispute or claim occurs between our Company and the Directors, Supervisors or senior management, holders of the overseas-listed foreign Shares and our Company, holders of the overseas-listed foreign Shares and our Company's Directors, Supervisors or other senior management, or holders of the overseas listed foreign Shares and holders of domestic Shares regarding the rights or obligations relating to the affairs of our Company conferred or imposed by contracts entered into in accordance with the Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

   Where an aforementioned dispute or claim of rights is referred to as arbitration, the dispute or claim must be referred in its entirety as arbitration; and any person (being our Company or a Shareholder, Director, Supervisor or other senior management of our Company) who has a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration.

   Disputes in relation to the identification of Shareholders and disputes in relation to the register of Shareholders need not be referred to as arbitration.

2. A claimant may elect to arbitrate at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects to arbitrate at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for the hearing to take place in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

3. If any disputes or claims of rights prescribed in clause (1) above are referred to as arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in the laws and administrative regulations.

4. The award of an arbitration body shall be final and conclusive and binding on all parties.

5. This arbitration agreement is reached between the Directors or senior management of our Company and our Company. Our Company represents itself as well as every Shareholder.

6. Any referral of the arbitration shall be deemed as authorizing the arbitral panel to conduct an open hearing and announce its award.

INFORMATION ABOUT OUR COMPANY

Establishment

Our Company was established as a limited liability company in the PRC on June 18, 2007 and was converted into a joint stock company with limited liability on January 6, 2011 under the laws of the PRC with a registered share capital of RMB3,080,329,038.

Our Company has established a place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on February 5, 2015. Ms. Leung Suet Lun, the assistant company secretary of our Company, has been appointed as our agent for the acceptance of service of process in Hong Kong whose correspondence address is 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix VI. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix V.

Changes in Share Capital

At the time of establishment as a limited liability company on June 18, 2007, our Company had a registered capital of RMB120 million.

On March 6, 2009, the registered capital of our Company increased from RMB120 million to RMB144,578,313 with the additional capital contribution of RMB15,519,756 and RMB9,058,557 made by Candlewood and Springwood, respectively.

On December 4, 2009, Tianjin Red Star was merged into our Company, after which the registered capital of our Company increased to RMB196,458,987 with the additional registered capital of RMB51,880,674 deemed as paid up by the then exisiting shareholders of Tianjin Red Star as consideration for the merger.

On June 1, 2010, our Company increased its registered capital from RMB196,458,987 to RMB222,419,638 with the additional capital contribution made by 11 investment companies.

On July 28, 2010, the registered capital of our Company was increased to RMB228,286,603 with the additional capital contribution made by three companies beneficially owned by the key employees of our Group.

On January 6, 2011, our Company was converted into a joint stock company with limited liability with a registered share capital of RMB3,000 million, comprising 3,000,000,000 shares with a nominal value of RMB1.00 each, which was subscribed by all the then existing shareholders with part of the audited net assets of our Company as of June 30, 2010.

On February 6, 2015, the registered capital of our Company was increased to RMB3,080,329,038 with the additional capital contribution made by Candlewood and Springwood.

As of the Latest Practicable Date, our Company had 3,080,329,038 issued Shares and a registered capital of RMB3,080,329,038. RSI, one of our Controlling Shareholders, was interested in 2,480,315,772 Shares representing 80.52% of the registered capital of our Company.

Immediately following completion of the Global Offering:

- assuming the Over-allotment Option is not exercised, the registered capital of our Company will be RMB3,623,917,038, comprising 1,546,001,069 H Shares and 2,561,103,969 Domestic Shares, representing approximately 29.33% and 70.67%, respectively, of the registered capital of our Company; or

- assuming the Over-allotment Option is fully exercised, the registered capital of our Company will be RMB3,705,455,038, comprising 1,700,017,069 H Shares and 2,561,103,969 Domestic Shares, representing approximately 30.88% and 69.12%, respectively, of the registered capital of our Company.

Save as aforesaid, as of the Latest Practicable Date, there had been no alterations of our share capital since our establishment.

Resolutions of our Shareholders

Pursuant to the general meetings held on March 5, 2015, the following resolutions, among other things, were passed by our Shareholders:

(a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 25% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Hong Kong Listing Rules; and

(d) authorization of the Board to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Our Subsidiaries

Our principal subsidiaries as of the Latest Practicable Date were set out in "Our History and Development" section of this prospectus. The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus:

(a) On March 25, 2013, the registered capital of Panjin Red Star Macalline Global Home Living Plaza Company Limited* (盤錦紅星美凱龍全球家居生活廣場有限公司) increased from RMB50 million to RMB90 million. As of the Latest Practicable Date, Panjin Red Star Macalline Global Home Living Plaza Company Limited* (盤錦紅星美凱龍全球家居生活廣

場有限公司) was held as to 51% by our Company and 49% by Panjin China Construction Investment Company Limited* (盤錦華源建設投資有限公司).

(b) On April 16, 2013, the registered capital of Wuhan Red Star Macalline Shibo Home Living Plaza Development Company Limited* (武漢紅星美凱龍世博家居廣場發展有限公司) increased from RMB20 million to RMB353 million, and the shareholding of Wuhan Red Star Macalline Shibo Home Living Plaza Development Company Limited* (武漢紅星美凱龍世博家居廣場發展有限公司), as a wholly owned subsidiary of our Company, remained unchanged.

(c) On April 22, 2013, the paid-up capital of Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited* (重慶紅星美凱龍中坤家居生活廣場有限責任公司) increased from RMB26 million to RMB100 million. As of the Latest Practicable Date, Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited* (重慶紅星美凱龍中坤家居生活廣場有限責任公司) was held as to 55% by our Company and 45% by Chonqing Zhongkun Property Development Company Limited* (重慶中坤房地產開發有限公司).

(d) On March 31, 2014, the registered capital of Wuxi Red Star Macalline Home Living Plaza Company Limited* (無錫紅星美凱龍家居生活廣場有限公司) increased from RMB100 million to RMB235 million and the shareholding of Wuxi Red Star Macalline Home Living Plaza Company Limited* (無錫紅星美凱龍家居生活廣場有限公司), as a wholly owned subsidiary of our Company, remained unchanged.

(e) On October 31, 2013, the registered capital of Shenyang Mingdu Furniture Plaza Company Limited* (瀋陽名都家居廣場有限公司) increased from RMB100 million to RMB255 million. As of the Latest Practicable Date, Shenyang Mingdu Furniture Plaza Company Limited* (瀋陽名都家居廣場有限公司) was held as to 60% by our Company and 40% by Zhejiang Borui Holding Group Company Limited* (浙江博瑞控股集團有限公司).

(f) On October 23, 2014, the registered capital of Shanghai Shanhai Art Furniture Company Limited* (上海山海藝術傢俱有限公司) increased from RMB150 million to RMB247.50 million. As of the Latest Practicable Date, the registered capital of Shanghai Shanhai Art Furniture Company Limited (上海山海藝術傢俱有限公司) was held as to 98% by our Company and 2% by Shanghai Shanhai Enterprise (Group) Company Limited* (上海山海企業 (集團) 有限公司).

(g) On November 26, 2014, the registered capital of Nanjing Red Star International Home Living Company Limited* (南京紅星美凱龍國際家居有限責任公司) increased from RMB100 million to RMB314.29 million and the shareholding of Nanjing Red Star International Home Living Company Limited* (南京紅星美凱龍國際家居有限責任公司), as a wholly owned subsidiary of our Company, remained unchanged.

(h) On February 4, 2015, the registered capital of Changsha Yinhong Home Living Company Limited* (長沙市銀紅家居有限公司) increased from RMB30 million to RMB250 million and the shareholding of Changsha Yinhong Home Living Company Limited* (長沙市銀紅家居有限公司), as a wholly owned subsidiary of our Company, remained unchanged.

Save as disclosed above, there has been no other alteration of the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

1. the capital increase and subscription agreement dated January 4, 2015 entered into among our Company, RSI, Springwood, Candlewood, Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership)* (北京瑞邦貝特創業投資中心(有限合夥)), WHWH Group Company Limited* (萬好萬家集團有限公司), Lasa Yaxiang Xingtai Investment Company Limited* (拉薩亞祥興泰投資有限公司), Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership)* (天津錦凱股權投資基金合夥企業(有限合夥)), Lianyungang Fairbay, Mianyang Science and Technology Park Industry Fund (Limited Partnership)* (綿陽科技城產業投資基金(有限合夥)), Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership)* (北京百年德誠創業投資中心(有限合夥)), Shanghai Yinping Investment Management Company Limited* (上海寅平投資管理有限公司), Shanghai Junyi Investment Consultancy Company Limited* (上海筠怡投資諮詢有限公司), Ping'an Pharmacy, Nantong Qianjun Construction Material Company Limited* (南通乾駿建築材料有限公司), Shanghai Jinghai, Shanghai Hongmei Investment and Shanghai Kaixing, pursuant to which Candlewood and Springwood further subscribed for 60,917,952 Shares and 19,411,086 Shares for the consideration of RMB328.3 million and RMB104.6 million (or the equivalent amount in foreign currency) respectively;
2. the termination agreement dated March 16, 2015 entered into between our Company and HuaAn Securities Co., Ltd. (華安證券股份有限公司) pursuant to which the sponsor's agreement and the underwriting agreement in connection with our Company's proposed issuance of A shares were terminated;
3. a cornerstone investment agreement dated June 11, 2015 entered into among our Company, BosValen Master Fund, China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司), Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司) and Citigroup Global Markets Asia Limited (花旗環球金融亞洲有限公司), pursuant to which BosValen Master Fund agreed to subscribe for our H Shares in the amount of US$30 million;
4. a cornerstone investment agreement dated June 11, 2015 entered into among our Company, China National Building Material Company Limited (中國建材股份有限公司), China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司) and Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司), pursuant to which China National Building Material Company Limited (中國建材股份有限公司) agreed to subscribe for our H Shares in the amount of US$50 million;
5. a cornerstone investment agreement dated June 11, 2015 entered into among our Company, Falcon Edge Global Master Fund, LP, China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司) and Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司), pursuant to which Falcon Edge Global Master Fund, LP agreed to subscribe for our H Shares in the amount of US$100 million;
6. a cornerstone investment agreement dated June 11, 2015 entered into among our Company, Hong Kong Gree Electric Appliances Sales Limited (香港格力電器銷售有限公司), China International Capital Corporation Hong Kong

Securities Limited (中國國際金融香港證券有限公司), Goldman Sachs (Asia) L.L.C. (高盛（亞洲）有限責任公司) and Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司), pursuant to which Hong Kong Gree Electric Appliances Sales Limited (香港格力電器銷售有限公司) agreed to subscribe for our H Shares in the amount of US$100 million;

7. a cornerstone investment agreement dated June 11, 2015 entered into among our Company, Shandong State-owned Assets Investment Holdings Co., Ltd. (山東省國有資產投資控股有限公司), China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), Goldman Sachs (Asia) L.L.C. (高盛（亞洲）有限責任公司) and Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司), pursuant to which Shandong State-owned Assets Investment Holdings Co., Ltd. (山東省國有資產投資控股有限公司) agreed to subscribe for our H Shares in the amount of US$50 million; and

8. the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which are material to our business:

No.	Trademark	Registration Number	Class	Period of Validity	Owner	Place of Registration
1 .	M 红星·美凯龙 MACALLINE	1931255	20	2012-8-7 till 2022-8-6	Company	PRC
2 .	M 红星·美凯龙 MACALLINE	1948720	37	2012-10-21 till 2022-10-20	Company	PRC
3 .	M 红星·美凯龙 MACALLINE	3087549	21	2013-5-21 till 2023-5-20	Company	PRC
4 .	M 红星·美凯龙 MACALLINE	3087550	20	2013-4-14 till 2023-4-13	Company	PRC
5 .	M 红星·美凯龙 MACALLINE	3087551	19	2013-4-28 till 2023-4-27	Company	PRC
6 .	M 红星·美凯龙 MACALLINE	3087552	11	2014-6-28 till 2024-6-27	Company	PRC
7	M 红星·美凯龙 MACALLINE	3087553	9	2013-5-14 till 2023-5-13	Company	PRC
8	M 红星·美凯龙 MACALLINE	3088169	37	2013-6-21 till 2023-6-20	Company	PRC
9	M 红星·美凯龙 MACALLINE	3088170	35	2013-6-7 till 2023-6-6	Company	PRC
10	M 红星·美凯龙 MACALLINE	3145364	35	2013-9-7 till 2023-9-6	Company	PRC
11	M 红星·美凯龙 MACALLINE	9514059	28	2012-7-7 till 2022-7-6	Company	PRC
12	M 红星·美凯龙 MACALLINE 全球家居品牌典范	9488084	20	2013-12-28 till 2023-12-27	Company	PRC
13	M 红星·美凯龙 MACALLINE 全球家居品牌典范	9488106	21	2014-1-14 till 2024-1-13	Company	PRC
14	M 红星·美凯龙 MACALLINE	9514771	38	2014-3-14 till 2024-3-13	Company	PRC
15	M 红星·美凯龙 MACALLINE	9514599	35	2012-8-14 till 2022-8-13	Company	PRC
16	M 红星·美凯龙 MACALLINE	9514670	36	2014-1-28 till 2024-1-27	Company	PRC
17	M 红星·美凯龙 MACALLINE	8286989	42	2014-3-14 till 2024-3-13	Company	PRC
18	M 红星·美凯龙 MACALLINE	9513874	9	2014-1-28 till 2024-1-27	Company	PRC
19	M 红星·美凯龙 MACALLINE 全球家居品牌典范	9488048	19	2014-1-28 till 2024-1-27	Company	PRC
20	M 红星·美凯龙 MACALLINE 全球家居品牌典范	9487964	9	2014-1-28 till 2024-1-27	Company	PRC
21	M 红星·美凯龙 MACALLINE 全球家居品牌典范	9488003	11	2014-1-28 till 2024-1-27	Company	PRC
22	M 红星·美凯龙 MACALLINE 全球家居品牌典范	9483451	42	2014-2-14 till 2024-2-13	Company	PRC
23	M 红星·美凯龙 MACALLINE	301597870	20	2010-4-26 till 2020-4-25	Company	HK
24	M 红星·美凯龙 MACALLINE	301668880	35	2010-7-21 till 2020-7-20	Company	HK

No.	Trademark	Registration Number	Class	Period of Validity	Owner	Place of Registration
25	M 红星·美凯龙 MACALLINE	N/065687	20	2013-5-10 till 2020-5-10	Company	Macau
26	M 红星·美凯龙 MACALLINE	N/065688	35	2013-5-10 till 2020-5-10	Company	Macau
27	M 红星·美凯龙 MACALLINE	N/065689	36	2013-5-10 till 2020-5-10	Company	Macau
28	M 红星·美凯龙 MACALLINE	01562089	20/35/36	2013-1-16 till 2023-1-15	Company	Taiwan
29	M 红星·美凯龙 MACALLINE	2012053284	20	2012-5-16 till 2022-5-16	Company	Malaysia
30	M 红星·美凯龙 MACALLINE	2012053285	35	2012-5-16 till 2022-5-16	Company	Malaysia
31	M 红星·美凯龙 MACALLINE	2012053286	36	2012-5-16 till 2022-5-16	Company	Malaysia

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which are material to our business:

No.		Trademark	Applicant	Class	Application Date	Intended Place of Registration
1	A	紅星•美凱龍	Company	20, 35	2015-1-26	Hong Kong
	B	红星•美凯龙				
2	A	MACALLINE	Company	20, 35	2015-1-26	Hong Kong
	B	MACALLINE				
	C	MACALLINE				
	D	MACALLINE				

As of the Latest Practicable Date, we had been licensed by Shanghai Jisheng Wellborn Furniture Company Limited* (上海吉盛偉邦家居市場經營管理有限公司), an Independent Third Party, to exclusively use the following trademarks:

No.	Trademark	Registration Number	Class	Period of Validity	Period of License	Place of Registration
1	吉盛伟邦	7536210	35	2010-12-7 till 2020-12-6	2014-6-1 till 2044-5-30	PRC
2	吉盛伟邦 国际家具村	5680816	35	2009-10-28 till 2019-10-27	2014-6-1 till 2044-5-30	PRC
3	吉盛伟邦	1388888	35	2010-4-21 till 2020-4-20	2014-6-1 till 2044-5-30	PRC
4	吉盛伟邦	4510347	35	2009-2-28 till 2019-2-27	2014-6-1 till 2044-5-30	PRC
5	JSWB	6824413	35	2010-8-14 till 2020-8-13	2014-6-1 till 2044-5-30	PRC
6	JSWB	7231087	35	2010-9-28 till 2020-9-27	2014-6-1 till 2044-5-30	PRC
7	JSWB	7536214	35	2010-12-7 till 2020-12-6	2014-6-1 till 2044-5-30	PRC
8	JSWB	5680819	35	2010-8-7 till 2020-8-6	2014-6-1 till 2044-5-30	PRC

Patents

As of the Latest Practicable Date, we had the following patents which are material to our business:

No.	Name of Patent	Patent No.	Type	Period of Validity	Owner	Place of Registration
1	Commercial building (商業用樓房)	ZL200830021729.2	Exterior design	2008-2-5 till 2018-2-4	Company	PRC
2	Commercial building (Zhenbei Shop) (商業用樓房(真北店))	ZL201030194914.9	Exterior design	2010-6-8 till 2020-6-7	Company	PRC
3	Commercial building (Wuzhong Shop) (商業用樓房(吳中店))	ZL201430067160.9	Exterior design	2014-3-27 till 2024-3-26	Company	PRC
4	Commercial building (Jinqiao Shop) (商業用樓房(金橋店))	ZL201430204664.0	Exterior design	2014-6-26 till 2024-6-25	Company	PRC

Domain Names

As of the Latest Practicable Date, we had registered the following material domain names:

No.	Domain Name	Owner	Registration Date	Expiration Date
1	www.chinaredstar.com	our Company	October 11, 2010	October 11, 2017
2	www.mmall.com	Shanghai Hongmei E-Commerce Company Limited* (上海紅美電子商務有限公司)	November 28, 1997	November 27, 2020
3	www.hxshop.com	Shanghai Red Star Macalline Jiapinhui E-Commerce Company Limited* (上海紅星美凱龍家品會電子商務有限公司)	December 9, 2005	December 9, 2021

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. DISCLOSURE OF INTERESTS

Save as disclosed below, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules.

(a) Interests in our Company

Name of Director	Title	Nature of Interest	Number of Securities	Approximate Percentage of Interest in relevant class of Shares of our Company immediately after the Global Offering (assuming no exercise of Over-allotment Option)
CHE Jianxing(車建興)	Chairman, Chief Executive Officer and Executive Director	Interest of controlled corporation	2,480,315,772	68.44%

(b) Interests in Associated Corporation

Name of Director	Title	Name of Associated Corporation	Nature of Interest	Approximate Percentage of Interest in the Associated Corporation
CHE Jianxing (車建興)	Executive Director	RSI(1)	Beneficial interest	92%
CHE Jianfang (車建芳)	Executive Director	RSI(1)	Beneficial interest	8%

Note:

(1) RSI is the holding company of our Company and therefore an "associated corporation" of our Company within the meaning of Part XV of the SFO. As of the Latest Practicable Date, RSI held 2,480,315,772 Domestic Shares of our Company which accounted for approximately 80.52% of the total share capital of the Company.

2. SUBSTANTIAL SHAREHOLDERS

For the information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please see "Substantial Shareholders" section of this prospectus.

So far as our Directors are aware, the following persons (other than our Directors, Supervisors or Chief Executive) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company:

Member of our Company	Person with 10% or more Interest	Approximate percentage of the interest
Shanghai Hongxin Oukai Home Living Company Limited* (上海虹欣歐凱家居有限公司)	Shanghai Hongxin Industrial Company Limited* (上海虹欣實業有限公司)	50%
Shanghai Red Star Macalline Home Living Market Management Company Limited* (上海紅星美凱龍家居市場經營管理有限公司)	Ms. JIN Yan (金燕)	10%
Shanghai Jinlilong Home Decorating Design Company Limited* (上海津麗龍裝飾設計工程有限公司)	Mr. TIAN Fengsheng (田豐盛)	20%
Shanghai Fengdilong Home Decorating Design Company Limited* (上海峰迪瀧裝飾設計工程有限公司)	Mr. FAN Qiushi (範求實)	20%
Shanghai Jiading Construction Home Decorating Design Company Limited* (上海家鼎建築裝飾設計工程有限公司)	Mr. QIU Weidong (邱衛東)	20%
Shanghai Yongdian Home Decorating Design Company Limited* (上海永典裝飾設計工程有限公司)	Mr. YU Yang (於洋)	30%
Shanghai Jingwang Home Decorating Design Company Limited* (上海景旺裝飾設計工程有限公司)	Mr. LIU Tongwang (劉同旺)	35%
Shanghai Zhenxing Home Decorating Company Limited* (上海臻星裝飾工程有限公司)	Mr. LV Jiming (呂吉明)	30%
Shanghai Jingdu Investment Company Limited* (上海晶都投資有限公司)	Shijiazhuang Mingdu Property Development Company Limited* (石家莊名都房地產開發有限公司)	49%
Beijing Xingkai Jingzhou Furniture Plaza Company Limited* (北京星凱京洲傢俱廣場有限公司)	Beijing Roman Furniture Plaza Company Limited* (北京羅馬諦家居廣場有限公司)	49%
Beijing Century Europe and America Business Investment Company Limited* (北京世紀歐美商業投資有限公司)	Beijing Chaoyang North Garden Industry Company* (北京市朝陽北花園工商公司)	20%
Beijing Hehe Juzhong Advertising Company Limited*(北京和合聚眾廣告傳媒有限公司)	Mr. WANG Zhangjun (王俊傑)	15%
	Mr. GUO Xiaowei (郭小偉)	15%
Changzhou Hongyang Home Living Plaza Company Limited*(常州紅陽家居生活廣場有限公司)	Changzhou Wujing Sanyang Shopping Centre Company Limited* (常州市武進三陽購物中心有限公司)	49%
Red Star Macalline Shibo (Tianjin) Home Living Plaza Company Limited* (紅星美凱龍世博 (天津) 家居生活廣場有限公司)	Zhejiang Mingdu Dongli Trade Company Limited* (浙江名都東麗商貿有限公司)	49%
Tianjin Red Star Macalline International Home Living Expo Company Limited*(天津紅星美凱龍國際家居博覽有限公司)	Tianjin Quanyechang (Group) Company Limited* (天津勸業場 (集團) 股份有限公司)	35%

Member of our Company	Person with 10% or more Interest	Approximate percentage of the interest
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited* (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	Chongqing Zhongkun Property Development Company Limited* (重慶中坤房地產開發有限公司)	45%
Chongqing Jiahuan Home Decorating Design Company Limited* (重慶家欣裝飾設計工程有限公司)	Mr. HE Liuwei (何柳葦)	30%
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited* (成都長益紅星美凱龍家居市場經營管理有限公司)	Chengdu Great Wall Industrial Group Company Limited* (成都長城實業集團有限公司)	50%
Chengdu Xinwu Home Decorating Design Company Limited* (成都心屋裝飾工程設計有限公司)	Mr. YU Hua (喻華)	35%
Chengdu Shangdingju Home Decorating Company Limited* (成都尚鼎居裝飾工程有限公司)	Ms. ZHAO Yuhong (趙玉紅)	30%
Changsha Yali Home Decorating Design Company Limited* (長沙雅禮裝飾設計工程有限公司)	Mr. WANG Huibin (王惠斌)	30%
Zhengzhou Red Star Macalline International Home Living Company Limited* (鄭州紅星美凱龍國際家居有限公司)	Zhejiang Mingdu Investment Company Limited* (浙江名都投資有限公司)	49%
Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited* (鄭州紅星美凱龍全球家居生活廣場經營管理有限公司)	Zhejiang Mingdu Investment Company Limited* (浙江名都投資有限公司)	49%
Wuhan Red Star Macalline Zhengda Logistics Company Limited* (武漢紅星美凱龍正達物流有限公司)	Wuhan Zhengda Logistics Company Limited* (武漢市正達物流有限公司)	42%
Shenyang Mingdu Furniture Plaza Company Limited* (瀋陽名都家居廣場有限公司)	Zhejiang Borui Holding Group Company Limited* (浙江博瑞控股集團有限公司)	40%
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited* (濟南紅星美凱龍世博家居生活廣場有限公司)	Shandong Lotus Group Company Limited* (山東芙蓉集團有限公司)	30%
Yantai Red Star Macalline Home Living Company Limited* (煙臺紅星美凱龍家居有限公司)	Yantai Leisure Yacht Company Limited* (煙臺樂天遊艇俱樂部有限公司)	49%
Panjin Red Star Macalline Global Home Living Plaza Company Limited* (盤錦紅星美凱龍全球家居生活廣場有限公司)	Panjin Huayuan Construction Investment Company Limited* (盤錦華源建設投資有限公司)	49%
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited* (長春紅星美凱龍世博家居生活廣場有限公司)	Mr. LIU Peng (劉鵬)	30%
Changchun Xingmei Home Decorating Company Limited* (長春星美家裝飾工程有限公司)	Mr. SUN Tiezeng (孫鐵增)	30%
Xi'an Red Star Macalline Home Living Plaza Company Limited* (西安紅星美凱龍家居生活廣場有限公司)	Shaanxi Weihua Industrial Company Limited* (陝西煒華實業有限公司)	25%
Daqing Red Star Macalline Shibo Home Living Company Limited* (大慶紅星美凱龍世博家居有限公司)	Daqing Xusheng Property Development Company Limited* (大慶旭生房地產開發有限公司)	30%
Langfang Kaihong Home Living Plaza Company Limited* (廊坊市凱宏家居廣場有限公司)	Langfang Property Development Company Limited* (廊坊市城區房地產開發有限公司)	30%

3. SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Each of our Directors entered into a contract with our Company in June 2015. The principal particulars of these service contracts comprise (a) a term of three years commencing from the date on which the relevant Shareholders' approvals for the appointment were obtained; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval and every Director is subject to retirement by rotation once every three years.

Each of our Supervisors entered into a contract with our Company in June 2015. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or Supervisors and any of the parties listed in "Qualification of Experts" of this Appendix is:

  (i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

  (ii) materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "Qualification of Experts" of this Appendix:

  (i) is interested legally or beneficially in any shares in any member of our Group; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five business customers or suppliers; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

Each of the Joint Sponsors will be paid by our Company a fee of US$900,000 to act as the sponsor to our Company in connection with the Global Offering.

Preliminary Expenses

Our estimated preliminary expenses are approximately HKD25,000 and are payable by our Company.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Goldman Sachs (Asia) L.L.C.	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) of regulated activities as defined under the SFO
Morgan Stanley Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Llinks Law Offices	PRC legal advisors
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
	Independent industry consultant
Frost & Sullivan	Independent industry consultant

Consents of Experts

Each of the experts referred to in "Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

Compliance Advisor

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Taxation of H Shareholders

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, please refer to "Appendix IV — Taxation and Foreign Exchange".

No Material Adverse Change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2014.

Binding Effect

This prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(j) our Company has no outstanding convertible debt securities or debentures;

(k) our Company is a sino-foreign joint stock limited company and is subject to the PRC Sino-foreign Joint Venture Law (中華人民共和國中外合資經營企業法); and

(l) our 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 as set out in Appendix 10 to the Hong Kong Listing Rules.

Restrictions on Share Repurchases

Please refer to "Appendix VI — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions and Appendix VII — Summary of Articles of Association" in this prospectus for details.

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The Promoters are RSI, Candlewood, Springwood, Lianyungang Fairbay, Shanghai Meilong, Shanghai Hongmei, Shanghai Xingkai, Ping'an Pharmacy, Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership)* (北京瑞邦貝特創業投資中心 (有限合夥)), Mianyang Science and Technology Park Industry Fund (Limited Partnership)* (綿陽科技城產業投資基金 (有限合夥)), Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership)* (天津錦凱股權投資基金合夥企業 (有限合夥)), Shanghai Yinping Investment Management Company Limited* (上海寅平投資管理有限公司), Beijing Yaxiang Xingtai Investment Company Limited* (北京亞祥興泰投資有限公司) (subsequently known as Lhasa Yaxiang Xingtai Investment Company Limited* (拉薩亞祥興泰投資有限公司)), Shanghai Junyi Investment Consultancy Company Limited* (上海筠怡投資諮詢有限公司), Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership)* (北京百年德誠創業投資中心 (有限合夥)), WHWH Group Company Limited* (萬好萬家集團有限公司) and Nantong Qianjun Construction Material Company Limited* (南通乾駿建築材料有限公司). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the Promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE, YELLOW and GREEN** application forms, (ii) the written consents referred to in the paragraph headed "Other Information — Consents of Experts" in Appendix VIII to this prospectus, and (iii) copies of each of the material contracts referred to in the paragraph headed "Further Information about our Business — Summary of Material Contracts" in Appendix VIII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Articles of Association;
2. the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set forth in Appendix I to this prospectus;
3. the audited consolidated financial statements of our Group for each of the three years ended December 31, 2012, 2013 and 2014;
4. the report in respect of the unaudited interim financial information of our Company, the text of which is set forth in Appendix II of this prospectus;
5. the report in respect of the unaudited pro forma financial information of our Company, the text of which is set forth in Appendix III to this prospectus;
6. the property valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the summary of which is set forth in Appendix IV to this prospectus;
7. the material contracts in the paragraph headed "Further Information about our Business — Summary of Material Contracts" in Appendix VIII to this prospectus;
8. the written consents referred to in the paragraph headed "Other Information — Consents of Experts" in Appendix VIII to this prospectus;
9. the service contracts referred to in "Further Information about Directors, Supervisors, Chief Executive and Substantial shareholders — Service Contracts" in Appendix VIII to this prospectus;
10. the legal opinions issued by Llinks Law Offices, our legal advisor as to the PRC law, in respect of certain aspects of our Group and the property interests of our Group;
11. the industry report issued by Frost & Sullivan;
12. the industry report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited; and
13. copies of the following PRC laws, together with unofficial English translations thereof:
    (i). the PRC Company Law;
    (ii). the PRC Securities Law;
    (iii). the Mandatory Provisions; and
    (iv). the Special Regulations.

红星·美凯龙
MACALLINE